

HBL

ASSET MANAGEMENT

ايسيت مينجمنت

HBL MustahekumSarmayaFund1

Annual Report 2016

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Mustahekam Sarmaya Fund-1

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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 Shakra-e-Faisal, Karachi

Bankers

Habib Bank Limited
Allied Bank Limited

Legal Advisors

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

Website

www.hblasset.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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

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

MARKET REVIEW

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 the 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. Further out on the yield curve, the secondary market yields of 3, 5 and 10 year PIBs fell by 187, 233, and 238 bps respectively. Thus, money market saw a flattening of the yield curve during the year.

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 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.

FUND'S PERFORMANCE

The total income and net income of the Fund was Rs. 137.91 million and Rs. 94.17 million respectively during the year ended June 30, 2016. The Net Asset Value (NAV) of the Fund increased from Rs 100.3807 per unit at June 30, 2015 to Rs 101.0812 per unit as on June 30, 2016 (after incorporating interim dividends at Rs 4.75 per unit); thereby giving an annualized return of 5.41%. During the same year the benchmark return was 2.63%. The size of the Fund decreased from Rs 1.93 billion as at June 30, 2015 to Rs. 1.91 billion at June 30, 2016.

INCOME DISTRIBUTION

During the year under review the Fund has distributed a Cash dividend of Rs. 4.75 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 not currently 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 up to six years of operations, wherever applicable 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 مستحکم سرمایہ فنڈ :

مجموعت کمپنی کے ڈائریکٹرز کی رپورٹ :

ایچ بی ایل ایسٹ میٹمنٹ لمیٹڈ کا بورڈ 30 جون 2016ء کو ختم ہونے والے سال کے لئے ایچ بی ایل مستحکم سرمایہ فنڈ کی رپورٹ مع اس کے مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کرتا ہے۔

مارکیٹ کا جائزہ :

سال کے دوران اسٹیٹ بینک پاکستان نے افراط زر کے کم ہونے دباؤ اور مستحکم بیرونی کھانوں کی صورتحال کو مد نظر رکھتے ہوئے شرح سود دو بار کم کی ہیں، ستمبر 2015ء میں 7% سے 6.5% اور مئی 2016ء میں 6.25% کر دیں۔ شرح سود میں کمی کی وجہ سے ٹی بلز سیکینڈری مارکیٹ نے 6.3 اور 12 ماہ ماہر علی الترتیب کے لئے کل 107، 105 اور 107 بی بی ایس کی کمی حاصل کی۔ خط یافت / آمدن پر مزید باہر 5، 3 اور 10 سال کی سیکنڈری مارکیٹ کی یافت / آمدنی بی بی آئی بی (PIBs) علی الترتیب 187، 233 اور 238 بی بی ایس کر گئی۔ لہذا سال کے دوران بازار زرنے ایک یکساں و سہوار خط یافت ملاحظہ کیا 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 / غذائی اشیاء کی قیمتوں میں کمی ہے۔ کرنٹ اکاؤنٹ ڈیفیسیٹ (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 ڈیفیسیٹ مجموعی ملکی پیداوار کا 0.9% ہے۔ ملکی زرمبادلہ کے ذخائر 23 ارب امریکی ڈالر 23% زیادہ رہے جسکی وجہ آئی ایم ایف کے طرف سے ضامی رقم اور دیگر قرضے دینے والوں کی طرف سے رقم کی فراہمی مع عالمی سطح پر تیل کی قیمتوں میں کمی کی 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 2016ء میں کے ایس ای 100 انڈیکس (KSE100) نے بلندی کی طرف اپنا سفر جاری رکھا، سال کے لئے 9.8% منافع کے حصول کے ساتھ 15.3% کے ایم ایس سی آئی فرنٹینئر مارکیٹ منافع سے بازی لے گیا۔ کے ایس ای 100 انڈیکس کے لئے سالانہ منافع کی اکثریت سال کی چوتھی سہ ماہی میں وقوع پذیر ہوئی، مئی 2017ء موثر پاکستان کی فرنٹینئر مارکیٹ سے ایبر جنگ مارکیٹ حیثیت پر اگلے کئے جانے کے اعلان سے کارفرما ہونے سے جب مارکیٹ نے 14% کا منافع حاصل کیا تو مالی سال کے نویں مہینے کے لئے مارکیٹ نے تاحال مالی سال (FYTD) کا 3.7% نقصان ظاہر کیا۔ پاکستان اسٹاک ایکسچینج پر لیسٹڈ 9 اسٹاکس ایم ایس سی آئی ایبر جنگ مارکیٹیں انڈیکس میں شامل ہو جانگے، اور پاکستان کا انڈیکس میں گھل وزن لگ بھگ (0.19%) ہوگا۔ شعبہ جاتی کارکردگی کے لحاظ سے ادویات سازی (+37%) اس کے بعد تمباکو (+38%) اور سمیٹ (+24%) بہترین کارکردگی والے شعبے تھے۔ پاکستانی صارف کی بڑھتی ہوئی قابل تصرف آمدنی نے مقامی اور غیر ملکی سرمایہ کاروں میں کئی یومر اسٹاکس (اشیاء صرف کے حصص) کی مقبولیت میں اضافہ کیا ہے۔ جب کہ پاک چین اقتصادی اہدائی (CPEC) منصوبے کے اعلان اور نجی شعبے کے کئی تعمیراتی منصوبوں نے سمیٹ اسٹاکس کو بلندی کی طرف مائل کر دیا۔ دوسری طرف ملٹی ایسٹ پیٹیلینز (-13%) اور تیل اور گیس (-7%) نسبتاً سست رہے جس کی وجہ تیل کی قیمتوں میں تیزی سے ہونے والی کمی اور دھائی میں سب سے کم سود کی شرحیں تھیں، جس سے تجارتی بینکوں (-3%) نے بھی سست روی ظاہر کی اور بینکاری شعبے پھیلاؤ کو قابو میں رکھا۔

فنڈ کی کارکردگی :

فنڈ کی مجموعی آمدنی اور خالص آمدنی 30 جون 2016ء کو ختم ہونے والے سال کے دوران 137.91 ملین روپے اور 94.17 ملین روپے علی الترتیب تھیں۔ 30 جون 2016ء کے مطابق فنڈ کے اثاثہ جات کی خالص مالیت (NAV) 100.3807 روپے فی یونٹ بڑھ کر 30 جون 2016ء پر 101.0812 روپے فی یونٹ (4.75 روپے فی یونٹ عبوری منافع جات کی شمولیت کے بعد) ہو گئی، اس طرح 5.41% کا سالانہ منافع فراہم کیا گیا۔ اس سال کے دوران بیچ مارک منافع 2.63% تھا۔ فنڈ کا حجم، 30 جون 2015ء کے مطابق 1.93 ارب روپے سے گھٹ کر 30 جون 2016ء پر 1.91 ارب روپے ہو گئی۔

تقسیم آمدنی:

زیر جائزہ سال کے دوران فنڈ نے 28 جون 2016ء پر 4.75 روپے فی پونٹ نقد منافع تقسیم کیا۔

تازہ ترین درجہ بندی:

جس آ آر وی آئی ایس کریڈٹ ریٹنگ لمیٹڈ (JCR-VIS) نے منجٹ کمپنی کو ایم 2 (AM2) کی ایسیٹ منیجر ریٹنگ سے ہم آہنگ کیا ہے جبکہ فنڈ کو فعال درجہ بند نہیں کیا گیا۔

آڈیٹرز:

موجودہ آڈیٹرز ڈیمیسرز کے پی ایم جی تا شری ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹینٹس 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 ڈی بلوٹیسٹ یوسف عادل، چارٹرڈ اکاؤنٹینٹس کو مقرر کیا ہے۔

پونٹ ہولڈرز کے اسلوب:

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

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

پونٹ 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 فنڈز کے امور کی حالت، اسکی کارگزاری کا نتیجہ، نقد کا بہاؤ اور فنڈ کے پونٹ ہولڈرز میں نقلی و حرکت کے تذکرے کو منصفانہ طور پر پیش کرتے ہیں۔
- 2- فنڈز کے اکاؤنٹس کی بگس مناسب طور پر قائم رکھی گئی ہیں۔
- 3- مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو مسلسل استعمال میں لایا گیا ہے۔ اکاؤنٹنگ تخمینہ جات معقول اور محتاط فیصلوں پر مبنی ہیں
- 4- انٹرنیشنل اکاؤنٹنگ اسٹیڈیڈ ریڈز جیسا کہ پاکستان میں لاگو ہیں، مالیاتی گوشواروں کی تیاری میں اٹلی بیرونی کی جاتی ہے۔
- 5- انٹرنل کنٹرول کا نظام بالفاظ 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 ٹنک و شبہ موجود نہیں ہے۔
- 7- ادارہ جاتی نظم و نسق کی بہترین 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 پونٹس میں سوائے اسکے کہ وہ فنڈ مالیاتی گوشواروں کے متعلقہ ملاحظات (پونٹس) میں مذکور ہیں، ان میں کوئی لین دین نہیں کر چکے ہیں۔
- 10- ایچ بی یال ایسیٹ منجٹ 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	حاضر
1	جناب توفیق ایچ چنائی	5	4
2	جناب ریحان این شیخ	5	5
3	جناب رضوان حیدر	5	4
4	جناب صلاح الدین منظور	5	3
5	جناب سلیم عالمانی	2	2
6	جنابہ سعید یہ خان	5	1
7	جنابہ سیمہ کامل	5	3
8	جناب ایاز احمد	3	3

11- ایچ بی ایل ایس ایٹ مجنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز نے رواں مالی سال کے دوران درج ذیل بورڈ کمیٹی اجلاس منعقد کئے، حاضر درج ذیل جدول میں درج ہے:

نمبر شمار	ڈائریکٹر کا نام	اجلاس کی تعداد	
		منعقدہ	حاضر
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 مجنٹ کمیٹی (خطرات کی نظم کار کمیٹی)

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

(ج) ہیومن ریسورس کمیٹی (انسانی وسائل کمیٹی)

نمبر شمار	ڈائریکٹر کا نام	اجلاس کی تعداد	منعقدہ	حاضری
1	جنابہ سیمہ کامل	1	1	1
2	جناب ریحان این شیخ	1	1	1
3	جناب صلاح الدین منظور	1	1	1
4	جنابہ سعدیہ خان	1	1	1

بورڈ آف ڈائریکٹرز:

رواں سال کے دوران مورخہ 3 نومبر 2015ء جناب سلیم عالمانی کمپنی کے بورڈ آف ڈائریکٹرز سے استعفیٰ دے دیا۔ بورڈ نے اپنے اجلاس منعقدہ 9 فروری 2016ء جناب ایاز احمد کو بطور ڈائریکٹر تقرری کردی تاکہ جناب سلیم عالمانی کے استعفیٰ سے خالی ہونے والی عارضی نشست پر گہری 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 انکی کمپنی 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 یونٹ ہولڈرز سے انکے اعتماد اور سرپرستی کے لئے اظہار تشکر کرتا ہے۔ بورڈ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، سنٹرل ڈپارٹمنٹ آف پاکستان بطور ٹرسٹی 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 قدرداں ہے۔

برائے دیکھنا

ایچ بی ایل ایس ایف مینجمنٹ لمیٹڈ

ریحان این شیخ

منتظم اعلیٰ

مورخہ 26 اگست 2016ء

بمقام کراچی۔

FUND MANAGER REPORT

Type and Category of Fund

Open end Capital Protected Scheme

Investment Objective and Accomplishment of Objective

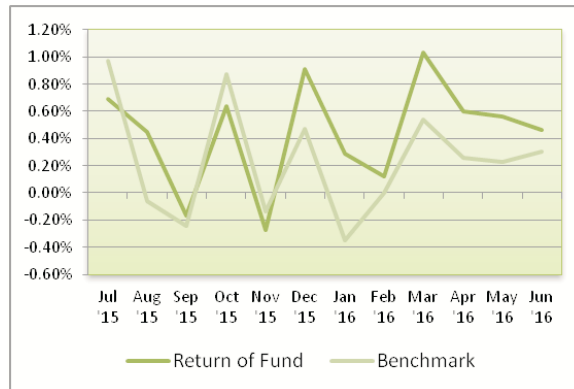
The Primary objective of the Fund is to protect initial Investment value of investors at maturity with secondary objective of providing growth over the period.

Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is Weighted Average return of KSE -100. (3) Months Deposit rate of AA- or above rated Banks.

The comparison of the fund return with benchmark is given below:

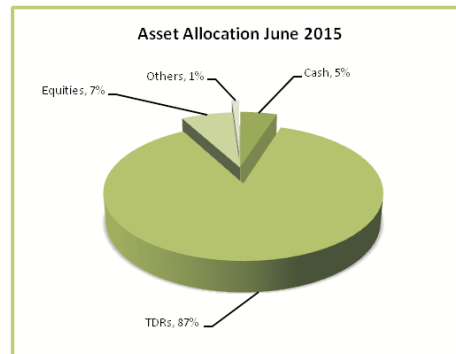
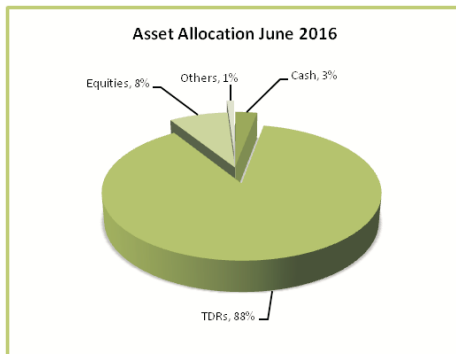
Month	Return of Fund	Benchmark
Jul-15	0.69%	0.97%
Aug-15	0.45%	(0.06%)
Sep-15	(0.17%)	(0.24%)
Oct-15	0.64%	0.87%
Nov-15	(0.27%)	(0.14%)
Dec-15	0.91%	0.47%
Jan-16	0.29%	(0.35%)
Feb-16	0.12%	0.00%
Mar-16	1.03%	0.54%
Apr-16	0.60%	0.26%
May-16	0.56%	0.23%
Jun-16	0.46%	0.30%



Strategies and Policies employed during the Year

In line with the investment policy of the Fund, the Fund held 88.29% of the gross assets in TDRs for capital protection of the investors. Further, 7.78% was held in equity securities.

Asset Allocation



Significant Changes in Asset Allocation during the Year

The investment in TDR with bank was 88% while invested 8% in equities and 3% in cash at the end of FY 2016.

Fund Performance

The total income and net income of the Fund was Rs. 137.91 million and Rs. 94.17 million respectively during the year ended June 30, 2016. The Net Asset Value (NAV) of the Fund increased from Rs 100.3807 per unit at June 30, 2015 to Rs 101.0812 per unit as on June 30, 2016 (after incorporating interim dividends at Rs 4.75 per unit); thereby giving an annualized return of 5.41%. During the same year the benchmark return was 2.63%. The size of the Fund decreased from Rs 1.93 billion as at June 30, 2015 to Rs. 1.91 billion at June 30, 2016.

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 the 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. Further out on the yield curve, the secondary market yields of 3, 5 and 10 year PIBs fell by 187, 233, and 238 bps respectively. Thus, money market saw a flattening of the yield curve during the year.

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 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. 4.75 per unit 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	3	154
101 – 500	20	2,972
501 – 1,000	10	5,800
1,001 – 10,000	157	578,149
10,001 – 100,000	141	3,387,218
100,001 – 500,000	23	4,044,250
500,001 – 1,000,000	4	2,671,569
1,000,001 – 5,000,000	2	2,856,517
5,000,001 and more	1	5,306,024
Total	361	18,852,653

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 Mustahekam Sarmaya Fund 1 PERFORMANCE TABLE

	For the period from January 30,2016 to June 30,2016	For the period from January 30,2015 to June 30,2015
NET ASSETS AND PRICES		
Net assets at the period end(Rs'000)	1,905,648	1,933,769
Net asset value per unit at the period end/period end(Rs)	101.0812	100.3807
Selling price/repurchasing price	101.0812	100.3807
Earning per unit(Rs) (note 3.10)		
Highest selling price per unit(Rs)	106.1040	101.7382
Lowest selling price per unit(Rs)	99.5947	100.00
Highest repurchase price per unit(Rs)	102.9209	101.7382
Lowest repurchasing price per unit(Rs)	96.6373	100.00
RETURN (%)		
Total return	5.41%	1.73%
Income distribution	4.80%	1.35%
Capital growth	0.61%	0.38%
DISTRIBUTION		
Final dividend distribution	4.75	1.35
Total dividend distribution for the year/ period	4.75	1.35
AVERAGE RETURNS (%)		
Average annual return 1 year	5.41%	1.73%
Average return since inception	5.41%	1.73%

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)

MSF	Meetings	Resolutions	For	Against	Abstain*
Number	0	0	0	-	-
(%ages)		100%	100%	-	-

*Reasons for abstaining shall be disclosed.

AMC did not participate in shareholders' meetings

	Scrip	Meeting Dt	Meeting Type	Name of CIS
(h)	Cherat Cement Ltd	16-Oct-15	AGM	MSF 1
	Fecto Cement Ltd	27-Oct-15	AGM	MSF 1
	Hum Network Ltd	28-Oct-15	AGM	MSF 1
	D.G. Khan Company Ltd	29-Oct-15	AGM	MSF 1
	Pioneer Cement Ltd	29-Oct-15	AGM	MSF 1
	GlaxoSmithKline Pakistan Ltd.	30-Nov-15	EOGM	MSF 1
	Hub Power Company Ltd	14-Jan-16	EOGM	MSF 1
	Fauji Fertilizer Bin Qasim Ltd	8-Mar-16	AGM	MSF 1
	Engro Corporation Ltd	15-Apr-16	AGM	MSF 1
	GlaxoSmithKline Pakistan Ltd	27-Apr-16	AGM	MSF 1

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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S.M.C.H.S. Main Shakra-e-Faisal,
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Email: info@cdcpak.com



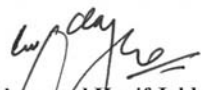
TRUSTEE REPORT TO THE UNIT HOLDERS

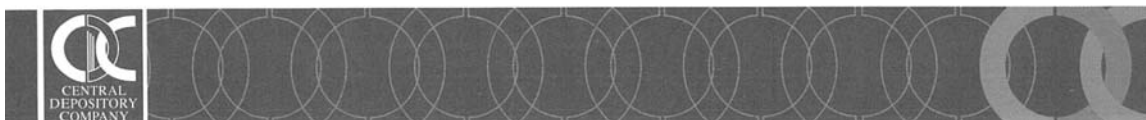
HBL MUSTAHEKAM SARMAVA FUND I

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 Mustahekam Sarmaya Fund I (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 year ended 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



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 - Mustahekum Sarmaya 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 - Mustahekum Sarmaya Fund is an open ended mutual fund and was listed on Lahore Stock Exchange (now Pakistan Stock Exchange) on March 27, 2015. The units of the Fund have been offered for public subscription on a continuous basis from January 30, 2015 to March 27, 2015 (both days inclusive); the offer of units discounted.

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 Mustahakam Sarmaya Fund I ("the Fund") for the year ended 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 year ended 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.

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
KPMG Taseer Hadi & Co.
Chartered Accountants



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 Mustahekam Sarmaya Fund I** ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2016 and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of movement in Unit Holders' fund for the year then ended 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 year then ended in accordance with approved accounting standards as applicable in Pakistan.

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



KPMG Taseer Hadi & Co.

Emphasis of Matter


We draw attention to note 1 to the accompanying financial statements which states that the Fund will mature on March 28, 2017. Accordingly, the accompanying financial statements are not prepared on the going concern basis. Our opinion is not qualified in respect of this matter.

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.
Chartered Accountants
Syed Iftikhar Anjum

HBL Mustahekum Sarmaya Fund 1
Statement of Assets and Liabilities
As at June 30, 2016

	<i>Note</i>	2016	2015
		(Rupees in '000)	
Assets			
Bank balances	4	61,074	101,022
Investments	5	1,849,839	1,832,182
Dividend receivable and accrued mark-up	6	11,487	6,343
Preliminary expenses and flotation costs	7	408	935
Advances, deposits and other receivables	8	2,600	2,600
Total assets		1,925,408	1,943,082
Liabilities			
Payable to HBL Asset Management Limited - Management Company	9	1,996	3,891
Payable to Central Depository Company of Pakistan Limited - Trustee	10	234	207
Payable to Securities and Exchange Commission of Pakistan	11	1,452	376
Accrued expenses and other liabilities	12	16,078	4,839
Total liabilities		19,760	9,313
Net assets		1,905,648	1,933,769
Unit holders' fund (as per statement attached)		1,905,648	1,933,769
		(Number of units)	
Number of units in issue		18,852,653	19,264,337
		(Rupees)	
Net assets value per unit		101.0812	100.3807

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekum Sarmaya Fund 1
Income Statement
As at June 30, 2016

	Note	2016	For the period from January 30, 2015 to June 30, 2015 (Rupees in '000)
Income			
Mark-up / return on investments	13	127,784	33,269
Mark-up on deposits with banks	14	1,689	4,043
Dividend income		6,540	1,257
Capital gain on sale of investments - net		5,080	1,407
		141,093	39,976
Expenses			
Remuneration of HBL Asset Management Limited - Management Company		37,114	10,043
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,870	652
Annual fee of Securities and Exchange Commission of Pakistan		1,452	376
Allocation of expenses related to registrar services, accounting, operation and valuation services	15	1,160	-
Auditors' remuneration	16	333	300
Settlement and bank charges		66	70
Amortisation of preliminary expenses and floatation costs		527	140
Other expenses		221	20
		43,743	11,601
		97,350	28,375
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(3,179)	(151)
Provision for Workers' Welfare Fund	12.2	-	(605)
Net income for the year before taxation		94,171	27,619
Taxation	17	-	-
Net income for the year after taxation		94,171	27,619

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekum Sarmaya Fund 1
Statement of Comprehensive Income
As at June 30, 2016

	2016	For the period from January 30, 2015 to June 30, 2015
	(Rupees in '000)	
Net income for the year	94,171	27,619
Other comprehensive income for the year		
<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	1,309	4,598
Total comprehensive income for the year	<u>95,480</u>	<u>32,217</u>

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekum Sarmaya Fund 1
Distribution Statement
As at June 30, 2016

	2016	For the period from January 30, 2015 to June 30, 2015
	(Rupees in '000)	
Undistributed income brought forward - realised	1,927	-
Net income for the year	94,171	27,619
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing income / (loss) that form part of unit holders' fund	(41)	-
Interim distribution for the year ended June 30, 2016: Rs. 4.75 per unit (Date of distribution: June 28, 2016) [(Year ended June 30, 2015: Rs 1.35 per unit) (Date of distribution: June 26, 2015)] - Cash distribution	(85,924)	(25,692)
Undistributed income carried forward - realised	<u>10,133</u>	<u>1,927</u>

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekum Sarmaya Fund 1
Statement of Movement in Unit Holders' Fund
As at June 30, 2016

	2016	For the period from January 30, 2015 to June 30, 2015
	(Rupees in '000)	
Net assets at beginning of the year [Rs. 100.3807 per unit]	1,933,769	-
Issue of 763,358 units (2015: 19,447,247 units)	76,974	1,944,761
Redemption of 1,175,042 (2015: 182,910 units)	(117,830)	(17,668)
	(40,856)	1,927,093
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to income statement - net	3,179	151
Net income for the year	94,171	27,619
Net unrealised gain on re-measurement of investments classified as available for sale	1,309	4,598
Total comprehensive income for the year	95,480	32,217
Interim distribution for the year ended June 30, 2016: Rs. 4.75 per unit (Date of distribution: June 28, 2016) [(Year ended June 30, 2015: Rs. 1.35 per unit) (Date of distribution: June 26, 2015)] - Cash distribution	(85,924)	(25,692)
Net assets at end of the year [Rs. 101.0812 per unit (2015: Rs. 100.3807 per unit)]	1,905,648	1,933,769

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekum Sarmaya Fund 1
Cash Flow Statement
As at June 30, 2016

	Note	2016	For the period from January 30, 2015 to June 30, 2015 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES			
Net income for the year		94,171	27,619
Adjustments			
Amortisation of preliminary expenses and floatation costs		527	140
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		<u>3,179</u>	<u>151</u>
		97,877	27,910
(Increase) in assets			
Investments - net		(16,348)	(1,827,584)
Dividend receivable and accrued mark-up		(5,144)	(6,343)
Preliminary expenses and floatation costs		-	(935)
Advances, deposits and other receivables		-	(2,600)
		<u>(21,492)</u>	<u>(1,837,462)</u>
(Decrease) / Increase in liabilities			
Payable to HBL Asset Management Limited - Management Company		(1,895)	3,751
Payable to Central Depository Company of Pakistan Limited - Trustee		27	207
Payable to Securities and Exchange Commission of Pakistan		1,076	376
Accrued expenses and other liabilities		<u>11,239</u>	<u>4,839</u>
		10,447	9,173
Net cash generated from / (used in) operating activities		86,832	(1,800,379)
CASH FLOW FROM FINANCING ACTIVITIES			
Amount received on issue of units		76,974	1,944,761
Payment against redemption of units		(117,830)	(17,668)
Cash dividend paid		(85,924)	(25,692)
Net cash (used in) / generated from financing activities		(126,780)	1,901,401
Net (decrease) / increase in cash and cash equivalents		(39,948)	101,022
Cash and cash equivalents at beginning of the year		101,022	-
Cash and cash equivalents at end of the year	4	<u>61,074</u>	<u>101,022</u>

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

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director

HBL Mustahekum Sarmaya Fund 1

Notes to the Financial Statements

As at June 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

HBL Mustahekum Sarmaya Fund 1 (the Fund) was established under a Trust Deed, dated April 10, 2014, 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 April 29, 2014.

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 subsequent to initial public offer, the offer of units was discontinued. However, the unit holders are entitled to receive new units if they opt to reinvest the dividend received. The initial public offer period was from January 30, 2015 to March 27, 2015 (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 protect Initial Investment Value of investors at maturity with secondary objective of providing growth over the period. The duration of the Fund is two years from the commencement of the Fund.

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. These policies have been consistently applied except for following:

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurements'. These standards became applicable from January 01, 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Fund.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the Fund, except certain additional disclosures.

Securities and Exchange Commission of Pakistan (SECP) has issued Circular 14 of 2016 requiring certain additional disclosures in respect to Islamic Share Index Screening. These additional disclosures have been made in these financial statements.

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 not less than five years or the maturity of the Fund, whichever is lower, starting 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

Subsequent to initial public offer, the issuance of units has been discontinued.

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.

4. BANK BALANCES

Note 2016 2015
(Rupees in '000)

Balances with banks in:

PLS saving deposit accounts under mark-up arrangement

4.1 61,074 101,022

4.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 4.00% - 6.00% p.a. (2015: 5.65% to 6.00% p.a.).

5. INVESTMENTS

Note 2016 2015
(Rupees in '000)

Available for sale

- Listed equity securities

5.1 149,337 132,182

- Unlisted equity securities

5.2 502 -

Loans and receivables

- Placements

5.3 1,700,000 1,700,000

1,849,839 1,832,182

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				As at June 30, 2016	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		Par value as a percentage of issued capital of the investee
	As at July 1, 2015	Purchases during the year	Bonus / Rights issue	Sales during the year						Total investments	Net Assets	
----- (Rupees 'in '000) -----												
Commercial Banks												
Habib Bank Limited	-	129,000	-	49,000	80,000	15,805	(320)	140	No	0.85%	0.83%	0.01%
MCB Bank Limited	-	87,000	-	42,500	44,500	9,791	(156)	108	No	0.53%	0.51%	0.00%
United Bank Limited	48,000	149,000	-	147,000	50,000	8,846	(1,609)	516	No	0.48%	0.46%	0.00%
	48,000	365,000	-	238,500	174,500	34,442	(2,085)	764		1.86%	1.80%	
Personal Goods												
Nishat Mills Limited	-	25,000	-	25,000	-	-	126	-	Yes	-	-	-
	-	25,000	-	25,000	-	-	126	-		-	-	-
Construction and Materials												
Cherat Cement Company Limited	40,000	20,000	-	60,000	-	-	1,575	170	Yes	-	-	-
D.G.Khan Cement Company Limited	47,500	35,000	-	82,500	-	-	2,596	348	Yes	-	-	-
Fecto Cement Company Limited	145,000	-	-	145,000	-	-	4,655	1,450	Yes	-	-	-
Pioneer Cement Limited	60,000	39,000	-	99,000	-	-	1,167	613	Yes	-	-	-
Maple Leaf Cement Factory Limited	-	60,000	-	60,000	-	-	653	60	Yes	-	-	-
Lucky Cement Limited	-	16,000	-	2,500	13,500	8,755	(17)	-	Yes	0.47%	0.46%	0.00%
	292,500	170,000	-	449,000	13,500	8,755	10,629	2,641		0.47%	0.46%	
Media												
HUM Network Limited (Rs. 1 each)	375,000	-	-	375,000	-	-	(1,127)	66	No	-	-	-
	375,000	-	-	375,000	-	-	(1,127)	66		-	-	-
Electricity												
K-Electric Limited (Rs. 3.5 each)	935,000	2,080,000	-	1,785,000	1,230,000	9,914	(777)	-	Yes	0.54%	0.52%	0.00%
Hub Power Company Limited	-	145,000	-	95,000	50,000	6,003	(188)	202	Yes	0.32%	0.32%	0.00%
	935,000	2,225,000	-	1,880,000	1,280,000	15,917	(965)	202		0.86%	0.84%	
Automobile Assemblers												
Hinopak Motors Limited	-	7,600	-	7,600	-	-	(461)	-	Yes	-	-	-
Indus Motors Company Limited	-	2,500	-	2,500	-	-	(270)	60	No	-	-	-
Honda Atlas Cars Pakistan Limited	-	27,000	-	-	27,000	9,695	-	-	Yes	0.52%	0.51%	0.02%
Pak Suzuki Motor Company Limited	14,000	-	-	14,000	-	-	1,013	-	Yes	-	-	-
	14,000	37,100	-	24,100	27,000	9,695	282	60		0.52%	0.51%	

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		as a percentage of issued capital of the investee	
	As at July 1, 2015	Purchases during the year	Bonus / Rights issue	Sales during the year					Total investments	Net Assets		
------(Rupees 'in '000)-----												
Oil and Gas												
Pakistan Oilfields Limited	16,000	-	-	16,000	-	(955)	-	Yes	-	-	-	
Pakistan Petroleum Limited	-	98,000	-	58,000	40,000	6,202	(806)	Yes	0.33%	0.33%	0.00%	
Pakistan State Oil Company Limited	22,500	50,900	-	37,200	36,200	13,592	(769)	No	0.73%	0.71%	0.01%	
Mari Petroleum Company Limited	-	17,500	-	13,500	4,000	3,633	2,738	Yes	0.20%	0.19%	0.00%	
Oil and Gas Development Company Limited	-	108,500	-	44,800	63,700	8,795	181	44	No	0.48%	0.46%	0.00%
	<u>38,500</u>	<u>274,900</u>	<u>-</u>	<u>169,500</u>	<u>143,900</u>	<u>32,222</u>	<u>389</u>	<u>136</u>	<u>1.74%</u>	<u>1.69%</u>		
Food Producers												
Engro Foods Limited	39,700	50,000	-	89,700	-	-	1,204	-	Yes	-	-	
	<u>39,700</u>	<u>50,000</u>	<u>-</u>	<u>89,700</u>	<u>-</u>	<u>-</u>	<u>1,204</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Chemicals												
Engro Corporation Limited	29,000	64,000	-	53,000	40,000	13,319	(14)	1,007	Yes	0.72%	0.70%	0.01%
Engro Fertilizer company Limited	394,500	60,000	-	454,500	-	-	21	966	Yes	-	-	-
Fatima Fertilizer Company Limited	110,000	-	-	110,000	-	-	947	-	Yes	-	-	-
Fauji Fertilizer Bin Qasim Limited	171,000	20,000	-	191,000	-	-	(709)	208	No	-	-	-
	<u>704,500</u>	<u>144,000</u>	<u>-</u>	<u>808,500</u>	<u>40,000</u>	<u>13,319</u>	<u>245</u>	<u>2,181</u>	<u>0.72%</u>	<u>0.70%</u>		
Engineering												
Mughal Iron & Steel Industries Limited	-	22,500	-	22,500	-	-	(10)	-	Yes	-	-	-
Amreli Steels Limited	-	139,000	-	29,000	110,000	5,172	(282)	-	Yes	0.28%	0.27%	0.04%
Crescent Steel and Allied Products Limited	-	29,000	25,000	18,000	36,000	4,126	444	54	Yes	0.22%	0.22%	0.05%
	<u>-</u>	<u>190,500</u>	<u>25,000</u>	<u>69,500</u>	<u>146,000</u>	<u>9,298</u>	<u>152</u>	<u>54</u>	<u>0.50%</u>	<u>0.49%</u>		
Household Goods												
Pak Elektron Limited	-	410,000	18,750	310,250	118,500	7,661	(3,974)	294	Yes	0.41%	0.40%	0.02%
	<u>-</u>	<u>410,000</u>	<u>18,750</u>	<u>310,250</u>	<u>118,500</u>	<u>7,661</u>	<u>(3,974)</u>	<u>294</u>	<u>0.41%</u>	<u>0.40%</u>		
Pharma and Bio Tech												
Ferozsons Laboratories Limited	-	3,400	-	3,400	-	-	(1,515)	34	Yes	-	-	-
The Searle Company Limited	-	32,100	2,000	22,100	12,000	6,434	1,621	-	Yes	0.35%	0.34%	0.01%
GlaxoSmithKline Pakistan	-	27,000	-	3,000	24,000	4,970	(123)	108	Yes	0.27%	0.26%	0.01%
	<u>-</u>	<u>62,500</u>	<u>2,000</u>	<u>28,500</u>	<u>36,000</u>	<u>11,404</u>	<u>(17)</u>	<u>142</u>	<u>0.62%</u>	<u>0.60%</u>		
Industrial Transportation												
Pakistan National Shipping Corporation Limited	-	70,700	-	-	70,700	6,624	-	-	Yes	0.37%	0.35%	0.05%
	<u>-</u>	<u>70,700</u>	<u>-</u>	<u>-</u>	<u>70,700</u>	<u>6,624</u>	<u>-</u>	<u>-</u>	<u>0.37%</u>	<u>0.35%</u>		
Automobile Parts & Accessories												
General Tyre And Rubber Company Limited	-	18,000	-	18,000	-	-	221	-	Yes	-	-	-
	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>18,000</u>	<u>-</u>	<u>-</u>	<u>221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
	<u>2,447,200</u>	<u>4,042,700</u>	<u>45,750</u>	<u>4,485,550</u>	<u>2,050,100</u>	<u>149,337</u>	<u>5,080</u>	<u>6,540</u>	<u>8.07%</u>	<u>7.84%</u>		
Cost of investments at June 30, 2016						<u>143,932</u>						

5.1.1 Investments include shares having market value aggregating to Rs. 17.48 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	Carrying value as a percentage of	
	As at July 1, 2015	Purchases during the year	Bonus / Rights issue	Sales during the year			Total Investments	Net Assets
(Rupees in '000)								
Pharma and Bio Tech								
GlaxoSmithKline Customer Health Centre (Note 5.1.1)	-	-	8,100	-	8,100	502	0.03%	0.03%
	-	-	8,100	-	8,100	502	0.03%	0.03%
	-	-	8,100	-	8,100	502	0.03%	0.03%

Cost of investments at June 30, 2016

-

5.2.1 This represents shares of Galxo Smith Kline Customer Health Center which were received due to demerger of GlaxoSmithKline Pakistan Limited on April 01, 2016. These are stated at carrying value of Rs. 62.00 as trading in shares has not yet commenced. The Company has submitted its listing application with the Pakistan Stock Exchange Limited for which is currently pending.

5.3 Loans and receivables - Placements

Name of Bank	As at July 1, 2015	Placements made during the year	Matured during the year	As at June 30, 2016	Percentage of total value of investments	Percentage of Net Assets
----- (Rupees 'in '000) -----						
Habib Bank Limited	<u>1,700,000</u>	-	-	<u>1,700,000</u>	<u>91.91%</u>	<u>89.21%</u>

5.3.1 The placement carries mark-up at the rate of 7.55% per annum and matures on March 28, 2017.

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

Note	2016	For the period from January 30, 2015 to June 30, 2015
		(Rupees in '000)
Market value of investments	5.1 & 5.2 <u>149,839</u>	132,182
Less: Cost of investments	<u>(143,932)</u>	<u>(127,584)</u>
	<u>5,907</u>	<u>4,598</u>

6 DIVIDEND RECEIVABLE AND ACCRUED MARK-UP

	2016	2015
	(Rupees in '000)	
Dividend receivable	608	
Mark-up accrued on deposits with banks	120	
Mark-up / return accrued on Term Deposits Receipts	<u>10,759</u>	6,045
	<u>11,487</u>	<u>6,343</u>

	<i>Note</i>	2016	For the period from January 30, 2015 to June 30, 2015 (Rupees in '000)
7 PRELIMINARY EXPENSES AND FLOATATION COSTS			
Opening balance		935	1,075
Less: amortised during the year		<u>(527)</u>	<u>(140)</u>
Closing balance		<u>408</u>	<u>935</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 to maturity of the Fund, 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			
	<i>Note</i>	2016	2015
		(Rupees in '000)	
Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		<u>100</u>	<u>100</u>
		<u>2,600</u>	<u>2,600</u>
9 PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY			
Management fee	9.1	1,576	2,382
Sindh Sales Tax	9.2	256	414
Listing fee		-	20
Preliminary expenses and flotation costs		-	1,075
Sales load payable		6	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	15	<u>158</u>	<u>-</u>
		<u>1,996</u>	<u>3,891</u>
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 1.50 percent from July 01, 2015 to May 24, 2016 and one percent per annum for the period from May 25, 2016 to June 30, 2016. (2015: 1.50 percent per annum).			
9.2 The Sindh Government has levied Sindh 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.			
10 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
	<i>Note</i>	2016	2015
		(Rupees in '000)	
Trustee's remuneration	10.1	205	207
Sindh Sales Tax	10.2	<u>29</u>	<u>-</u>
		<u>234</u>	<u>207</u>
10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision 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;

Tariff
0.13% per annum of Net Assets

- 10.2 The Sindh Government has 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.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	2016 (Rupees in '000)	2015
Annual fee	11.1	<u>1,452</u>	<u>376</u>

- 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 0.075% 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)	2015
Auditors' remuneration		309	300
Federal Excise Duty	12.1	5,696	1,206
Withholding tax payable		8,956	2,290
Provision for Workers' Welfare Fund	12.2	605	605
Payable to broker		512	396
Other payable		-	42
		<u>16,078</u>	<u>4,839</u>

- 12.1 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 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 June 13, 2013, aggregating to Rs. 5.696 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. 0.3021 per unit (2015: Rs. 0.0626 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.

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

In 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. In March 2013, a larger bench of SHC in various Constitutional Petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 do not suffer from any constitutional or legal infirmity. The appeals against both the decisions have been filed and the matter is pending adjudication.

Pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has maintained the provision for WWF amounting to Rs. 0.605 million.

However, after the exclusion of the Mutual Funds from federal statute on Workers Welfare Fund, from 1st July 2015, the Fund has discontinued making the provision in this regard. Had the provision not been maintained, the Net Asset Value (NAV) per unit of the Fund as June 30, 2016 would have been higher by Rs. 0.0321 per unit (June 30, 2015: Rs. 0.0314 per unit).

13 MARK-UP / RETURN ON INVESTMENTS

For the period
from January
30, 2015 to
June 30, 2015
(Rupees in '000)

Government securities	-	1,303
Mark-up on Placements	<u>127,784</u>	<u>31,966</u>
	<u>127,784</u>	<u>33,269</u>

14 MARK-UP ON DEPOSITS WITH BANKS

Mark-up on savings accounts	<u>1,689</u>	<u>4,043</u>
	<u>1,689</u>	<u>4,043</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 Regulations, 2008. In the revised regulations a new clause 60(3)(s) has been introduced allowing the management company to charge "fees and expenses related to registrar services, accounting, operation and valuation services related to CIS maximum up to 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

2016 For the period
from January
30, 2015 to
June 30, 2015
(Rupees in '000)

Statutory audit fee	250	240
Half yearly review fee	20	-
Reporting on compliance with the Code of Corporate Governance	5	10
Out of pocket expenses	<u>58</u>	<u>50</u>
	<u>333</u>	<u>300</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 year ending 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	2016	For the period from January 30, 2015 to June 30, 2015 (Rupees in '000)
HBL Asset Management Limited - Management Company		
Management fee	37,114	10,043
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,160	-
Habib Bank Limited - Sponsor		
Issue of 238,702 units (2015: 5,067,323)	24,070	506,750
Purchase of 129,000 shares	24,967	-
Sale of 49,000 shares	9,256	-
Mark-up earned on bank deposits and investments	128,925	35,769
Mark-up received on bank deposits and investments	124,276	29,664
Bank charges paid during the year	9	4
Dividend income earned	140	-
Dividend income received	-	-
Capital Loss on Sale of Shares	(320)	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	2,870	652
Central Depository system charges	28	12
18.2 Amounts outstanding as at year end	2016	2015 (Rupees in '000)
HBL Asset Management Limited - Management Company		
Management fee	1,576	2,382
Sindh Sales Tax	256	414
Listing fee	-	20
Preliminary expenses and flotation costs	-	1,075
Sales load payable	6	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	158	-
Habib Bank Limited - Sponsor		
Investment held in the Fund: 5,306,024 units (2015: 5,067,323 units)	536,339	508,661
Bank balances	4,131	87,591
Mark-up receivable on bank deposits and investments	10,879	6,105
Dividend receivable	140	-
Placements	1,700,000	1,700,000
Shares held: 80,000 ordinary shares (2015: Nil ordinary shares)	15,805	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	205	207
Sindh Sales Tax	29	-

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 Mustahekum Sarmaya Fund 1. He has obtained a Master's degree in Business Administration. He is also the Fund Manager of HBL Pension Fund and HBL Islamic Pension Fund.

20 TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Top brokers during the year ended June 30, 2016

- 1 AKD Securities Limited
- 2 Al Habib Capital Markets (Private) Limited
- 3 DJM Securities (Pvt.) Limited
- 4 Elixir Securities Pakistan (Private) Limited
- 5 Habib Metropolitan Financial Services
- 6 IGI Finex Securities Limited
- 7 Invest & Finance Securities (Private) Limited
- 8 Optimus Capital Management (Private) Limited
- 9 Taurus Securities Limited
- 10 Topline Securities (Private) Limited

Top brokers during the period ended from January 30, 2015 to June 30, 2015

- 1 AKD Securities Limited
- 2 BMA Capital Management Limited
- 3 Habib Metropolitan Financial Services
- 4 IGI Finex Securities Limited
- 5 Invest & Finance Securities Limited
- 6 Optimus Capital Management (Private) Limited
- 7 Standard Capital Securities (Private) Limited
- 8 Topline Securities (Private) Limited

The Fund has entered into transactions with less than ten brokers during the period from January 30, 2015 to June 30, 2015.

21 PATTERN OF UNIT HOLDING

	2016		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	351	859,230	45.09%
Associated companies	1	536,339	28.14%
Banks	1	52,240	2.74%
Retirement funds	4	146,839	7.71%
Others	4	311,000	16.32%
	361	1,905,648	100.00%
	2015		
	Number of unit holders	Investment amount (Rupees in '000)	Percentage investment
Individuals	405	877,204	45.37%
Associated companies	1	508,661	26.30%
Banks	1	49,544	2.56%
Retirement funds	4	31,735	1.64%
Public limited companies	2	19,752	1.02%
Others	5	446,873	23.11%
	418	1,933,769	100.00%

22 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 52nd, 53rd, 54th, 55th, and 56th board meetings were held on September 30, 2015, October 30, 2015, 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	5	4	1	53rd Meeting
2 Mr. Rehan N. Shaikh	5	5	-	
3 Mr. Rizwan Haider	5	4	1	52nd Meeting
4 Mr. Salahuddin Manzoor	5	3	2	52nd and 55th Meeting
5 Mr. Salim Amlani	2	2	-	
6 Ms. Sadia Khan	5	1	4	52nd, 55th, 54th and 56th Meeting
7 Ms. Sima Kamil	5	3	2	52nd and 54th Meeting
8 Mr. Ayaz Ahmed	3	3	-	

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 cash flow interest rate risk.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2016, the Fund holds placements which are classified as loans and receivables, 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. 12,210,672. 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. 12,385,652.

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.

2016					
Yield / Interest rate (%)	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	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	4.00 - 6.00	61,074	61,074	-	-
Investments	7.55	1,849,839	-	1,700,000	149,839
Dividend receivable and accrued mark-up		11,487	-	-	11,487
Preliminary and floatation cost		408	-	-	408
Advances, deposits and other receivables		2,600	-	-	2,600
		<u>1,925,408</u>	<u>61,074</u>	<u>1,700,000</u>	<u>-</u>
Financial liabilities					
Payable to HBL Asset Management Limited - Management Company		1,996	-	-	1,996
Payable to Central Depository Company of Pakistan Limited - Trustee		234	-	-	234
Payable to Securities and Exchange Commission of Pakistan		1,452	-	-	1,452
Accrued expenses and other liabilities		9,777	-	-	9,777
		<u>13,459</u>	<u>-</u>	<u>-</u>	<u>13,459</u>
On-balance sheet gap		<u>1,911,949</u>	<u>61,074</u>	<u>1,700,000</u>	<u>-</u>
Off-balance sheet financial instruments					
Off-balance sheet gap					

2015					
Yield / Interest rate (%)	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	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial assets					
Bank balances	5.65 - 6	101,022	101,022	-	-
Investments	7.55	1,832,182	-	1,700,000	132,182
Dividend receivable and accrued mark-up		6,343	-	-	6,343
Preliminary and floatation cost		935	-	-	935
Advances, deposits and other receivables		2,600	-	-	2,600
		<u>1,943,082</u>	<u>101,022</u>	<u>-</u>	<u>142,060</u>
Financial liabilities					
Payable to HBL Asset Management Limited - Management Company		3,891	-	-	3,891
Payable to Central Depository Company of Pakistan Limited - Trustee		207	-	-	207
Payable to Securities and Exchange Commission of Pakistan		376	-	-	376
Accrued expenses and other liabilities		3,028	-	-	3,028
		<u>7,502</u>	<u>-</u>	<u>-</u>	<u>7,502</u>
On-balance sheet gap		<u>1,935,580</u>	<u>101,022</u>	<u>-</u>	<u>134,558</u>
Off-balance sheet financial instruments					
Off-balance sheet gap					

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 KSE-100 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 (%)	KSE-100 benchmark Portfolio (%)
Commercial banks	22.99%	22.76%
Construction and Materials	5.84%	11.32%
Electricity	10.62%	4.42%
Automobile Assemblers	6.47%	2.23%
Oil and gas	21.50%	17.00%
Chemicals	8.89%	13.69%
Engineering	6.21%	0.36%
Household Goods	5.11%	0.69%
Pharma and Bio Tech	7.95%	3.04%
Industrial Transportation	4.42%	0.00%
Other	0.00%	24.49%
Total	100.00%	100.00%

Sector wise portfolio

	2015	
	Fund's equity Portfolio (%)	KSE-100 benchmark Portfolio (%)
Commercial banks	6.21%	24.70%
Construction and Materials	19.26%	9.70%
Media	4.56%	1.50%
Electricity	5.96%	8.90%
Automobile Assemblers	4.62%	2.60%
Oil and gas	11.45%	17.00%
Food Producers	4.55%	4.90%
Chemicals	43.39%	14.50%
Others	0.00%	16.20%
Total	100.00%	100.00%

In case of 5% increase / decrease in KSE-100 index on June 30, 2016, with all other variables held constant, the net assets of the Fund would increase / decrease by Rs. 2.027 million (2015: Rs. 7.029 million) as a result of gains / losses on equity securities classified as available for sale. There were no assets classified as fair value through profit and loss at June 30, 2016 and June 30, 2015.

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 KSE-100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 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 KSE-100 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)	2015
Bank balances by rating category			
	A1+ (PACRA)	56,942	13,431
	A-1+ (JCR-VIS)	4,132	87,591
		<u>61,074</u>	<u>101,022</u>
Placements			
	A-1+ (JCR-VIS)	<u>1,700,000</u>	<u>1,700,000</u>
Dividend and profit receivable		<u>11,487</u>	<u>6,343</u>
Advances, deposits and other receivables		<u>2,600</u>	<u>2,600</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 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 placement representing 92% of its investments are with sponsor bank with high credit rating.

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 Fund's investments have been made with the maturity of the units in Fund and placement with the sponsor bank matures at end of the life of the fund.

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) -----			
Financial liabilities (excluding unit holders' fund)				
Payable to HBL Asset Management Limited - Management Company	1,996	1,996	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	234	234	-	-
Payable to Securities and Exchange Commission of Pakistan	1,452	1,452	-	-
Accrued expenses and other liabilities	9,777	9,777	-	-
	13,459	13,459	-	-
Unit holder's fund	1,905,648	1,905,648	-	-
	2015			
	Total	Upto three months	Over three months and upto one year	Over one year
	----- (Rupees in '000) -----			
Financial liabilities (excluding unit holders' fund)				
Payable to HBL Asset Management Limited - Management Company	3,891	3,891	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	207	207	-	-
Payable to Securities and Exchange Commission of Pakistan	376	376	-	-
Accrued expenses and other liabilities	3,028	3,028	-	-
	7,502	7,502	-	-
Unit holder's fund	1,933,769	1,933,769	-	-

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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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 i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market price 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.

IFRS 13, 'Fair Value Measurements: 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 that the entity can access at the measurement date (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) -----									
On-balance sheet financial instruments									
Financial assets measured at fair value									
Investments									
- Listed equity securities		149,337	-	-	149,337	149,337	-	-	149,337
		<u>149,337</u>	<u>-</u>	<u>-</u>	<u>149,337</u>	<u>149,337</u>	<u>-</u>	<u>-</u>	<u>149,337</u>
Financial assets not measured at fair value									
Bank balances	25.1	-	61,074	-	61,074				
Investments		-	-	-	-				
-Un-Listed equity securities	5.2	502	-	-	502				
- Placements		-	1,700,000	-	1,700,000	-	1,728,620	-	1,728,620
Dividend receivable and accrued mark-up		-	11,487	-	11,487				
Advances, deposits and other receivables		-	2,600	-	2,600				
		<u>502</u>	<u>1,775,161</u>	<u>-</u>	<u>1,775,663</u>	<u>-</u>	<u>1,728,620</u>	<u>-</u>	<u>1,728,620</u>
Financial liabilities not measured at fair value									
Payable to HBL Asset Management Limited - Management Company	25.1	-	-	1,996	1,996				
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	234	234				
Payable to Securities and Exchange Commission of Pakistan		-	-	1,452	1,452				
Accrued expenses and other liabilities		-	-	9,777	9,777				
		<u>-</u>	<u>-</u>	<u>13,459</u>	<u>13,459</u>				

	June 30, 2015							
	Carrying amount			Fair Value				
	Available- for-sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
On-balance sheet financial instruments	----- (Rupees in '000) -----							
Financial assets measured at fair value								
Investments								
- Listed equity securities	132,182	-	-	132,182	132,182	-	-	132,182
	<u>132,182</u>	<u>-</u>	<u>-</u>	<u>132,182</u>	<u>132,182</u>	<u>-</u>	<u>-</u>	<u>132,182</u>
Financial assets not measured at fair value ^{25.1}								
Bank balances	-	101,022	-	101,022				
Investments								
- Placements	-	1,700,000	-	1,700,000				
Dividend receivable and accrued mark-up	-	6,343	-	6,343				
Advances, deposits and other receivables	-	2,600	-	2,600				
	<u>-</u>	<u>1,809,965</u>	<u>-</u>	<u>1,809,965</u>				
Financial liabilities not measured at fair value ^{25.1}								
Payable to HBL Asset Management Limited - Management Company	-	-	3,891	3,891				
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	207	207				
Payable to Securities and Exchange Commission of Pakistan	-	-	376	376				
Accrued expenses and other liabilities	-	-	3,028	3,028				
	<u>-</u>	<u>-</u>	<u>7,502</u>	<u>7,502</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 repriced frequently. Therefore, their carrying amounts are reasonable approximation of fair value.

26 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.

27 GENERAL

Figures have been rounded off to the nearest thousand rupees.

For HBL Asset Management Limited
(Management Company)

Chief Executive

Director