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# VISION / MISSION / VALUES

## OUR VISION

Enabling people to advance with confidence and success.

## OUR MISSION

To make our Investor(s) prosper, our staff excel and create value for our stakeholders.

## OUR VALUES

Our values are based upon the fundamental principles that define our culture and are brought to life in our attitude and behavior. It is our values that make us unique and stem from five basic principles

- **Excellence**

The markets in which we operate are becoming increasingly competitive and our investors now have an abundance of choice. Only through being the very best - in terms of the service we offer, our product and premises - can we hope to be successful and grow.

- **Integrity**

We are an Asset Management Company in Pakistan and our success depends upon the performance of the Fund(s) which are under management and our investors and society in general expects us to possess an steadfastly adhere to high moral principle and professional standards.

- **Customer Focus**

We need to understand fully the need of our investors and to adopt our product and services to meet these. We must strive always to put the satisfaction of our investors first.

- **Meritocracy**

We believe in giving opportunities and advantage to our employees on the basis of their ability. We believe in rewarding achievement and in providing first class career opportunities for all.

- **Progressiveness**

We believe in the advancement of society through the adoption of enlightened working practice, innovative new products and processes and a sprit of enterprise.

## FUND AND CORPORATE INFORMATION

### Management Company

HBL Asset Management Limited.

### Board of Directors (As of August 26, 2016)

Chairman	Mr. Towfiq Habib Chinoy	(Independent Non-Executive Director)
Directors	Mr. Rehan N. Shaikh	(Executive Director & CEO)
	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Ms. Sima Kamil	(Non-Executive Director)
	Mr. Nadeem Abdullah	(Independent Non-Executive Director)
	Ms. Ava Ardeshir Cowasjee	(Independent Non-Executive Director)

### Audit Committee (As of August 26, 2016)

Chairman	Mr. Nadeem Abdullah	(Independent Non-Executive Director)
Members	Mr. Rizwan Haider	(Non-Executive Director)
	Mr. Ava A. Cowasjee	(Independent Non-Executive Director)

### Human Resource Committee

Chairperson	Mr. Towfiq Habib Chinoy	(Non-Executive Director)
Members	Ms. Sima Kamil	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director & CEO)

### Risk Management Committee

Chairman	Mr. Rizwan Haider	(Non-Executive Director)
Members	Mr. Salahuddin Manzoor	(Non-Executive Director)
	Mr. Rehan N. Shaikh	(Executive Director & CEO)

Company Secretary &  
Chief Financial Officer

Mr. Noman Qurban

External Auditors

KPMG Taseer Hadi & Co., Chartered Accountants,  
Sheikh Sultan Trust Building No 02  
Beaumont Road, Karachi-75530, Pakistan

Internal Auditors

Ernst Young Rhodes Sidat Hyder  
Progressive Plaza, Beaumont Road, 75530,  
Karachi, Pakistan.

Trustee

Central Depository Company of Pakistan Limited (CDC)  
CDC House, 99- B, Block "B", S.M.C.H.S, Main Shahra-e-Faisal, Karachi

Bankers

Dubai Islamic Bank  
Habib Bank Limited  
Bank Islami Pakistan Limited  
Bank Al-habib Limited

Legal Advisors

Mandviwalla & Zafar, Advocates and Legal Consultants,  
Mandviwalla Chambers, C-15, Block 2, Clifton, Karachi.

Website

[www.hblasst.com](http://www.hblasst.com)

Head Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

Registered Office

24-C, Khayaban-e-Hafiz, Phase VI, D.H.A., Karachi.

# DIRECTORS REPORT

The Board of Directors of HBL Asset Management Limited is pleased to present its report together with Financial Statements of **HBL Islamic Asset Allocation Fund** for the year ended June 30, 2016.

## Money Market Review

During the year State Bank Pakistan reduced the Discount Rate twice, from 7.00% to 6.50% in September 2015 and then 6.25% in May 2016 on the back of lower inflationary pressure and strong external accounts position. Due to decrease in Discount Rate, the T-bills secondary market yields decreased by a total of 105, 107 and 107 bps for 3, 6 and 12 months respectively. After a lag of about 1.5 years, the GoP issued an Ijarah Sukuk in December 2015 - approximately PKR 273 billion was offered via the Ijarah Sukuk, of which PKR 117 billion was accepted at a cutoff of 50 basis points below the 6-month T-Bill cutoff. The lack of fresh Sukuk offerings in the primary market and maturity of previously auctioned instruments has created serious shortage of risk free instruments in the market. This shortage has pushed down GIS trading yields well below its conventional counterparts.

Pakistan's economy continued to maintain its growth momentum for the 3rd year in a row with real GDP growing at 4.71% in FY16 which is the highest in eight years. CPI inflation for FY16 clocked in at 2.86% compared to 4.53% in the previous year, driven by lower oil and food prices. The current account deficit reduced by 6.8%, while as a % of GDP, the current account deficit stood at 0.9% of GDP in FY16 vs. 1.0% in the previous fiscal year. The country's foreign exchange reserves increased by 23% to USD 23 billion, driven by sizable inflows from the IMF and other lenders, combined with savings via low international oil prices. The surge in foreign exchange reserves resulted in relative stability in the exchange rate with PKR depreciating by a mere 2.8% against USD in the interbank market.

## Stock Market Review

The KMI-30 Index continued its positive momentum in FY 16 and posted 15.5% return for the year. Most of the gains for the year were concentrated in the 4th quarter of the year, where the announcement of Pakistan's upgrade from Frontier to Emerging Market status (with effect from May 2017), propelled the index higher. Nine stocks listed on the PSX would be included in the MSCI Emerging Markets Index, and Pakistan's total weight in the Index would be ~0.19%. In 9MFY16, the KMI-30 Index posted a nominal gain of 1.7% on an FYTD basis. This Shariah compliant index outperformed its conventional counterpart mainly because of the lack of bank stocks, which bore the brunt of the foreign selling in the first 3 quarters of the fiscal year. Additionally, its heavier concentration in some electricity stocks gave further impetus to its gain. In terms of sector performance, the best performing sectors were Pharmaceuticals (+37%) and Cement (+24%). Rising disposable income of the Pakistani consumer has boosted the popularity of consumer stocks among local and foreign investors, while the announcement of the China-Pak Economic Corridor (CPEC) project and several private sector construction projects propelled cement stocks higher. On the flip side, Multi-utilities (-13%) and Oil & Gas (-7%) were relative laggards due to the sharp decline in oil prices.

## FUND'S PERFORMANCE

The total income and net income of the Fund was Rs. 32.07 million and Rs.20.79 million respectively during the year ended June 30, 2016. The Net Asset Value (NAV) of the Fund was Rs 102.5411 per unit as on June 30, 2016 (after incorporating interim dividends at Rs 0.80 per unit) as on June 30, 2016; thereby giving an annualized return of 3.35%. During the same year the benchmark return (3 Month bank deposit rates) was 6.70%.

## INCOME DISTRIBUTION

During the year under review the Fund has distributed a Cash dividend of Rs. 0.80 per unit on June 28, 2016.

## RATING UPDATE

The JCR-VIS Credit Rating Company Limited (JCR-VIS) has harmonised asset manager rating at "AM2" to the Management Company while the Fund is currently not rated.

## AUDITORS

The existing Auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants retired. The Board of Directors, on the recommendation of the Audit Committee, has appointed M/s Deloitte Yousaf Adil., Chartered Accountants as Auditors of Fund for the next term.

## PATTERN OF UNIT-HOLDERS

The pattern of Unit-holding as on June 30, 2016 is given in respective notes to the financial statements.

## DIRECTORS' STATEMENT IN COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

This part of the Directors' report to unit-holders is given as required under section 236 of the Companies Ordinance 1984:

1. The financial statements, prepared by the management company of the Funds, present fairly the state of affairs of the Funds, the result of its operations, cash flows and statement of movement in unit holders' funds.
2. Proper books of account of Funds have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements.
5. The system of internal control is sound in design and has been effectively implemented and monitored.
6. There are no significant doubts upon the Funds' ability to continue as a going concern.
7. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
8. A summary of key financial data/performance table for 4 years is annexed.

9. The Directors, CEO, Executives and their spouses have made no transactions in the Fund's units during the year except as disclosed in respective notes to the financial statements of the Fund.
10. The Board of Directors of HBL Asset Management Limited held five meetings during the current financial year. The attendance of all directors is given in the following table:

Sr. No.	Name of Director	Number of meetings	
		Held	Attended
1	Mr. Towfiq H. Chinoy	5	4
2	Mr. Rehan N. Shaikh	5	5
3	Mr. Rizwan Haider	5	4
4	Mr. Salahuddin Manzoor	5	3
5	Mr. Salim Amlani	2	2
6	Ms. Sadia Khan	5	1
7	Ms. Sima Kamil	5	3
8	Mr. Ayaz Ahmed	3	3

11. The Board of Directors of HBL Asset Management Limited held the following board committee meetings during the current financial year with the attendances given in the following table:

a) **Audit Committee**

Sr. No.	Name of Director	Number of meetings	
		Held	Attended
1	Mr. Salim Amlani	2	2
2	Mr. Rizwan Haider	4	3
3	Mr. Salahuddin Manzoor	4	3
4	Mr. Ayaz Ahmed	1	1

b) **Risk Management Committee**

Sr. No.	Name of Director	Number of meetings	
		Held	Attended
1	Mr. Rizwan Haider	1	1
2	Mr. Salahuddin Manzoor	1	1
3	Mr. Rehan N. Shaikh	1	1

c) **Human Resource Committee**

Sr. No.	Name of Director	Number of meetings	
		Held	Attended
1	Ms. Sima Kamil	1	1
2	Mr. Rehan N. Shaikh	1	1
3	Mr. Salahuddin Manzoor	1	1
4	Ms. Sadia Khan	1	1

  
**BOARD OF DIRECTORS**

During the year Mr. Salim Amlani resigned from the Board of Directors of the company on November 03, 2015. The Board in its meeting held on February 09, 2016 co-opted Mr. Ayaz Ahmed as Director on the Board to fill the casual vacancy arising on resignation of Mr. Salim Amlani. The appointment of Mr. Ayaz Ahmed has been approved by SECP as required under NBFC Regulations, 2008.

The Board places on record their thanks and appreciation to Mr. Salim Amlani for his valuable contributions in the progress of the Company.

**Acknowledgement**

The Board takes this opportunity to thank its valued unit-holders for their confidence and patronage. It would like to place on record its appreciation for the help and guidance provided by Securities & Exchange Commission of Pakistan, Central Depository Company of Pakistan as Trustee, the Lahore Stock Exchange and State Bank of Pakistan.

The Board also wishes to place on record its appreciation for the hard work and dedication shown by the staff.

For and on behalf of the Board of  
HBL Asset Management Limited

**Rehan N. Shaikh**  
Chief Executive Officer  
Date: August 26, 2016  
Place: Karachi

## ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ :

ایچ بی ایل ایسیٹ منجمنٹ لمیٹڈ کا بورڈ 30 جون 2016ء کو ختم ہونے والے سال کے لئے ایچ بی ایل اسلامک ایسیٹ ایلوکیشن فنڈ کی رپورٹ مع اسکے مالیاتی گوشوارے پیش کرتے ہوئے خوش محسوس کرتا ہے۔

### بازار کا جائزہ :

سال کے دوران اسٹیٹ بینک پاکستان نے افراط زر کے کم ہوتے ہوئے دباؤ اور مستحکم بیرونی کھاتوں کی صورتحال کو مد نظر رکھتے ہوئے شرح سود دوبارہ کم کی ہیں، 6 ستمبر 2015ء میں 7% سے 6.5% اور مئی میں 6.25%۔ شرح سود میں کمی کی وجہ سے ٹی بلز سینڈری مارکیٹ نے 3، 6 اور 12 ماہ کی ترتیب کے لئے 105، 107 اور 107 بی بی ایس کی کمی حاصل کی۔ تقریباً ڈیڑھ سال کے وقفے کے بعد، حکومت پاکستان نے ستمبر 2015ء میں اجارہ سلوک جاری کئے، لگ بھگ 273 ارب روپے اجارہ سلوک کے ذریعے پیش کئے ہیں، جس میں 117 ارب روپے 50 سیس پوائنٹس کے کٹ آف نرخ پر قبول کئے گئے جو کہ 6 ماہ ٹی بل کٹ آف سے نیچے ہے، پرائمری مارکیٹ میں تازہ سلوک کی پیشکش اور پہلے سے نیلام کئے گئے، انسٹرومنٹس کی پیشگی میں کمی نے مارکیٹ میں خطرے سے آزاد انسٹرومنٹس کی سنجیدہ قلت پیدا کر دی ہے۔ اس قلت نے خطرے سے آزاد انسٹرومنٹس کی سنجیدہ قلت پیدا کر دی ہے۔ اس قلت نے جی آئی ایس ٹریڈنگ بافتوں (آمدن) کو اسکے روایتی حریفوں سے نیچے دھکیل دیا ہے۔

پاکستانی معیشت نے اپنی پیداواری رفتار مسلسل تیسرے سال میں بھی برقرار رکھتے ہوئے مالی سال 2016 میں حقیقی مجموعی ملکی پیداوار 4.71% تک برقرار رہی جو کہ گذشتہ 8 سالوں میں سب سے زیادہ ہے۔ مالی سال 2016 کے لئے کئی یومر پرائس انڈیکس افراط زر پچھلے سال کے 4.53% کے مقابلے میں 2.86% پر گھوم گیا جس کی وجہ تیل اور اجناس انڈیا کی اشیاء کی قیمتوں میں کمی ہے۔ کرنٹ اکاؤنٹ ڈیفیسٹ (جاری کھاتے میں کمی) 6.8% کی شرح سے کم ہو جبکہ مجموعی ملکی پیداوار کے فیصد کے مطابق پچھلے مالی سال میں 1% کے مقابلے میں مالی سال 2016 میں کرنٹ اکاؤنٹ ڈیفیسٹ مجموعی ملکی پیداوار کا 0.9% ہے۔ ملکی زرمبادلہ کے ذخائر 23 ارب امریکی ڈالر 23% زیادہ رہے جسکی وجہ آئی ایم ایف کے مدد سے قرض اور دیگر قرضے دینے والوں کی طرف سے رقم کی فراہمی مع عالمی سطح پر تیل کی قیمتوں میں کمی کے ذریعہ ہونے والی بچت ہے۔ زرمبادلہ کے ذخائر میں اضافے کا نتیجہ انٹرنیشنل مارکیٹ میں ڈالر کے مقابلے میں پاکستانی روپے کے شرح مبادلے میں صرف 2.8% کی کمی دیکھی گئی۔

### اسٹاک مارکیٹ کا جائزہ :

مالی سال 2016 میں کے ایم آئی 30 انڈیکس نے اپنی مثبت رفتار جاری رکھی اور سال کے لئے 15.5% منافع ظاہر کیا۔ سال کے لئے زیادہ تر فوائد سال کے چوتھے سہ ماہی میں مرکوز تھے۔ جس میں پاکستان کی مارکیٹ حقیقت فرنیٹیر سے ایمر جنگ تک بڑھانے کا اعلان ہوا (مئی 2017 سے موثر) نے انڈیکس کو مزید ادا پر کر دیا۔ پی ایس ایکس پر جو 9 اسٹاکس لسٹڈ ہیں انہیں ایم ایس سی آئی ایمر جنگ مارکیٹس میں پاکستان کا مجموعی وزن لگ بھگ 0.19% ہو جائے گا۔ مالی سال 2016 کے نوے مہینے میں کے ایم آئی 30 انڈیکس مالی سال تا حال (FYTD) کی بنیاد پر 1.7% کا عمومی فائدہ ظاہر کیا گیا ہے یہ شریعت سے ہم آہنگ انڈیکس اپنے روایتی حریف سے سبقت لے گیا ہے جس کی اہم وجہ بینک اسٹاکس کی کمی ہے، جس نے مالی سال کے پہلی تین سہ ماہیوں میں غیر ملکی فروخت کا بوجھ برداشت کیا۔ علاوہ ازیں اس کے کچھ ایکٹیو اسٹاکس میں بھاری ارتکاز نے اسکے فوائد میں مزید توانائی پیدا کی ہے۔ شعبہ جاتی کارکردگی والے شعبے تھے۔ پاکستانی صارف کی بڑھتی ہوئی قابل تصرف آمدن نے مقامی اور غیر ملکی سرمایہ کاروں میں کئی یومر اسٹاکس کی مقبولیت میں خوب اضافہ کیا ہے۔ جبکہ پاک چین اقتصادی امداری (CPEC) منصوبے کا اعلان اور کئی نئی شعبے کے تعمیراتی منصوبوں نے سینٹ اسٹاکس کو بلندی کی طرف مائل کر دیا۔ دوسری طرف ملٹی یوٹیلٹی (13%) اور تیل اور گیس (7%) نہایت سست ہے، جس کی وجہ تیل کی قیمتوں میں تیزی سے ہونے والی کمی تھی۔

### فنڈ کی کارکردگی :

فنڈ کی مجموعی آمدن اور خالص آمدن 30 جون 2016ء کو ختم ہونے والے سال کے دوران 32.07 ملین روپے اور 20.79 ملین روپے علی الترتیب تھیں۔ 30 جون 2016ء کے مطابق فنڈ کے اثاثہ جات کی خالص مالیت (NAV) 102.5411 روپے فی یونٹ 0.80 روپے فی یونٹ مجبوری منافع جات کی شمولیت کے بعد تھی، اسی طرح 3.35% کا سالانہ منافع فراہم کیا گیا، اسی سال کے دوران بیٹنگ مارک منافع (سہ ماہی بینک ڈپازٹ کی شرح میں) 6.7% تھی۔

### تقسیم آمدن :

زیر جائزہ سال کے دوران فنڈ 28 جون 2016ء پر 0.80 روپے فی یونٹ کا نقد منافع تقسیم کر چکا ہے۔

## تازہ ترین درجہ بندی :

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (JCR-VIS) نے منجھٹ کمپنی کو ایم 2 (AM2) کی ایسیٹ منیجر ریٹنگ سے ہم آہنگ کیا ہے جبکہ فنڈ کو فعال ریٹ نہیں کیا گیا۔

## آڈیٹرز :

موجودہ آڈیٹرز میسرز کے پی ایم جی تاثیر بادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس فارغ ہو رہے ہیں۔ آڈٹ کمیٹی کی غلط رشتات پر بورڈ آف ڈائریکٹرز نے آئندہ مدت کے لیے فنڈ کے آڈیٹرز کے طور پر میسرز ڈیلوئیٹ یوسف عادل، چارٹرڈ اکاؤنٹنٹس کو مقرر کیا ہے۔

## یونٹ ہولڈرز کے اسلوب :

30 جون 2016ء کے مطابق یونٹ رکھنے کے اسلوب مالیاتی گوشواروں کے متعلقہ ملاحظات یعنی یادداشت میں دیئے گئے ہیں۔

## ادارہ جاتی نظم کے ضابطے سے ہم آہنگ ڈائریکٹران کا بیان :

یونٹ ہولڈرز کی طرف ڈائریکٹرز رپورٹ کا یہ حصہ کمپنیز آرڈیننس 1984 کی شق 236 کی شرط کے تحت دیا گیا:

- 1- فنڈ کی انتظام کارکنی کی جانب سے تیار کردہ مالیاتی گوشوارے فنڈ کے امور کی حالت، اسکی کارگزاری کا نتیجہ، نقد کا بہاؤ اور فنڈ کے یونٹ ہولڈرز میں نقلی حرکت کے تذکرے کو منصفانہ طور پر پیش کرتے ہیں۔
- 2- فنڈ کے اکاؤنٹس کی بکس مناسب طور پر قائم رکھی گئی ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیز کو مسلسل استعمال میں لایا گیا ہے۔ اکاؤنٹنگ تخمینہ جات معقول اور محتاط فیصلوں پر مبنی ہیں
- 4- انٹرنیشنل اکاؤنٹنگ اسٹینڈرڈز جیسا کہ پاکستان میں لاگو ہیں، مالیاتی گوشوارہ کی تیاری میں اٹلی بیرونی کی جاتی ہے۔
- 5- انٹرنل کنٹرول کا نظام بالحاظ ڈیرائن مستحکم ہے اور اسے موثر طور پر نافذ کیا جاتا ہے اور اسکی نگرانی کی جاتی ہے۔
- 6- فنڈ کو جاری ساری رکھے جانے کی صلاحیت جیسا کہ حالیہ تشریح ہے پر کوئی قابل ذکر شک وشبہ موجود نہیں ہے۔
- 7- ادارہ جاتی نظم و نسق کی بہترین طور طریقوں پر کوئی اصولی انحراف، جیسا کہ درج ضوابط میں مفصل موجود ہے، نہیں ہے۔
- 8- کارگزاریوں کے 6 سالوں تک کے لئے، جہاں بھی اسکا اطلاق ہے، کلیدی مالیاتی ڈیٹا/ کارکردگی جدول کا خلاصہ منسلک ہے۔
- 9- ڈائریکٹرز، سی ای او، اور انکے زوج سال کے دوران فنڈ کے یونٹس میں سوائے اسکے کہ وہ فنڈ مالیاتی گوشواروں کے متعلقہ ملاحظات (یونٹس) میں مذکور ہیں، ان میں کوئی لین دین نہیں کر چکے ہیں۔



10- ایچ بی ایال ایسیٹ مینجٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز نے رواں مالی سال کے دوران پانچ اجلاس منعقد کئے ہیں۔ تمام ڈائریکٹرز کی حاضری درج ذیل جدول میں دی گئی ہے:

نمبر شمار	ڈائریکٹر کا نام	اجلاس کی تعداد	
		منعقدہ	حاضری
1	جناب توفیق ایچ چنائی	5	4
2	جناب رحمان این شیخ	5	5
3	جناب رضوان حیدر	5	4
4	جناب صلاح الدین منظور	5	3
5	جناب سلیم عالمانی	2	2
6	جناب سعید یہ خان	5	1
7	جناب سیماکامل	5	3
8	جناب ایاز احمد	3	3

11- ایچ بی ایل ایسیٹ مینجٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز نے رواں مالی سال کے دوران درج ذیل بورڈ کمیٹی اجلاس منعقد کئے، حاضری درج ذیل جدول میں درج ہے:

نمبر شمار	ڈائریکٹر کا نام	اجلاس کی تعداد		(الف) آڈٹ کمیٹی
		منعقدہ	حاضری	
1	جناب سلیم عالمانی	2	2	
2	جناب رضوان حیدر	4	3	
3	جناب صلاح الدین منظور	4	3	
4	جناب ایاز احمد	1	1	

(ب) رسک مینجمنٹ کمیٹی (خطرات کی نظم کار کمیٹی)

نمبر شمار	ڈائریکٹر کا نام	اجلاس کی تعداد	منعقدہ	حاضری
1	جناب رضوان حیدر	1	1	1
2	جناب صلاح الدین منظور	1	1	1
3	جناب ریحان این- شیخ	1	1	1

(ج) ہیومن ریسورس کمیٹی (انسانی وسائل کمیٹی)

نمبر شمار	ڈائریکٹر کا نام	اجلاس کی تعداد	منعقدہ	حاضری
1	جناب سہما کامل	1	1	1
2	جناب ریحان این- شیخ	1	1	1
3	جناب صلاح الدین منظور	1	1	1
4	جناب سعید یحیٰ خان	1	1	1

بورڈ آف ڈائریکٹرز:

روان سال کے دوران مورخہ 3 نومبر 2015ء جناب سلیم عالمانی کمیٹی کے بورڈ آف ڈائریکٹرز سے استعفیٰ دے دیا۔ بورڈ نے اپنے اجلاس منعقدہ 9 فروری 2016ء جناب ایاز احمد کو بطور ڈائریکٹر تقرری کر دی تاکہ جناب سلیم عالمانی کے استعفیٰ سے خالی ہونے والی عارضی نشست پر کردی جائے۔ جناب ایاز احمد کی تقرری این بی ایف سی ریگولیشنز 2008ء کے تحت درکار کے مطابق ایس ای سی پی سے منظور کرائی گئی ہے۔

بورڈ نے جناب سلیم عالمانی سے اگلی کمیٹی کی ترقی و کامرانی کے لئے گراں قدر خدمات پر اظہار تشکر و اعتراف ریکارڈ کرایا ہے۔

اعتراف:

بورڈ اس موقع کو غنیمت جانتے ہوئے قابل قدر پونٹ ہولڈرز سے اسکے اعتماد اور سرپرستی کے لئے اظہار تشکر کرتا ہے۔ بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، سٹیرل ڈپارٹری کمیٹی آف پاکستان بطور ٹرٹسٹ لاہور سٹاک ایکسچینج اور اسٹیٹ بینک آف پاکستان کی جوانب سے فراہم کردہ معاونت اور رہنمائی کا بھی دل کی گہرائی سے اعتراف کرتا ہے۔

بورڈ عملے (اسٹاف) کی جانب سے جانفشانی اور لگن کا قدر داں ہے۔

برائے و جناب  
ایچ بی ایل ایسٹ مینجمنٹ لیٹیڈ

ریحان این شیخ  
منتظم اعلیٰ

مورخہ 26 اگست 2016ء  
ہتھام کراچی۔

# FUND MANAGER REPORT

## Type and Category of Fund

Open end Shariah Complaint Asset Allocation Fund

## Investment Objective and Accomplishment of Objective

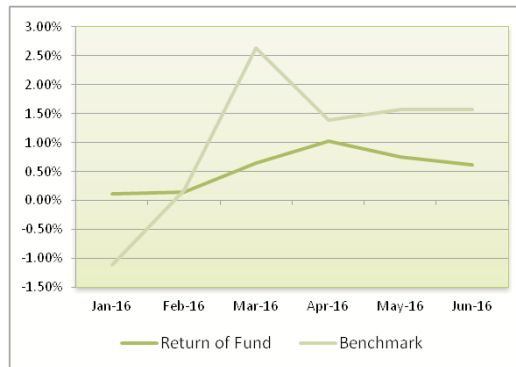
The objective of the Fund is to provide long-term capital growth and income by investing in multiple assets classes such as equity, equity related instruments, fixed income. HBL Islamic Asset Allocation Fund aims to provide superior returns through investments in Shariah Securities. The objective of the Fund has been achieved.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is 30% KMI 30-Index + 70% 6 Month deposit rate.

The comparison of the fund return with benchmark is given below

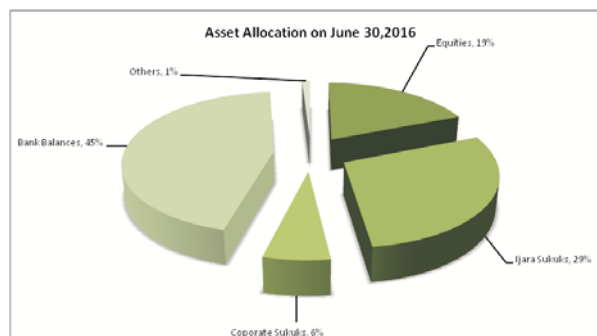
Month	Return of Fund	Benchmark
Jan-16	0.12%	(1.12%)
Feb-16	0.14%	0.17%
Mar-16	0.65%	2.63%
Apr-16	1.02%	1.39%
May-16	0.76%	1.57%
Jun-16	0.62%	1.57%



## Strategies and Policies employed during the Year

During the year under review the Fund has maintained its exposure in equity securities at 19% as on June 30, 2016. The Fund maintained its remaining investments in GOP Ijara Sukuks, Islamic Corporate Bonds and High rated bank deposits.

### Asset Allocation



## Fund Performance

The total income and net income of the Fund was Rs. 32.07 million and Rs.20.79 million respectively during the year ended June 30, 2016. The Net Asset Value (NAV) of the Fund was Rs 102.5411 per unit as on June 30, 2016 (after incorporating interim dividends at Rs 0.80 per unit) as on June 30, 2016; thereby giving an annualized return of 3.35%. During the same year the benchmark return (3 Month bank deposit rates) was 6.70%.

## Review of Market invested in

### Money Market Review

During the year State Bank Pakistan reduced the Discount Rate twice, from 7.00% to 6.50% in September 2015 and then 6.25% in May 2016 on the back of lower inflationary pressure and strong external accounts position. Due to decrease in Discount Rate, the T-bills secondary market yields decreased by a total of 105, 107 and 107 bps for 3,6 and 12 months respectively. After a lag of about 1.5 years, the GoP issued an Ijarah Sukuk in December 2015

- approximately PKR 273 billion was offered via the Ijarah Sukuk, of which PKR 117 billion was accepted at a cutoff of 50 basis points below the 6-month T-Bill cutoff. The lack of fresh Sukuk offerings in the primary market and maturity of previously auctioned instruments has created serious shortage of risk free instruments in the market. This shortage has pushed down GIS trading yields well below its conventional counterparts.

Pakistan's economy continued to maintain its growth momentum for the 3rd year in a row with real GDP growing at 4.71% in FY16 which is the highest in eight years. CPI inflation for FY16 clocked in at 2.86% compared to 4.53% in the previous year, driven by lower oil and food prices. The current account deficit reduced by 6.8%, while as a % of GDP, the current account deficit stood at 0.9% of GDP in FY16 vs. 1.0% in the previous fiscal year. The country's foreign exchange reserves increased by 23% to USD 23 billion, driven by sizable inflows from the IMF and other lenders, combined with savings via low international oil prices. The surge in foreign exchange reserves resulted in relative stability in the exchange rate with PKR depreciating by a mere 2.8% against USD in the interbank market.

#### Stock Market Review

The KMI-30 Index continued its positive momentum in FY 16 and posted 15.5% return for the year. Most of the gains for the year were concentrated in the 4th quarter of the year, where the announcement of Pakistan's upgrade from Frontier to Emerging Market status (with effect from May 2017), propelled the index higher. Nine stocks listed on the PSX would be included in the MSCI Emerging Markets Index, and Pakistan's total weight in the Index would be ~0.19%. In 9MFY16, the KMI-30 Index posted a nominal gain of 1.7% on an FYTD basis. This Shariah compliant index outperformed its conventional counterpart mainly because of the lack of bank stocks, which bore the brunt of the foreign selling in the first 3 quarters of the fiscal year. Additionally, its heavier concentration in some electricity stocks gave further impetus to its gain. In terms of sector performance, the best performing sectors were Pharmaceuticals (+37%) and Cement (+24%). Rising disposable income of the Pakistani consumer has boosted the popularity of consumer stocks among local and foreign investors, while the announcement of the China-Pak Economic Corridor (CPEC) project and several private sector construction projects propelled cement stocks higher. On the flip side, Multi-utilities (-13%) and Oil & Gas (-7%) were relative laggards due to the sharp decline in oil prices.

#### Stock Market Review

The KSE100 Index continued its upward journey in FY16, notching up a 9.8% return for the year, outperforming MSCI Frontier Market return of -15.3%. The majority of the annual gains for the KSE100 Index were realized in the 4th quarter of the year, when the market gained 14%, driven by the announcement that Pakistan would be upgraded from Frontier Market to Emerging Market status with effect from May 2017; for 9MFY16, the market had posted an FYTD loss of 3.7%. Nine stocks listed on the PSX would be included in the MSCI Emerging Markets Index, and Pakistan's total weight in the Index would be ~0.19%. In terms of sector performance, the best performing sectors were Pharmaceuticals (+37%), followed by Tobacco (+38%) and Cement (+24%). Rising disposable income of the Pakistani consumer has boosted the popularity of consumer stocks among local and foreign investors, while the announcement of the China-Pak Economic Corridor (CPEC) project and several private sector construction projects propelled cement stocks higher. On the flip side, Multi-utilities (-13%), Oil & Gas (-7%) and Commercial Banks (-3%) were relative laggards due to the sharp decline in oil prices and decade-low interest rates, which would curb spreads in the banking sector

#### Distribution

The Fund has distributed cash dividend at Rs. 0.80 per units for the year ended June 30, 2016.

#### Significant Changes in the State of Affairs

There were no significant changes in the state of affairs during the year under review.

#### Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	5	445
101 – 500	35	6,738
501 – 1,000	8	5,851
1,001 – 10,000	90	482,417
10,001 – 100,000	90	3,837,638
1,000,001 – 5,000,000	11	2,932,699
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	2	5,898,583
5,000,001 and above	-	-
<b>Total</b>	<b>241</b>	<b>13,164,371</b>

  
**Unit Splits**

There were no unit splits during the year.

**Circumstances materially affecting the Interest of Unit Holders**

Investments are subject to market risk.

**Soft Commission**

The Management Company from time to time receives research reports and presentations from brokerage houses.

## HBL ISLAMIC ASSET ALLOCATION FUND PERFORMANCE TABLE

	For the period from January 07,2015 to June 30,2016
<b>NET ASSETS AND PRICES</b>	
Net assets at the period end(Rs'000)	1,349,890
Net asset value per unit at the period end/period end(Rs)	102.5411
Selling price/repurchasing price	105.2531
Earning per unit(Rs) (note 3.10 )	100.00
Highest selling price per unit(Rs)	106.8742
Lowest selling price per unit(Rs)	100.00
Highest repurchase price per unit(Rs)	104.1204
Lowest repurchasing price per unit(Rs)	100.00
<b>RETURN ( % )</b>	
Total return	3.35%
Income distribution	0.80%
Capital growth	2.55%
<b>DISTRIBUTION</b>	
Final dividend distribution	0.80
Total dividend distribution for the year/ period	0.80
<b>AVERAGE RETURNS ( % )</b>	
Average annual return 1 year	3.35%
Average return since inception	3.35%

**Disclaimer:**

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

# PROXY DISCLOSURE

Summary of Actual Proxy voted by CIS

(g)

IAAF	Meetings	Resolutions	For	Against	Abstain*
Number	1	2	2	-	-
(%ages)		100%	100%	-	-

\*Reasons for abstaining shall be disclosed.

AMC did not participate in shareholders' meetings

Scrip	Meeting Dt	Meeting Type	Name of CIS
Engro Corporation Ltd	15-Apr-16	AGM	IAAF
Packages Limited	25-Apr-16	AGM	IAAF

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Tel: (92-21) 111-111-500

Fax: (92-21) 34326020 - 23

URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)

Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL 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 HBL Islamic Asset Allocation Fund (the Fund) are of the opinion that HBL Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period January 11, 2016 to June 30, 2016 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, September 29, 2016





## REVIEW REPORT OF THE SHARIH ADVISOR

As a shariah adviser of the **HBL Islamic Asset Allocation Fund**, I am issuing this report in accordance with 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 HBL Asset Management Limited, the management company, to establish and maintain a system on internal controls to ensure compliance with the Shariah guidelines. As a Shariah Adviser my responsibility is to express an opinion, based on my review of the representations made by the management, to the extent where such compliance can be objectively verified.

For screening investment in equities, I have advised criteria on the basis of the following:

- (i) Nature of business of the investee company.
- (ii) Debt to the total assets,
- (iii) Non-compliant investment to total assets and
- (iv) Non-compliant income to total revenue.

As part of my mandate as the Shariah Adviser to the Fund, I have reviewed the following, during the period:

- " The modes of investment of Fund's property and its compliance with Shariah guidelines.
- " The process of deployment of Fund's property and its compliance with Shariah guidelines.
- " The process of purification of income and its compliance with Shariah guidelines.

In light of the above scope, I hereby certify that all the provisions of the scheme and investments made by the Fund for the period from January 11, 2016 to June 30, 2016 are in compliance with the Shariah principles.

There are investments made by HBL Islamic Asset Allocation Fund where investee companies have earned a part of their income from non-compliant sources (eg, interest income). In such cases, the management company, in consultation with me, the Shariah Adviser of the Fund, have determined the Haram portion of the income of the Fund and marked to charity in order to purify the whole income. During the year investments were made in the shares of D.G Khan Cement Company Limited and Fauji Fertilizer Bin Qasim Limited which did not meet the screening criteria for shariah compliance and accordingly have been advised to be disposed off, however, after due consultation and as a matter of exception, purification of its income, where applicable, was allowed to the Fund.

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**Mufti Yahya Asim**  
( Shariah Advisor )

## STATEMENT OF COMPLIANCE WITH THE SHARIAH PRINCIPALES

**HBL Islamic Asset Allocation Fund** (the fund) has fully complied with the Shariah principles specified in Trust Deed and in the guideline issued by the Shariah Advisor for its operations, investment and placements made during for the period from January 11,2016 to June 30,2016.This has been duly confirmed by the Shariah Advisor of the Fund.

**Rehan N. Shaikh**  
Chief Executive Officer  
Dated: August 26,2016



KPMG Taseer Hadi & Co.  
Chartered Accountants  
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Internet www.kpmg.com.pk

## **Independent Assurance Report to the Unit Holders on the Statement of Compliance with the Shariah Principles**

We were engaged by the Board of directors of HBL Asset Management Limited, Management Company of HBL Islamic Asset Allocation Fund (the Fund), to report on Fund's Compliance with the Shariah principles as set out in the annexed statement prepared by the management company for the period from January 11, 2016 to June 30, 2016 in the form of an independent reasonable assurance conclusion about whether the annexed statement presents fairly, in all material respects, the status of the Fund's compliance with Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor as required under clause 8.3.1 of the Trust Deed of the Fund.

### **Management Company's Responsibilities**

The management company of the fund is responsible for preparing the annexed statement that is free from material misstatement in accordance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor. This responsibility includes designing, implementing and maintaining internal control relevant to the operations of the Fund in accordance with the Shariah principles and to ensure that Fund's investments and placements are made in compliance with Shariah principles.

The management company is also responsible for preventing and detecting fraud and for identifying and ensuring that the Fund complies with laws and regulations applicable to its activities. They are also responsible for ensuring that the management, where appropriate, those charged with governance, and personnel involved with the Fund's compliance with the Shariah principles are properly trained, systems are properly updated and that any changes in reporting encompass all significant business units.

### **Our Responsibilities**

Our responsibility is to examine the annexed statement prepared by the Management Company and to report thereon in the form of an independent reasonable assurance conclusion based on the evidence obtained. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE 3000) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' issued by the International Auditing and Assurance Standards Board. That standard requires that we plan and perform our procedures to obtain reasonable assurance about whether the annexed statement fairly presents the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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.



We have complied with the independence and other ethical requirements of the Code of Ethics for Chartered Accountants issued by the International Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with Shariah principles whether due to fraud or error. In making those risk assessments, we have considered internal control relevant to the operations of the Fund in accordance with the Shariah principles in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Fund's internal control. Reasonable assurance is less than absolute assurance.

As part of this engagement, we have not performed any procedures by way of audit, review or verification of the statement of the management assessment of compliance with the Shariah principles nor of the underlying records or other sources from which the annexed statement was extracted.

The procedures performed included:

1. Checking compliance of specific guidelines issued by the Shariah Advisor relating to charity, maintaining bank accounts and for making investments of the Fund.
2. Check that the Shariah Advisor has certified that investments made by the Fund during the period from January 11, 2016 to June 30, 2016 are in compliance with the Shariah principles and where required purification of income from non-compliant sources has been made in consultation with the Shariah Advisor.

#### **Conclusion**

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the annexed statement, in all material respects, presents fairly the status of the Fund's compliance with the Shariah principles specified in the Trust Deed and in the guidelines issued by the Shariah Advisor for the period from January 11, 2016 to June 30, 2016.

**Date: 26 August 2016**

**Karachi**

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

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016.

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No 5.19 of Listing Regulations of the Pakistan Stock Exchange for the purpose of establishing a framework of good Governance, whereby a listed Company is managed in compliance with the best practice of corporate governance.

HBL Asset Management Limited, the Management Company, is not listed and hence, the Code is not applicable to it. However, **HBL - Islamic Asset Allocation Fund** (the Fund) being listed at the Pakistan Stock Exchange comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Chief Executive Officer (CEO), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

HBL - Islamic Asset Allocation Fund is an open ended mutual fund and was listed on Pakistan Stock Exchange on July 20, 2016. The units of the Fund have been offered for public subscription on a continuous basis from January 07, 2016 to January 08, 2016.

1. The Management Company encourages representation of independent non-executive directors. As on June 30, 2016 the Board include following members:

Category	Names
Independent Directors	1. Mr. Nadeem Abdullah 2. Ms. Ava Ardeshir Cowasjee
Executive Director	1. Mr. Rehan N. Shaikh
Non-Exec utive Directors	1. Mr. Towfiq Habib Chinoy 2. Ms. Sima Kamil 3. Mr. Rizwan Haider 4. Mr. Muhammad Salahuddin Manzoor

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

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this 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. A casual vacancy occurred on the Board on November 03, 2015 which was filled up by the directors within 90 days thereof.
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. Further; it has also been placed on the Management Company's website.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of the particulars along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. 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 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. Five Directors have acquired formal training under "Directors' Training Program" duly approved by SECP during the year ended June 30, 2016. Two Directors had acquired the formal training in previous years.
10. The performance evaluation of the members of the Board including the chairman and chief executive was undertaken. A questionnaire for this purpose was approved by the BOD and circulated among the members of Board of Directors to complete.
11. Directors Report for the year ended June 30, 2016 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 of the Fund were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold units of the Fund other than those disclosed in note 17 to the financial statements "Transactions with Connected Persons / related parties".
14. The Company has complied with all the corporate and financial reporting requirements of the Code.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2016.

15. The Board has formed an Audit Committee which comprises of three members (however due to casual vacancy at the Board a meeting held on February 08, 2016 was attended by only two members) all of whom are non-executive directors. The Chairman of the Committee is also non-executive director. At present the Committee has no independent Director.
16. The meetings of the Audit Committee were held at least once every quarter. The meeting of Audit Committee was held prior to approval of interim and final results of the Fund, as required by the CCG. The term of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed an HR Committee. It comprises of three members, of whom 2 are non-executive directors and the Chairman of the HR committee is a non-executive Director.
18. The Company has outsourced its internal audit function to a reputable firm of Chartered Accountants who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company. The Company still has to designate Head of Internal Audit for coordination between the firm and the Audit Committee of the Board.
19. 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, that they or any of the partners of the firm, their spouse and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the net asset value per unit of the Fund's units, was determined and intimated to directors, employees and stock exchange.
22. Material / price sensitive information has been disseminated among all market participants at once through stock exchange.
23. We confirm that all other material principles enshrined in the CCG have been complied with while the Code of Corporate Governance requires that where any director, CEO or executive of a Fund or their spouses sell, buy or transact, whether directly or indirectly, in units of the Fund of which he is a director, CEO or executive, as the case may be, he shall immediately notify in writing to the Company Secretary of such transaction. During the year, no such transactions were notified to the Company Secretary in writing.

**Rehan N. Shaikh**  
Chief Executive Officer

Date:  
Place: Karachi



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

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### Review Report to the Unit Holders on Statement of Compliance with Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of **HBL Asset Management Limited** (“the Management Company”) for and on behalf of HBL Islamic Asset Allocation Fund (“the Fund”) for the period from January 11, 2016 to June 30, 2016, to comply with the Listing Regulation No. 5.19 (Chapter 5) of Pakistan Stock Exchange Limited where the Fund is listed.

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’s compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period from January 11, 2016 to June 30, 2016.

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph reference where these are stated in the Statement of Compliance:

S.No.	Paragraph reference	Description
1	15	Audit Committee composition

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.



KPMG Taseer Hadi & Co.

S.No.	Paragraph reference	Description
2	18	Appointment of Head of Internal Audit
3	23	Notification of transactions in units to Company Secretary from related parties

Date: 26 August 2016

Karachi

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





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## Independent Auditors' Report to the Unit Holders

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **HBL Islamic Asset Allocation Fund** ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2015 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' fund for the period from January 11, 2016 to June 30, 2016 and a summary of significant accounting policies and other explanatory notes.

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

The Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the 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 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 our 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, we consider internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at June 30, 2016 and of its financial performance, cash flows and transactions for the period from January 11, 2016 to June 30, 2016 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.



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: 26 August 2016

Karachi

KPMG Taseer Hadi & Co.  
KPMG Taseer Hadi & Co.  
Chartered Accountants  
Syed Iftikhar Anjum

## HBL ISLAMIC ASSET ALLOCATION FUND

### Statement of Assets and Liabilities

As at June 30, 2016

	Note	2016 (Rupees in '000)
<b>Assets</b>		
Bank balances	4	608,618
Investments	5	732,752
Dividend receivable and accrued mark-up	6	9,911
Preliminary expenses and flotation costs	7	974
Advances, deposits and other receivables	8	9,518
<b>Total assets</b>		<b>1,361,773</b>
<b>Liabilities</b>		
Payable to HBL Asset Management Limited - Management Company	9	6,522
Payable to Central Depository Company of Pakistan Limited - Trustee	10	218
Payable to Securities and Exchange Commission of Pakistan	11	377
Accrued expenses and other liabilities	12	4,766
<b>Total liabilities</b>		<b>11,883</b>
<b>Net assets</b>		<b>1,349,890</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,349,890</b>
		(Number of units)
<b>Number of units in issue</b>		<b>13,164,371</b>
		(Rupees)
<b>Net assets value per unit</b>		<b>102.5411</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

## HBL ISLAMIC ASSET ALLOCATION FUND

### Income Statement

As at June 30, 2016

	Note	(Rupees in '000)
<b>Income</b>		
Mark-up / return on investments	13	13,257
Mark-up on deposits with banks	14	5,865
Dividend income		3,639
Capital gain on sale of investments - net		9,079
		<u>31,840</u>
<b>Expenses</b>		
Remuneration of HBL Asset Management Limited - Management Company		8,785
Remuneration of Central Depository Company of Pakistan Limited - Trustee		981
Annual fee of Securities and Exchange Commission of Pakistan		377
Allocation of expenses related to registrar services, accounting, operation and valuation services	15	435
Securities transaction costs		147
Auditors' remuneration	16	319
Settlement and bank charges		55
Amortisation of preliminary expenses and floatation costs		101
Other expenses		77
		<u>11,277</u>
		20,563
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		226
<b>Net income for the period before taxation</b>		<u>20,789</u>
<b>Taxation</b>	17	-
<b>Net income for the period after taxation</b>		<u><u>20,789</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Comprehensive Income**  
*As at June 30, 2016*

	(Rupees in '000)
Net income for the period	20,789
<b>Other comprehensive income for the period</b>	
<i>Items to be reclassified to income statement in subsequent periods:</i>	
Net unrealised gain on re-measurement of investments classified as available for sale	17,061
<b>Total comprehensive income for the period</b>	<u><u>37,850</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Distribution Statement**  
*As at June 30, 2016*

	(Rupees in '000)
Net income for the period	20,789
Interim distribution for the year ended June 30, 2016: Rs. 0.80 per unit (Date of distribution: June 28, 2016) - Cash distribution	(10,460)
Undistributed income carried forward - realised	<u>10,329</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

**HBL ISLAMIC ASSET ALLOCATION FUND**  
**Statement of Movement in Unit Holders' Fund**  
*As at June 30, 2016*

	(Rupees in '000)
Issue of 13,620,625 units	1,369,285
Redemption of 456,254 units	<u>(46,559)</u>
	1,322,726
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement - net	(226)
Net income for the period	<u>20,789</u>
Net unrealised gain on re-measurement of investments classified as available for sale	17,061
<b>Total comprehensive income for the period</b>	<b>37,850</b>
Interim distribution for the year ended June 30, 2016: Rs. 0.80 per unit (Date of distribution: June 28, 2016) - Cash distribution	(10,460)
<b>Net assets at end of the period</b> [Rs. 102.5411 per unit]	<u><u>1,349,890</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director

## HBL ISLAMIC ASSET ALLOCATION FUND

### Cash Flow Statement

As at June 30, 2016

	Note	(Rupees in '000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period		20,789
<b>Adjustments</b>		
Amortisation of preliminary expenses and floatation costs		101
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		(226)
		<u>20,664</u>
<b>(Increase) in assets</b>		
Investments - net		(715,691)
Dividend receivable and accrued mark-up		(9,911)
Preliminary expenses and floatation costs		(1,075)
Advances, deposits and other receivables		(9,518)
		<u>(736,195)</u>
<b>Increase in liabilities</b>		
Payable to HBL Asset Management Limited - Management Company		6,522
Payable to Central Depository Company of Pakistan Limited - Trustee		218
Payable to Securities and Exchange Commission of Pakistan		377
Accrued expenses and other liabilities		4,766
		<u>11,883</u>
<b>Net cash used in operating activities</b>		<u>(703,648)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units		1,369,285
Payment against redemption of units		(46,559)
Cash dividend paid		(10,460)
<b>Net cash generated from financing activities</b>		<u>1,312,266</u>
<b>Net increase in cash and cash equivalents</b>		<u>608,618</u>
Cash and cash equivalents at beginning of the period		-
<b>Cash and cash equivalents at end of the period</b>	4	<u><u>608,618</u></u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

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

\_\_\_\_\_  
Director



# HBL ISLAMIC ASSET ALLOCATION FUND

## Notes to the Financial Statements

As at June 30, 2016

### 1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed, dated September 07, 2015, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on October 28, 2015.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24-C, Khayaban-e-Hafiz, Phase VI, D.H.A, Karachi, Pakistan.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The initial public offer period was from January 07, 2016 to January 08, 2016 (both days inclusive). The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange.

The primary objective of the Fund is to provide superior returns through investments in Shari'ah Compliant Equity Securities and Shari'ah Compliant Income/ Money Market Instruments.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2' to the Management Company while the Fund is currently not rated.

Title to the assets of the Fund are 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 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 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) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

#### 2.2 Standards, interpretations and amendments to approved accounting standards, that are not yet effective:

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after July 01, 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after January 01, 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Fund's financial statements.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after January 01, 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity. The amendments are not likely to have an impact on Fund's financial statements.
- Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after January 01, 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business. The amendments are not likely to have an impact on Fund's financial statements.
- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after January 01, 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendment is not likely to have an impact on Fund's financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after January 01, 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction. The amendments are not likely to have an impact on Fund's financial statements.

- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after January 01, 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after January 01, 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. cash flow and non-cash changes. The amendments are not likely to have an impact on Fund's financial statements.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after January 01, 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards. The amendments are not likely to have an impact on Fund's financial statements.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after January 01, 2016). The new cycle of improvements contain amendments to the following standards:
  - IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
  - IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
  - IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
  - IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on Fund's financial statements.

### 2.3 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise their judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments and impairment there against and provision for taxation (note 3.2, note 5 and note 17).

### 2.4 Accounting convention

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

### 2.5 Functional and presentation currency

These financial statement are presented in Pak Rupees, which is the Fund's functional and presentation currency.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### 3.1 Cash and cash equivalents

Cash and cash equivalents include bank balances, demand deposits with banks and other short term highly liquid investments with original maturities of three months or less.

## 3.2 Financial assets

### 3.2.1 Classification

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition.

The Fund classifies its financial assets in the following categories:

**a) Financial assets at fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

**b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

**c) Available for sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss.

### 3.2.2 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

### 3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

### 3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available for sale are valued as follows:

**a) Basis of valuation of Government Securities**

The government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

**b) Basis of valuation of equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the stock exchange.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Net gains and losses arising from changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Subsequent to initial recognition, financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

### 3.2.5 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement.

#### a) Equity securities

In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in income statement is reclassified from other comprehensive income to income statement. Impairment losses recognised on equity securities are not reversed through the income statement.

#### b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against loans and receivables is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company as per the requirements of Circular No. 13 of 2009 dated May 04, 2009 issued by the Securities and Exchange Commission of Pakistan.

### 3.2.6 Derecognition

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

### 3.2.7 Offsetting of financial instruments

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

### 3.3 Financial liabilities

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

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

### 3.4 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and include underwriting commission, commission to the bankers to the issue, brokerage paid to the members of the stock exchanges and other expenses. These costs are amortised over a period of five years from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

### 3.5 Provisions

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

### 3.6 Taxation

The income of the Fund is exempt from income tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account.

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

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. 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 realised or unrealised, to its unit holders every year in the form of cash.

### 3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors / Management Company during business hours on the date on which the distributors/ Management company received forms. 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 to units for which the distributors / Management company receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

### 3.8 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) and capital gains / (losses) included in prices of units issued 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 and capital gains included in the prices of units issued less those in units redeemed to the extent that it is represented by distributable income earned during the year is recognised in the income statement and the element of income and capital gains represented by distributable income carried forward from prior periods is included in the distribution statement.

### 3.9 Net Assets Value per unit

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

### 3.10 Earnings per unit (EPU)

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

### 3.11 Revenue recognition

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the year in which they arise.

### 3.12 Proposed distribution

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

<b>4. BANK BALANCES</b>	<i>Note</i>	<b>2016</b>
		<b>(Rupees in '000)</b>
Balances with banks in:		
PLS saving deposit accounts under shariah arrangements	4.1	606,968
Current account		1,650
		<u>608,618</u>
4.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 3.91% - 6.31% p.a .		
<b>5. INVESTMENTS</b>	<i>Note</i>	<b>2016</b>
		<b>(Rupees in '000)</b>
Available for sale		
- Listed equity securities	5.1	257,946
- Unlisted equity securities	5.2	642
- Government of Pakistan - Ijarah sukuk	5.3	394,164
- Privately placed sukuk certificates	5.4	80,000
		<u>732,752</u>

## 5.1 Listed equity securities - Available for sale

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

Name of the Investee Company	Number of Shares				Market value as at June 30, 2016	Gain / (loss) on investments (net)	Dividend income	Under All Shares Islamic Index	Market value as a percentage of total investments	Market value as a percentage of net assets	Par value as a percentage of issued capital of the investee company
	Purchases during the period	Bonus / Rights issue	Sales during the period	As at June 30, 2016							
------(Rupees in '000)-----											
<b>Pharma and Bio Tech</b>											
GlaxoSmithKline (Pakistan) Limited	58,500	-	9,100	49,400	10,231	(290)	138	Yes	1.40%	0.76%	0.02%
The Searle Company Limited	59,100	200	39,400	19,900	10,669	1,798	-	Yes	1.46%	0.79%	0.02%
	117,600	200	48,500	69,300	20,900	1,508	138		2.86%	1.55%	
<b>Engineering</b>											
Mughal Iron and Steel Industries Limited	268,000	-	-	268,000	18,007	-	-	Yes	2.46%	1.33%	0.21%
Amreli Steels Limited	250,500	-	-	250,500	11,779	-	-	Yes	1.61%	0.87%	0.08%
Crescent Steel and Allied Products Limited	217,400	-	93,900	123,500	14,154	(921)	574	Yes	1.93%	1.05%	0.16%
	735,900	-	93,900	642,000	43,940	(921)	574		6.00%	3.25%	
<b>Industrial Transport</b>											
Pakistan National Shipping Corporation	28,000	-	-	28,000	2,624	-	-	Yes	0.36%	0.19%	0.02%
	28,000	-	-	28,000	2,624	-	-		0.36%	0.19%	
<b>Household Goods</b>											
Pak Electron Limited	220,000	-	85,000	135,000	8,728	132	-	Yes	1.19%	0.65%	0.03%
	220,000	-	85,000	135,000	8,728	132	-		1.19%	0.65%	
<b>Personal Goods</b>											
Nishat Mills Limited	224,500	-	224,500	-	-	399	-	Yes	-	-	-
	224,500	-	224,500	-	-	399	-		-	-	-
<b>Construction and Materials</b>											
D.G.Khan Cement Company Limited	160,500	-	114,200	46,300	8,820	1,080	-	Yes	1.20%	0.65%	0.01%
Lucky Cement Limited	60,700	-	22,600	38,100	24,708	1,855	-	Yes	3.37%	1.83%	0.01%
Pioneer Cement Limited	161,000	-	67,500	93,500	10,042	310	-	Yes	1.37%	0.74%	0.04%
Kohat Cement Limited	48,100	-	23,000	25,100	6,574	(24)	-	Yes	0.90%	0.49%	0.02%
Cherat Cement Company Limited	95,000	-	-	95,000	11,359	-	-	Yes	1.55%	0.84%	0.05%
Fauji Cement Company Limited	297,500	-	150,000	147,500	5,281	(1,299)	-	Yes	0.72%	0.39%	0.01%
Maple Leaf Cement Factory Limited	179,000	-	84,000	95,000	10,023	495	-	Yes	1.37%	0.74%	0.02%
	1,001,800	-	461,300	540,500	76,807	2,417	-		10.48%	5.68%	
<b>General Industry</b>											
Packages Limited	46,500	-	46,500	-	-	3,892	488	Yes	-	-	-
	46,500	-	46,500	-	-	3,892	488		-	-	-
<b>Electricity</b>											
Hub Power Co. Limited	219,500	-	100,000	119,500	14,347	1,192	768	Yes	1.96%	1.06%	0.01%
K-Electric Limited (Rs. 3.5 each)	2,590,000	-	850,000	1,740,000	14,024	196	-	Yes	1.91%	1.04%	0.01%
	2,809,500	-	950,000	1,859,500	28,371	1,388	768		3.87%	2.10%	
<b>Automobile Assemblers</b>											
Honda Atlas Cars (Pakistan) Limited	46,500	-	31,000	15,500	5,566	625	-	Yes	0.76%	0.41%	0.01%
Pak Suzuki Motor Company Limited	23,000	-	19,000	4,000	1,529	(1,281)	-	Yes	0.21%	0.11%	0.00%
	69,500	-	50,000	19,500	7,095	(656)	-		0.97%	0.52%	
<b>Oil and Gas</b>											
Pakistan Oilfields Limited	58,000	-	33,000	25,000	8,687	259	403	Yes	1.19%	0.64%	0.01%
Pakistan Petroleum Limited	218,000	-	107,600	110,400	17,118	1,074	-	Yes	2.34%	1.27%	0.01%
Mari Petroleum Company Limited	14,500	-	-	14,500	13,169	-	-	Yes	1.80%	0.98%	0.01%
Pakistan State Oil Company Limited	62,800	-	62,800	-	-	801	210	No	-	-	-
	353,300	-	203,400	149,900	38,974	2,134	613		5.33%	2.89%	
<b>Food Producers</b>											
Engro Foods Limited	130,000	-	90,000	40,000	6,533	(3)	-	Yes	0.89%	0.48%	0.01%
	130,000	-	90,000	40,000	6,533	(3)	-		0.89%	0.48%	
<b>Chemicals</b>											
Engro Corporation Limited	118,000	-	46,000	72,000	23,974	365	1,058	Yes	3.27%	1.78%	0.01%
Engro Fertilizer Limited	107,000	-	107,000	-	-	(926)	-	Yes	-	-	-
Fatima Fertilizer Company Limited	240,000	-	240,000	-	-	(1,254)	-	Yes	-	-	-
Fauji Fertilizer Bin Qasim Limited	161,000	-	161,000	-	-	(180)	-	No	-	-	-
	626,000	-	554,000	72,000	23,974	(1,995)	1,058		3.27%	1.78%	
<b>Total</b>	<b>6,362,600</b>	<b>200</b>	<b>2,807,100</b>	<b>3,555,700</b>	<b>257,946</b>	<b>8,295</b>	<b>3,639</b>		<b>35.22%</b>	<b>19.09%</b>	
Cost of investments at June 30, 2016	<u>245,329</u>										

5.1.1 Investments include shares having market value aggregating to Rs. 32.82 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the SECP.

**5.2 Unlisted equity securities - Available for sale**

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

Name of the Investee Company	Number of shares			As at June 30, 2016	Carrying value as at June 30, 2016 (Rupees in '000)	Carrying value as a	
	Purchases during	Bonus / Rights issue	Sales during the period			Total Investments	Net Assets
<b>Pharma and Bio Tech</b>							
GlaxoSmithKline Consumer Healthcare Pakistan Limited	-	10,350	-	10,350	642	0.07%	0.05%
	-	10,350	-	10,350	642	0.07%	0.05%
	-	10,350	-	10,350	642	0.07%	0.05%
<b>Cost of investments at June 30, 2016</b>					<b>-</b>		

5.2.1 This represents shares of GlaxoSmithKline Consumer Healthcare Pakistan Limited, a subsidiary of GlaxoSmithKline plc, which were received due to demerger of GlaxoSmithKline Pakistan Limited on April 01, 2016. These are stated at break up value of Rs. 62 per share as trading in shares has not yet commenced. The Company has submitted its listing application with the Pakistan Stock Exchange Limited which is currently pending.

**5.3 Government of Pakistan - Ijarah sukuk**

Issue Date	Tenor	Face Value			Market Value as at June 30, 2016	Market value as a percentage of	
		Purchases during the period	Sales during the period	As at June 30, 2015		Total Investments	Net Assets
----- (Rupees in '000) -----							
February 15, 2016	3 Year	529,500	250,000	279,500	283,944	38.75%	21.03%
March 29, 2016	3 Year	410,000	300,000	110,000	110,220	15.04%	8.17%
		<b>939,500</b>	<b>550,000</b>	<b>389,500</b>	<b>394,164</b>	<b>53.79%</b>	<b>29.20%</b>
<b>Cost of investments at June 30, 2016</b>					<b>390,362</b>		

5.3.1 These Ijarah sukuks carry mark-up at the rate of 6.10% p.a. and 5.59% p.a. respectively.

#### 5.4 Privately placed sukuk certificates

Issue Date	Tenor	Number of certificates			Carrying value as at June 30, 2016	Carrying value as a percentage of	
		Purchases during the period	Sales during the period	As at June 30, 2016		Total Investments	Net Assets
(Rupees in '000)							
May 25, 2016	6 Months	16,000	-	16,000	80,000	10.92%	5.93%
		<b>16,000</b>	<b>-</b>	<b>16,000</b>	<b>80,000</b>	<b>10.92%</b>	<b>5.93%</b>
<b>Cost of investments at June 30, 2016</b>					<b>80,000</b>		

5.4.1 These certificates have been placed with Engro Fertilizer Limited carrying mark-up at the rate of 6 months KIBOR plus 0.4% per annum.

#### 5.5 Net unrealised appreciation on re-measurement of investments classified as available for sale

Note 2016  
(Rupees in '000)

Market value of investments	5.1, 5.2, 5.3 & 5.4	732,752
Less: Cost of investments		(715,691)
		<u>17,061</u>

#### 6. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP

Dividend receivable	1,131
Mark-up accrued on deposits with banks	720
Mark-up accrued on Privately placed sukuk certificates	533
Mark-up accrued on GoP Ijarah sukuk	7,527
	<u>9,911</u>

#### 7. PRELIMINARY EXPENSES AND FLOATATION COSTS

Cost incurred during the period	1,075
Less: amortised during the period	(101)
Closing balance	<u>974</u>

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC regulations.

#### 8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Note 2016  
(Rupees in '000)

Security deposit with National Clearing Company of Pakistan Limited	7,500
Security deposit with Central Depository Company of Pakistan Limited	100
Receivable against sale of shares	1,514
Prepaid expenses	15
Tax receivable on mark-up on bank deposits	389
	<u>9,518</u>



<b>9. PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>	<i>Note</i>	<b>2016</b> <b>(Rupees in '000)</b>
Management fee	9.1	<b>1,631</b>
Sindh Sales Tax	9.2	<b>267</b>
Sales load payable		<b>848</b>
Allocation of expenses related to registrar services, accounting, operation and valuation services		<b>101</b>
Security deposit with National Clearing Company of Pakistan Limited		<b>2,500</b>
Security deposit with Central Depository Company of Pakistan Limited		<b>100</b>
Preliminary expenses and flotation costs		<b>1,075</b>
		<b>6,522</b>

**9.1** Under the provisions of the Non-Banking Finance Companies & Notified Entities 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. The Management Company has charged its remuneration at the rate of 1.5 percent per annum for the current period.

**9.2** The Sindh Government had levied General Sales Tax at the rate of 14% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2015.

<b>10. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	<i>Note</i>	<b>2016</b> <b>(Rupees in '000)</b>
Trustee's remuneration	10.1	<b>191</b>
Sindh Sales Tax	10.2	<b>27</b>
		<b>218</b>

**10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified there in, based on the daily Net Asset Value (NAV) of the Fund.

**Tariff Structure :**

The trustee Remuneration shall consist of reimbursement of actual custodial expenses/ charges plus the following tariff:

<b>Amount of Funds Under Management (Average NAV)</b>	<b>Tariff per annum</b>
Upto Rs. 1,000 million	Rs. 0.7 million or 0.2% p.a. of NAV whichever is higher
On an amount exceeding Rs. 1,000million Upto Rs. 10,000 million	Rs. 2 million plus 0.1% p.a. of NAV, exceeding Rs. 1,000 million

**10.2** The Sindh Government had levied Sindh Sales Tax at the rate of 14% on the remuneration of the Central Depository Company of Pakistan through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2015.

<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	<i>Note</i>	<b>2016</b> <b>(Rupees in '000)</b>
Annual fee	11.1	<b>377</b>

**11.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as balanced scheme is required to pay as annual fee to the SECP, an amount equal to 0.085% of the average annual net assets of the scheme. The Fund has been categorised as a balanced scheme by the Management Company.

**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

Note 2016  
(Rupees in '000)

Auditors' remuneration payable		319
Charity payable	12.1	42
Federal Excise Duty	12.2	1,063
Withholding tax payable		1,649
Payable to HBL Islamic Money Market Fund against conversion of units		999
Payable to brokers		648
Other payable		46
		<u>4,766</u>

**12.1** In accordance with the instructions of the Shariah Advisor(s), any income earned by the Fund from investments whereby the portions of the investment of the investee company has been made in Shariah non-compliant avenues, such portion of the income of the Fund from those investments should be given away for charitable purposes directly by the Fund. During the current period the Fund has transferred an amount of Rs. 0.042 million to charity.

**12.2** As per the requirement of Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective June 13, 2013. The Management Company is of the view that since the remuneration is already subject to provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law.

The Honourable Sindh High Court (SHC) through its recent order dated June 02, 2016, in CPD-3184 of 2014 (and others) filed by various taxpayers, has interalia declared that Federal Excise Act 2005 (FED Act) on services, other than shipping agents and related services, is ultra vires to the Constitution from July 01, 2011. The Honourable Sindh High Court in its decision dated July 16, 2016 in respect of constitutional petition filed by the management companies of mutual funds has also granted relief to the management companies of mutual funds based on its order dated June 02, 2016.

Sindh revenue Board and Federal Board of Revenue have filed appeals before Honourable Supreme Court against the Sindh High Court's decision of June 02, 2016. Therefore, as a matter of abundant caution, without prejudice to the above, the Management Company has made a provision with effect from Jan 11, 2016, aggregating to Rs. 1.063 million. Had the provision not been made, the Net Assets Value (NAV) per unit of the Fund as at June 30, 2016 would have been higher by Rs. 0.0807 per unit. However, after the exclusion of the mutual funds from federal statute on FED from July 01, 2016, the Fund has discontinued making the provision in this regard.

**13. MARK-UP / RETURN ON INVESTMENTS**

For the period  
from January  
11, 2016 to  
June 30, 2016  
(Rupees in '000)

Privately placed sukuk certificates	533
GoP Ijarah sukuk	12,724
	<u>13,257</u>

**14. MARK-UP ON DEPOSITS WITH BANKS**

Mark-up on savings accounts	5,865
	<u>5,865</u>

**15. ALLOCATION OF EXPENSES RELATED TO REGISTRAR SERVICES, ACCOUNTING, OPERATION AND VALUATION SERVICES**

Securities and Exchange Commission of Pakistan through its SRO 1160(I)/2015 dated November 25, 2015 has revised the Non-Banking Finance Companies and Notified Entities Regulation, 2008. In the revised regulations a new clause 60(3)(s) has been introduced allowing the management company to charge "fees and expense related to registrar services, accounting, operation and valuation services related to CIS maximum upto 0.1% of average annual net assets of the Scheme or actual whichever is less" from the mutual funds managed by it.

The expenses represent the allocation of expenses relating to registrar services, accounting, operation and valuation services at 0.1% of average net annual assets of the fund with effect from November 25, 2015.

16. AUDITORS' REMUNERATION	For the period from January 11, 2016 to June 30, 2016 (Rupees in '000)
Statutory audit fee	250
Reporting on compliance with the Code of Corporate Governance	5
Shariah compliance audit fee	2
Reporting on receipts of fund from Initial Public Offer (IPO)	2
Reporting on Net Asset Value of the Fund at inception	3
Out of pocket expenses	57
	<u>319</u>

#### 17. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. 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 / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the Management Company has distributed at least 90 percent of the Fund's accounting income for the period from January 11, 2016 to June 30, 2016 as reduced by capital gains to its unit holders in the form of cash.

#### 18. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Central Depository Company of Pakistan Limited, being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company and directors of connected persons.

Transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in these financial statements are as follows:

18.1 Transactions during the year	For the period from January 11, 2016 to June 30, 2016 (Rupees in '000)
<b>HBL Asset Management Limited - Management Company</b>	
Management fee	8,785
Allocation of Expenses related to registrar services, accounting, operation and valuation services	435
<b>Habib Bank Limited - Sponsor</b>	
Issue of 1,007,846 units	100,800
Bank charges paid during the year	12
Mark-up earned during the year	2,316
Mark-up received during the year	2,217
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration	981
Central Depository system charges	29
<b>Executives and their relatives</b>	
Issue of 101 units	10

**18.2 Amounts outstanding as at year end**

	2016 (Rupees in '000)
<b>HBL Asset Management Limited - Management Company</b>	
Management fee	1,631
Sindh Sales Tax	267
Allocation of Expenses related to registrar services, accounting, operation and valuation services	101
Sales load payable	848
Preliminary expenses and flotation costs	1,075
<b>Habib Bank Limited - Sponsor</b>	
Investment held in the Fund: 1,007,846 units	103,346
Bank balances	12,923
Mark-up receivable on deposits with banks	99
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Remuneration payable	191
Sindh Sales Tax	27
Security deposit	100
<b>Executives of the Management Company and their relatives</b>	
Investment held in the Fund : 101 units	10
<b>HBL Islamic Money Market Fund - Associate</b>	
Payable to HBL Islamic Money Market Fund against conversion of units	999

**19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

Name	Designation	Qualification	Experience in years
1 Mr. Rehan N. Shaikh	Chief Executive Officer	B.Com	21
2 Mr. Amir Khan	Head of Research and Business Development	MBA	23
3 Mr. Emmad Hashmi	Fund Manager	MBA	9

**19.1** Mr. Emmad Hashmi is the Fund Manager of HBL Islamic Asset Allocation Fund. He has obtained a Master's degree in Business Administration. He is also the Fund Manager of HBL Mustahekam Sarmaya Fund 1, HBL Pension Fund and HBL Islamic Pension Fund.

**20. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

**Top ten brokers during the period ended from January 11, 2016 to June 30, 2016**

- 1 Al Habib Securities Limited
- 2 DJM Securities (Private) Limited
- 3 Foundation Securities (Private) Limited
- 4 Global Securities Pakistan Limited
- 5 Habib Metropolitan Financial Services
- 6 IGI Finex Securities Limited
- 7 KASB Securities
- 8 Next Capital Limited
- 9 Optimus Capital Management (Private) Limited
- 10 Pearl Securities Limited

**21. PATTERN OF UNIT HOLDING**

	2016		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	234	627,807	46.50%
Associated companies	1	103,346	7.66%
Banks	1	20,082	1.49%
Others	5	598,655	44.35%
	<b>241</b>	<b>1,349,890</b>	<b>100.00%</b>

## 22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 54th, 55th, and 56th board meetings were held on February 09, 2016, April 08, 2016 and April 29, 2016 respectively. Information in respect of attendance by directors in the meetings is as follows:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Towfiq Habib Chinoy	3	3	-	
2 Mr. Rehan N. Shaikh	3	3	-	
3 Mr. Rizwan Haider	3	3	-	
4 Mr. Salahuddin Manzoor	3	2	1	55th Meeting
5 Ms. Sadia Khan	3	-	3	54th, 55th and 56th Meeting
6 Ms. Sima Kamil	3	2	1	54th Meeting
7 Mr. Ayaz Ahmed	2	2	-	

## 23. FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of equity and money market investments such as shares of listed companies, government securities and in other money market instruments. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

### 23.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee 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.

#### 23.1.1 Currency risk

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

#### 23.1.2 Interest rate risk

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

##### a) Sensitivity analysis for variable rate instruments

As at June 30, 2016, the Fund does not hold any variable rate instruments that could expose the Fund to fair value interest rate risk.

##### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2016, the Fund holds sukuk and ijara sukuk certificates which are classified as available for sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in KIBOR and rates announced by the Financial Markets Association on June 30, 2016, with all other variables held constant, the net assets would have been lower by Rs. 10,616,800. In case of 100 basis points decrease in KIBOR and rates announced by the Financial Markets Association on June 30, 2016, with all other variables held constant, the net assets would have been higher by Rs. 10,813,471.

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

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

	Yield / Interest rate (%)	2016				
		Total	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
			Upto three months	More than three months and upto one year	More than one year	
<b>On-balance sheet financial instruments</b>		----- (Rupees in '000) -----				
<b>Financial assets</b>						
Bank balances	3.91 - 6.31	608,618	608,618	-	-	-
Investments	5.55 - 6.57	732,752	-	80,000	394,164	258,588
Dividend receivable and accrued mark-up		9,911	-	-	-	9,911
Preliminary and floatation cost		974	-	-	-	974
Advances, deposits and other receivables		9,503	-	-	-	9,503
		<u>1,361,758</u>	<u>608,618</u>	<u>80,000</u>	<u>394,164</u>	<u>278,976</u>
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company		6,522	-	-	-	6,522
Payable to Central Depository Company of Pakistan Limited - Trustee		218	-	-	-	218
Payable to Securities and Exchange Commission of Pakistan		377	-	-	-	377
Accrued expenses and other liabilities		3,703	-	-	-	3,703
		<u>10,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,820</u>
<b>On-balance sheet gap</b>		<u>1,350,938</u>	<u>608,618</u>	<u>80,000</u>	<u>394,164</u>	<u>268,156</u>
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap</b>		-	-	-	-	-

### 23.1.3 Price Risk

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

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KMI-30 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

Sector wise portfolio	2016	
	Fund's equity Portfolio %	KMI-30 benchmark Portfolio (%)
Pharma and Bio Tech	8.33%	4.21%
Construction and Materials	29.70%	26.24%
Electricity	10.97%	18.34%
Automobile Assemblers	2.74%	2.44%
Oil and gas	15.07%	20.64%
Food Producers	2.53%	2.32%
Chemicals	9.27%	20.51%
Industrial Transport	1.01%	1.14%
Household Goods	3.39%	1.68%
Others	16.99%	2.48%
<b>Total</b>	<u>100.00%</u>	<u>100.00%</u>

In case of 5% increase / decrease in KMI-30 index on June 30, 2016, with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 1.006 million as a result of gains / losses on equity securities classified as available for sale.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KMI-30 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KMI index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2016 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KMI-30 index.

### 23.2 Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. Credit risk arises from the inability of the counter party to fulfil their obligations. There is a possibility of default by participants or failure of the financial markets / stock exchanges, the depositories, the settlements or clearing system, etc.

The Fund's credit risk is primarily attributable to its investment in debt securities and government securities, balances with banks and advances, deposits and other receivables. The credit risk of the Fund is limited as the investments are made and balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Risk attributable to investment in government securities is limited as these are guaranteed by the Federal Government.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through the assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2016:

	2016 (Rupees in '000)
<b>Bank balances by rating category</b>	
A1+ (PACRA)	350,313
A1 (PACRA)	101,188
A-1 (JCR-VIS)	142,544
A-1+ (JCR-VIS)	14,573
	<u>608,618</u>
<b>Government of Pakistan - Ijarah sukuk</b>	<u>394,164</u>
<b>Privately placed sukuk certificates by rating category</b>	
AA- (PACRA)	<u>80,000</u>
<b>Dividend and profit receivable</b>	<u>9,911</u>
<b>Advances, deposits and other receivables</b>	<u>9,518</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2016 is the carrying amount of the financial assets. Concentration of credit risk

#### 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 creditworthy counterparties thereby mitigating any significant concentrations of credit risk.

### 23.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions of units. The Management Company manages the liquidity risk by monitoring maturities of financial assets and financial liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

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

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

	2016			
	Total	Upto three months	Over three months and upto one year	Over one year
	(Rupees in '000)			
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to HBL Asset Management Limited - Management Company	6,522	6,522	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	218	218	-	-
Payable to Securities and Exchange Commission of Pakistan	377	377	-	-
Accrued expenses and other liabilities	3,703	3,703	-	-
	<b>10,820</b>	<b>10,820</b>	-	-
Unit holder's fund	<b>1,349,890</b>	<b>1,349,890</b>	-	-

#### 24. UNITS HOLDERS' FUND RISK MANAGEMENT

The units holders' fund is represented by redeemable units. These units are entitled to distributions and to payment of a proportionate share, based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

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

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

In accordance with the risk management policies stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowing arrangements (which can be entered if necessary) or disposal of investments where necessary.

#### 25. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets (e.g. listed shares, treasury bills etc.) are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial assets (e.g. Treasury bills, Term finance certificates and Sukuks) that are not traded in an active market is determined with reference to the rates quoted by Financial Markets Association of Pakistan.

IFRS 13, 'Fair value measurement: Disclosures' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.



	Note	June 30, 2016							
		Carrying amount			Fair Value				
		Available- for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Investments									
- Listed equity securities		257,946	-	-	257,946	257,946	-	-	257,946
- Government of Pakistan - Ijarah sukuk		394,164	-	-	394,164	-	394,164	-	394,164
		<u>652,110</u>	<u>-</u>	<u>-</u>	<u>652,110</u>	<u>257,946</u>	<u>394,164</u>	<u>-</u>	<u>652,110</u>
<b>Financial assets not measured at fair value</b>									
Bank balances	25.1	-	608,618	-	608,618				
Investments									
- Un-Listed equity securities		642	-	-	642				
- Privately placed sukuk certificates		80,000	-	-	80,000				
Dividend receivable and accrued mark-up		-	9,911	-	9,911				
Advances, deposits and other receivables		-	9,503	-	9,503				
		<u>80,642</u>	<u>628,032</u>	<u>-</u>	<u>708,674</u>				
<b>Financial liabilities not measured at fair value</b>									
Payable to HBL Asset Management Limited - Management Company	25.1	-	-	6,522	6,522				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	218	218				
Payable to Securities and Exchange Commission of Pakistan		-	-	377	377				
Accrued expenses and other liabilities		-	-	3,703	3,703				
		<u>-</u>	<u>-</u>	<u>10,820</u>	<u>10,820</u>				

25.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or reprice frequently. Therefore, their carrying amounts are reasonable approximation of fair value.

**26. DISCLOSURE UNDER CIRCULAR 16 OF 2010 ISSUED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - CATEGORISATION OF OPEN END SCHEME**

The Securities and Exchange Commission of Pakistan vide Circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the said circular. The Management Company classified the Fund as Shariah Compliant Asset Allocation' in accordance with the said circular. As at June 30, 2016, the Fund is compliant with all the requirements of the said circular.

**27. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on **August 26, 2016**

**28. GENERAL**

Figures have been rounded off to the nearest thousand rupees.