

# HBL

ASSET MANAGEMENT LTD.  
ایسٹٹ مینجمنٹ لمیٹڈ

AM1 (Stable Outlook) by VIS



# Annual Report 2022-23

MOVING TOWARDS  
**EXCELLENCE**



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# OUR VISION

Enabling people to  
advance with  
confidence and  
success.

# OUR MISSION

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

## PROGRESSIVENESS

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

## MERITOCRACY

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

## 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.

## OUR CORPORATE 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.

## 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 investor first.

## 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 expect us to possess and steadfastly adhere to high moral principles and professional standards.

## Management Company

### HBL Asset Management Limited

#### Board of Directors (Composition as of August 25, 2023)

<b>Chairman</b>	Mr. Shahid Ghaffar	(Independent Director)
<b>Directors</b>	Mr. Mir Adil Rashid	(Chief Executive Officer)
	Ms. Ava Ardeshir Cowasjee	(Independent Director)
	Mr. Khalid Malik	(Independent Director)
	Mr. Rayomond H. Kotwal	(Non-Executive Director)
	Mr. Tariq Masaud	(Non-Executive Director)
	Mr. Abrar Ahmed Mir	(Non-Executive Director)
	Mr. Abid Sattar	(Independent Director)

#### Audit Committee

Chairman	Mr. Khalid Malik	(Independent Director)
Members	Ms. Ava Ardeshir Cowasjee	(Independent Director)
	Mr. Rayomond H. Kotwal	(Non-Executive Director)

#### Human Resource & Remuneration Committee

Chairman	Mr. Shahid Ghaffar	(Independent Director)
Members	Ms. Ava Ardeshir Cowasjee	(Independent Director)
	Mr. Rayomond H. Kotwal	(Non-Executive Director)
	Mr. Abid Sattar	(Independent Director)

#### Risk Management Committee

Chairman	Mr. Shahid Ghaffar	(Independent Director)
Members	Mr. Tariq Masaud	(Non-Executive Director)
	Mr. Abid Sattar	(Independent Director)

#### Technology Committee

Chairman	Mr. Abrar Ahmed Mir	(Non-Executive Director)
Members	Mr. Abid Sattar	(Independent Director)
	Ms. Ava Ardeshir Cowasjee	(Independent Director)

#### Company Secretary & Chief Financial Officer

Mr. Noman Qurban

#### AMC Rating

AM1 (Stable Outlook)

#### Legal Advisor

Bawany & Partners,  
Lane 13, D.H.A Phase 6, Bukhari Commercial Area,  
Defense Housing Authority, Karachi.

#### Website

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

#### Head Office & Registered Office

7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi.

## 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 Income Fund, HBL Government Securities Fund, HBL Money Market Fund, HBL Cash Fund, HBL Stock Fund, HBL Equity Fund, HBL Energy Fund, HBL Multi Asset Fund, HBL Financial Planning Fund, HBL Growth Fund, HBL Investment Fund, HBL Financial Sector Income Fund – Plan-1, HBL Mehfooz Munafa Fund and HBL Total Treasury Exchange Traded Fund (the Funds) for the year ended June 30, 2023.

### ECONOMIC REVIEW

Pakistan navigated a demanding fiscal year in FY23, marked by a significant slowdown in economic growth to a mere 0.3%. This stark decline from the previous year's 6.1% growth and the nation's historical GDP growth rate of 5% was largely attributed to a confluence of factors, including extensive flooding, inflationary pressures, and a challenging global economic landscape.

In FY23, key sectors exhibited signs of strain. The agriculture sector's growth slowed to 1.55%, compared to 4.27% in the previous year, while the services sector posted a modest 0.9% growth, down from 6.6% in FY22. The manufacturing sector faced a notable setback, contracting by 3.9%, a sharp contrast to the 10.9% growth seen the year before. This slowdown was driven by decreased aggregate demand, higher interest rates, and import restrictions, as reflected in the Large Scale Manufacturing (LSM) data, which plummeted by 10% in FY23.

Responding to mounting external account and inflationary concerns, the State Bank of Pakistan (SBP) took significant policy actions, raising the policy rate cumulatively by 825bps to 22%. Simultaneously, administrative measures were implemented to curb imports and address the current account deficit (CAD). Imports fell by 27% YoY to USD 52bn in FY23, and while exports & remittances also dipped, the substantial reduction in imports helped narrow the CAD to USD 2.4bn from the previous year's USD 17.5bn.

Pakistan's foreign exchange reserves and currency value faced substantial pressure throughout FY23. SBP's reserves declined to USD 4.5bn in June 2023, compared to USD 9.8bn in the same period the previous year. The Pakistani Rupee (PKR) depreciated by 28% against the USD, with the exchange rate closing at PKR 286 against USD in June 2023, up from PKR 204.85 in June 2022.

Inflation surged during FY23, with the Consumer Price Index (CPI) reaching 29%, compared to 12% in the previous year. The primary drivers of this spike were food and fuel inflation, with food inflation surging to 39% due to extensive flooding and transportation costs driven by currency devaluation and rising fuel prices, causing an overall increase in CPI and food inflation. The transport segment witnessed a staggering 50% increase.

Pakistan's fiscal deficit for FY23 stood at 7.7% of GDP or PKR 6.5 trn, slightly lower than the previous year's 7.9% of GDP or PKR 5.3trn. Tax revenues rose by 16% to PKR 7.8trn, driven by increased direct taxes, while non-tax revenues increased by 38% to PKR 1.8trn, primarily due to higher petroleum levies. Total expenditures increased by 25% to PKR 16.5trn, mainly due to higher markup payments, reaching PKR 5.8 trn (almost double the previous year).

### STOCK MARKET REVIEW

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at end of June-2023. The delay in IMF program along with rising inflation and interest rates also resulted in pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## MONEY MARKET REVIEW

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%.

## FUTURE OUTLOOK

The completion of IMF action plans will be pivotal for Pakistan's economic prospects. Inflation is expected to remain elevated in FY24 due to expected adjustments in electricity and gas tariffs, rising commodity prices, and currency devaluation. SBP is likely to maintain its tight monetary policy, with the potential for interest rate reversal in 2HFY24 as inflation is expected to drop below 20% due to base effects.

Progress on reform agendas, particularly in the energy sector, taxation, and loss-making public sector entities, will be crucial for curbing the government's expanding fiscal deficit.

Despite economic challenges, ample liquidity is available in the market as evident from increase in industry's assets under management (AUMs) exceeding PKR 1.6 trillion in FY23, marking a 33% YoY increase. In a high-interest-rate environment, investments are expected to lean towards fixed-income funds, but with equities trading at historically low valuations and expectations of an interest rate reversal in 2HFY24, investments in equities are anticipated to gain momentum. Over the medium to long term, equities are expected to outperform other asset classes.

## FUND'S PERFORMANCE AND PAYOUTS

### HBL Income Fund

The total income and net income of the Fund was Rs. 500.95 million and Rs. 430.71 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 112.4509 per unit as on June 30, 2023 as compared to Rs. 111.4310 per unit as on June 30, 2022, after incorporating dividend of Rs. 17.80 per unit, thereby giving an annualized return of 17.03%. During the year the benchmark (6 Month KIBOR) return was 18.33%. The size of Fund was Rs. 2.11 billion as on June 30, 2023 as compared to Rs. 4.25 billion at the start of the year.

VIS Credit Rating Company Limited has reaffirmed the Fund stability rating of A+(f) to the Fund.

### HBL Government Securities Fund

The total income and net income of the Fund was Rs. 87.91 million and Rs. 74.92 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 112.9464 per unit as on June 30, 2023 as compared to Rs. 112.4774 per unit as on June 30, 2022, after incorporating dividend of Rs. 16.20 per unit, thereby giving an annualized return of 14.88%. During the same year the benchmark (6 Month PKRV Rates) return was 18.14%. The size of Fund was Rs. 0.78 billion as on June 30, 2023 as compared to Rs. 0.63 billion at the start of the year.

VIS Credit Rating Company Limited has downgrade the Fund stability rating to AA-(f) to the Fund.

### HBL Money Market Fund

The total income and net income of the Fund was Rs. 2.48 billion and Rs. 2.18 billion respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 103.0279 per unit as on June 30, 2023 as compared to Rs. 102.8274 per unit as on June 30, 2022, after incorporating dividend of Rs. 16.90 per unit, thereby giving an annualized return of 16.66%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 16.92%. The size of Fund was Rs. 13.23 billion as on June 30, 2023 as compared to Rs. 15.60 billion at the start of the year.



**VIS Credit Rating Company Limited has reaffirmed the Fund stability rating of AA+ (f) to the Fund.**

#### **HBL Cash Fund**

The total income and net income of the Fund was Rs. 7.16 billion and Rs. 6.65 billion respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs 101.9926 per unit as on June 30, 2023 as compared to Rs 101.3611 per unit as on June 30, 2022, after incorporating dividends of Rs. 15.8878 per unit, thereby giving an annualized return of 17.56%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 16.92%. The size of Fund was Rs 50.34 billion as on June 30, 2023 as compared to Rs. 36.07 billion at the start of the year.

VIS Credit Rating Company Limited has reaffirmed the Fund stability rating of AA+(f) to the Fund.

#### **HBL Stock Fund**

The total income and net loss of the Fund was Rs. 1.56 million and Rs. 7.91 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs 69.6597 per unit as on June 30, 2023 as compared to Rs 71.9274 per unit as on June 30, 2022, thereby giving a negative return of 3.15%. During the same year the benchmark KSE 30 index yielded a return of 4.41%. The size of Fund was Rs 0.16 billion as on June 30, 2023 as compared to Rs. 0.24 billion at the start of the year.

#### **HBL Equity Fund**

The total and net loss of the Fund was Rs. 18.12 million and Rs. 42.60 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 70.3636 per unit as on June 30, 2023 as compared to Rs. 76.8634 per unit as on June 30, 2022, thereby giving a negative return of 8.46%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Fund was Rs. 0.32 billion as on June 30, 2023 as compared to Rs. 0.82 billion at the start of the year.

#### **HBL Energy Fund**

The total income and net loss of the Fund was Rs. 10.40 million and Rs. 4.59 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 9.8261 per unit as on June 30, 2023 as compared to Rs. 9.8637 per unit as on June 30, 2022, thereby giving a negative return of 0.38%. During the same year the benchmark KSE 30 index yielded a return of 4.41%. The size of Fund was Rs. 0.24 billion as on June 30, 2023 as compared to Rs. 0.43 billion at the start of the year.

#### **HBL Multi Asset Fund**

The total and net income of the Fund was Rs. 9.57 million and Rs. 4.90 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs 92.3983 per unit as on June 30, 2023 as compared to Rs 92.9202 per unit as on June 30, 2023 (after incorporating dividend of Rs. 4.35 per unit), thereby giving a return of 4.05%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) yielded a return of 5.54%. The size of Fund was Rs 0.10 billion as on June 30, 2023 as compared to Rs. 0.10 billion at the start of the year.

#### **HBL Financial Planning Fund**

The Fund comprises of three sub funds (plans) namely Active Allocation Plan, Conservative Allocation Plan and Special Income Plan. The Special income plan marked its maturity on September 13, 2021.

The Fund as a whole earned a total and net income of Rs. 12.73 million and Rs. 11.71 million respectively during the year under review. The fund size of the fund stood at Rs. 0.11 billion as on June 30, 2023.

Performance review for plans is given below:



### Active Allocation Plan

During the year under review, the Active allocation plan earned a total and net income of Rs. 7.49 million and Rs 6.96 million respectively. The net assets of the Active allocation plan stood at Rs. 0.07 billion representing Net Asset Value (NAV) of Rs. 78.1189 per unit as at June 30, 2023 as compared to Rs. 74.1068 per unit as at June 30, 2022 (after incorporating dividend of Rs. 6.50 per unit). The plan earned a return of 14.20% for the year under review against the benchmark return of 18.47%. The plan is invested to the extent of 99% in fixed income funds.

### Conservative Allocation Plan

During the year under review, the Conservative allocation plan earned a total and net income of Rs. 5.24 million and Rs. 4.75 million respectively. The net assets of the Conservative allocation plan stood at Rs. 0.04 billion representing Net Asset Value (NAV) of Rs. 112.9070 per unit as at June 30, 2023 as compared to Rs. 111.7040 per unit as at June 30, 2022 (after incorporating dividend of Rs. 11.50 per unit). The plan earned a return of 11.47% for the year under review against the benchmark return of 14.71%. The plan is invested to the extent of 20% in equity funds & 79% in fixed income funds.

### Special Income Plan

The Special income plan matured on September 13, 2021 and all the proceeds were redeemed to the investors of the plan.

### HBL Growth Fund

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

The Fund as a whole earned a total and net income of Rs. 468.31 million and Rs. 300.83 million respectively during the year under review. The fund size of the fund stood at Rs. 4.81 billion as on June 30, 2023.

Performance review of each class is presented below:

#### HBL Growth Fund – Class ‘A’

HBL Growth Fund – Class ‘A’ earned a total income and net income of Rs. 471.63 million and Rs. 350.97 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Class ‘A’ was Rs. 13.7476 per unit as on June 30, 2023 as compared to Rs. 19.4009 as at June 30, 2022 (after incorporating dividend of Rs. 1.20 per unit), thereby giving a negative return of 22.95%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Class ‘A’ was Rs. 3.90 billion as on June 30, 2023 as compared to Rs. 5.50 billion at the start of the year.

#### HBL Growth Fund – Class ‘B’

HBL Growth Fund – Class ‘B’ incurred a total and net loss of Rs. 3.32 million and Rs. 50.13 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Class ‘B’ was Rs. 12.2463 per unit as on June 30, 2023 as compared to Rs. 12.8951 as at June 30, 2022, thereby giving a negative return of 5.03%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Class ‘B’ was Rs. 0.91 billion as on June 30, 2022 as compared to Rs. 1.05 billion at the start of the year.

### HBL Investment Fund

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

The Fund as a whole earned a total and net income of Rs. 157.36 million and Rs. 86.82 million respectively during the year under review. The fund size of the fund stood at Rs. 1.84 billion as on June 30, 2023.

## Performance review of each class is presented below:

### HBL Investment Fund – Class ‘A’

HBL Investment Fund – Class ‘A’ earned a total income and net income of Rs. 162.33 million and Rs. 117.31 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Class ‘A’ was Rs. 4.8996 per unit as on June 30, 2023 as compared to Rs. 7.0325 as at June 30, 2022 (after incorporating dividend of Rs. 0.40 per unit), thereby giving a negative return of 24.64%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Class ‘A’ was Rs. 1.39 billion as on June 30, 2023 as compared to Rs. 2.00 billion at the start of the year.

### HBL Investment Fund – Class ‘B’

HBL Investment Fund – Class ‘B’ incurred a total and net loss of Rs. 4.97 million and Rs. 30.50 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Class ‘B’ was Rs. 6.0678 per unit as on June 30, 2023 as compared to Rs. 6.4666 as at June 30, 2022, thereby giving a negative return of 6.17%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Class ‘B’ was Rs. 0.45 billion as on June 30, 2023 as compared to Rs. 0.71 billion at the start of the year.

### HBL Financial Sector Income Fund – Plan-1

The total income and net income of the Fund was Rs. 5.02 billion and Rs. 4.66 billion respectively during the period ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 100.8692 per unit as on June 30, 2023 (after incorporating dividends of Rs. 16.0773 per unit), as compared to Rs. 100.0454 per unit as on June 30, 2022, thereby giving an annualized return of 18.26%. During the same period, the benchmark (6 Month KIBOR) return was 18.33%. The size of Fund was Rs. 27.43 billion as on June 30, 2023 as compared to Rs. 45.83 billion as at start of the year.

### HBL Total Treasury Exchange Traded Fund

#### The Fund commences its operations on September 12, 2022.

The total income and net income of the Fund was Rs. 75.87 million and Rs. 71.32 million respectively for the period from September 12, 2022 to June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 10.0265 per unit as on June 30, 2023 (after incorporating dividend of Rs. 1.40 per unit), thereby giving an annualized return of 17.83%. During the same period, the benchmark return was 18.01%. The size of Fund was Rs. 501 million as on June 30, 2023.

### HBL Mehfooz Munafa Fund

The HBL Mehfooz Munafa Fund launched its plan-II on May 18, 2023.

The total income and net income of the Fund was Rs. 76.51 million and Rs. 71.72 million respectively for the period from May 18, 2023 to June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 100.2211 per unit as on June 30, 2023 (after incorporating dividend of Rs. 2.2492 per unit), thereby giving an annualized return of 20.63%. During the same period, the benchmark return was 21.90%. The size of Fund was Rs. 2.91 billion as on June 30, 2023.

## MANAGEMENT COMPANY RATING

The VIS Credit Rating Company Limited (VIS) has upgraded the management quality rating of HBL Asset Management Limited from ‘AM2++’ (AM Two Plus Plus) to ‘AM-I’ (AM-One) and the outlook on the assigned rating has been assessed at ‘Stable’.

## AUDITORS

The details of the retiring auditors and appointments for the year June 30, 2024 are provided in the following table.

<b>Name of Fund</b>	<b>Retiring Auditors for the year ended June 30, 2023</b>	<b>Auditors for the year June 30, 2024</b>	<b>Re-appointed / New Appointment</b>
HLB Government Securities Fund	BDO Ebrahim & Co., Chartered Accountants	Yousuf Adil & Co., Chartered Accountants	New Appointment
HLB Cash Fund	BDO Ebrahim & Co., Chartered Accountants	Yousuf Adil & Co., Chartered Accountants	New Appointment
HLB Energy Fund	BDO Ebrahim & Co., Chartered Accountants	Yousuf Adil & Co., Chartered Accountants	New Appointment
HLB Equity Fund	BDO Ebrahim & Co., Chartered Accountants	Yousuf Adil & Co., Chartered Accountants	New Appointment
HLB Mehfooz Munafa Fund	BDO Ebrahim & Co., Chartered Accountants	BDO Ebrahim & Co., Chartered Accountants	Re-appointed
HLB Financial Planning Fund	BDO Ebrahim & Co., Chartered Accountants	KPMG Taseer Hadi & Co., Chartered Accountants	New Appointment
HLB Multi Asset Fund	KPMG Taseer Hadi & Co., Chartered Accountants	KPMG Taseer Hadi & Co., Chartered Accountants	Re-appointed
HLB Income Fund	A.F.Fergusons & Co., Chartered Accountants	A.F.Fergusons & Co., Chartered Accountants	Re-appointed
<b>Name of Fund</b>	<b>Retiring Auditors for the year ended June 30, 2023</b>	<b>Auditors for the year June 30, 2024</b>	<b>Re-appointed / New Appointment</b>
HLB Money Market Fund	A.F.Fergusons & Co., Chartered Accountants	A.F.Fergusons & Co., Chartered Accountants	Re-appointed
HLB Stock Fund	A.F.Fergusons & Co., Chartered Accountants	A.F.Fergusons & Co., Chartered Accountants	Re-appointed
HLB Growth Fund	A.F.Fergusons & Co., Chartered Accountants	A.F.Fergusons & Co., Chartered Accountants	Re-appointed
HLB Investment Fund	A.F.Fergusons & Co., Chartered Accountants	A.F.Fergusons & Co., Chartered Accountants	Re-appointed
HLB Total Treasury Exchange Traded Fund	Yousuf Adil & Co., Chartered Accountants	Yousuf Adil & Co., Chartered Accountants	Re-appointed
HLB Financial Sector Income Fund	Yousuf Adil & Co., Chartered Accountants	BDO Ebrahim & Co., Chartered Accountants	New Appointment

## **PATTERN OF UNIT HOLDING**

The details regarding the pattern of unit holding is provided in the respective financial statements of the Funds. Breakup of unit holding by size is provided in the relevant section of the Annual Fund Manager Report of the respective Funds.

## **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 the Securities & Exchange Commission of Pakistan, the Central Depository Company of Pakistan & the Digital Custodian Company Limited as Trustees, the Pakistan Stock Exchange Limited and the State Bank of Pakistan.

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

On behalf of the Board of  
HBL Asset Management Limited

**Chief Executive Officer**

## مینجمنٹ کمپنی کے ڈائریکٹرز کی رپورٹ

ایچ بی ایل ایسٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز 30 جون 2023 کو ختم ہونے والی مدت کے لئے ایچ بی ایل انکم فنڈ، ایچ بی ایل گورنمنٹ سکیورٹیز فنڈ، ایچ بی ایل منی مارکیٹ فنڈ، ایچ بی ایل کیش فنڈ، ایچ بی ایل اسٹاک فنڈ، ایچ بی ایل ایکویٹی فنڈ، ایچ بی ایل انرجی فنڈ، ایچ بی ایل ملٹی ایسٹ فنڈ، ایچ بی ایل فنانسل پلاننگ فنڈ، ایچ بی ایل گروتھ فنڈ، ایچ بی ایل انویسمنٹ فنڈ، ایچ بی ایل فنانسل سیکٹر انکم فنڈ، پلان 1، ایچ بی ایل محفوظ منافع فنڈ اور ایچ بی ایل ٹول ٹریڈری ایکس چینج ٹریڈ فنڈ (دی فنڈز) کے مالی بیانات کے ساتھ رپورٹ پیش کرتے ہوئے خوشی محسوس کر رہا ہے۔

## اقتصادی جائزہ

پاکستان کے مالی سال 2023 میں اقتصادی ترقی میں نمایاں کمی رہی اور گروتھ 0.3 فیصد رہی۔ گزشتہ سال کی 6.1 فیصد کی نمو اور ملک کی 5 فیصد کی تاریخی جی ڈی پی کی شرح نمو سے یہ واضح کمی بڑی حد تک وسیع سیلاب، افراط زر کے دباؤ اور ایک چیلنجنگ عالمی اقتصادی منظر نامے کے باعث ہوئی۔

مالی سال 23 میں، اہم شعبوں نے تناؤ کے آثار ظاہر کیے۔ زرعی شعبے کی ترقی گزشتہ سال کے 4.27 فیصد کے مقابلے میں کم ہو کر 1.55 فیصد رہ گئی، جبکہ خدمات کے شعبے نے مالی سال 22 میں 6.6 فیصد سے کم ہو کر 0.9 فیصد کی معمولی ترقی کی۔ مینوفیکچرنگ سیکٹر کو ایک قابل ذکر دھچکے کا سامنا کرنا پڑا، 3.9 فیصد کا سکڑنا، جو کہ ایک سال پہلے کی 10.9 فیصد نمو کے بالکل برعکس ہے۔ یہ سست روی مجموعی طلب میں کمی، اعلیٰ شرح سود اور درآمدی پابندیوں کی وجہ سے ہوئی، جیسا کہ بڑے پیمانے پر مینوفیکچرنگ (LSM) ڈیٹا سے ظاہر ہوتا ہے، جو مالی سال 23 میں 10 فیصد کم ہوا۔

بڑھتے ہوئے بیرونی کھاتوں اور افراط زر کے خدشات کا جواب دیتے ہوئے، اسٹیٹ بینک آف پاکستان (SBP) نے اہم پالیسی اقدامات کیے، جس سے پالیسی کی شرح مجموعی طور پر 825bps سے 22 فیصد تک بڑھ گئی۔ اس کے ساتھ ہی، درآمدات کو روکنے اور کرنٹ اکاؤنٹ خسارے (CAD) سے نمٹنے کے لیے انتظامی اقدامات کیے گئے۔ درآمدات مالی سال 23 میں 27 فیصد سال سے کم ہو کر 52 بلین امریکی ڈالر ہو گئیں، اور جب کہ برآمدات اور ترسیلات زر میں بھی کمی آئی، درآمدات میں خاطر خواہ کمی نے CAD کو گزشتہ سال کے 17.5 بلین امریکی ڈالر سے کم کر کے 2.4 بلین امریکی ڈالر کرنے میں مدد دی۔

پاکستان کے زرمبادلہ کے ذخائر اور کرنسی کی قدر کو مالی سال 23 کے دوران کافی دباؤ کا سامنا کرنا پڑا۔ جون 2023 میں SBP کے ذخائر کم ہو کر 4.5 بلین امریکی ڈالر ہو گئے۔ جو پچھلے سال کی اسی مدت میں 9.8 بلین ڈالر تھے۔ پاکستانی روپیہ (PKR) امریکی ڈالر کے مقابلے میں 28 فیصد تک گر گیا۔ جون 2023 میں شرح تبادلہ ایک ڈالر کے مقابلے میں 286 روپے پر بند ہوا۔ جون 2022 میں 204.85 روپے تھا۔

FY23 کے دوران افراط زر میں اضافہ ہوا، کنزیومر پرائس انڈیکس (CPI) گزشتہ سال کے 12 فیصد کے مقابلے میں 29 فیصد تک پہنچ گیا۔ جس کے بنیادی محرک خوراک اور ایندھن کی افراط زر تھے، کرنسی کی قدر میں کمی اور ایندھن کی بڑھتی ہوئی قیمتوں، سیلاب اور نقل و حمل کے اخراجات کی وجہ سے خوراک کی افراط زر 39 فیصد تک بڑھ گئی، جس کی وجہ سے CPI اور خوراک کی افراط زر میں مجموعی طور پر اضافہ ہوا۔ ٹرانسپورٹ کے شعبے میں حیرت انگیز طور پر 50 فیصد اضافہ دیکھا گیا۔

FY23 کے لیے پاکستان کا مالیاتی خسارہ GDP کا 7.7 فیصد یا 5.3 ٹریلین روپے تھا۔ جو گزشتہ سال کے GDP کے 7.9 فیصد یا 5.3 ٹریلین روپے سے تھوڑا کم تھا۔ ٹیکس ریونیو 16 فیصد بڑھ کر 7.8 ٹریلین روپے، جو کہ بڑھے ہوئے براہ راست ٹیکسوں کے باعث ہوا، جب کہ بنیادی طور پر زیادہ پٹرولیم محصولات کی وجہ سے نان ٹیکس ریونیو 38 فیصد بڑھ کر 1.8 ٹریلین روپے ہو گیا۔ کل اخراجات 25 فیصد بڑھ کر 16.5 ٹریلین جبکہ زیادہ مارک اپ ادائیگیوں کی وجہ سے 5.8 ٹریلین روپے تک پہنچ گئے (گزشتہ سال سے تقریباً دو گنا)۔

## اسٹاک مارکیٹ کا جائزہ

غیر یقینی معاشی صورتحال نے مالی سال 23 کے دوران اسٹاک مارکیٹ کی کارکردگی کو بھی متاثر کیا کیونکہ 17 اگست 2023 کو انڈیکس پوائنٹس کی بلندی (جون-2022 کے بعد سے 5 فیصد تک) بنانے کے بعد انڈیکس جون تک 41452 (چوٹی سے 5 فیصد نیچے) تک گر گیا۔ 2023، جو جون-2022 کے مقابلے میں فلیٹ ہے۔ آئی ایم ایف پروگرام میں تاخیر کی وجہ سے اسٹاک ایکسچینج میں مندی تھی جہاں 9 واں جائزہ (22 ستمبر کے لیے شیڈول) مکمل نہیں ہوا تھا۔ واضح رہے کہ IMF کے ساتھ 3 سالہ توسیعی فنڈ سہولت (EFF) جون 2023 میں ختم ہونے والا تھا۔ اس تاخیر نے معاشی غیر یقینی صورتحال کو جنم دیا خاص طور پر بیرونی کھاتوں کے محاذ پر جہاں غیر ملکی زرمبادلہ کے ذخائر میں کمی نے ڈیفالٹ کا خدشہ پیدا کر دیا تھا۔ پاکستان نے بعد میں سال کے دوران بجلی کے نرخوں میں اضافہ کیا، سیلز ٹیکس میں اضافہ کیا اور فنانس بل میں ترامیم کیں جس کے نتیجے میں جون-2023 کے آخر میں 9 ماہ کے لیے 3 بلین امریکی ڈالر کے لیے ایک نئے اسٹینڈ بائی معاہدے (SB) پر دستخط ہوئے۔ آئی ایم ایف پروگرام میں تاخیر کے ساتھ ساتھ بڑھتی ہوئی مہنگائی اور شرح سود کا نتیجہ بھی ایکویٹی مارکیٹ پر دباؤ کا باعث بنا جہاں سرمایہ کاروں نے فکسڈ انکم مارکیٹ کا رخ کیا۔

سال کے دوران، کل تجارت کا حجم اور قدر 34 فیصد اور 37 فیصد کم ہو کر 191mn حصص اور 6.1 ٹریلین روپے ہو گئی۔ فلوز فرنٹ پر غیر ملکی FY23 کے دوران 1.6 ملین امریکی ڈالر کے خالص خریدار تھے جبکہ گزشتہ سال کے دوران 297 ملین امریکی ڈالر کی فروخت ہوئی تھی۔ مقامی لوگوں کے درمیان، میوچل فنڈز اور انشورنس کمپنیاں بالترتیب 145 ملین امریکی ڈالر اور 124 ملین امریکی ڈالر کی خالص فروخت کنندہ تھیں۔

## منی مارکیٹ کا جائزہ

مالی سال 23 کے دوران مہنگائی مئی-23 میں 38 فیصد کی چوٹی پر پہنچ گئی جو کئی دہائیوں کی بلند ترین اور مالی سال 23 میں اوسطاً 29 فیصد ہے، جس نے اسٹیٹ بینک کو پالیسی ریٹ کو جارحانہ طور پر سخت کرنے پر مجبور کیا۔ نتیجے کے طور پر، SBP نے مجموعی طور پر پالیسی ریٹ میں 825bps کا اضافہ کر کے 22 فیصد کر دیا۔ SBP نے FY23 کے دوران جارحانہ مالیاتی سختی کے پیچھے بڑھتے ہوئے افراط زر کے دباؤ، بیرونی کھاتوں کے خدشات اور بڑھتی ہوئی عالمی شرح سود کو نمایاں کیا ہے۔ ثانوی مارکیٹ کی پیداوار بھی مالی سال 23 میں 763bps کے 22.93 فیصد تک بڑھنے کے ساتھ 1Y T-Bills کے ساتھ مل کر آگے بڑھی ہے۔ اسی طرح، 3Y اور 5Y بانڈ کی پیداوار FY23 میں بالترتیب 600bps اور 315bps سے بڑھ کر 19.5% اور 16.1 فیصد ہو گئی۔

21 جون-23 کو منعقدہ آخری ٹی بل نیلامی کے دوران، حکومت نے 2.3 ٹریلین روپے کے ہدف کے مقابلے میں 2.4 اکٹھا کیا جہاں کٹ آف پیداوار زیادہ تر فلیٹ رہی کیونکہ 3M، 6M اور 12M T-Bills کی پیداوار 21.97 فیصد، 22.0 فیصد اور 22.0 فیصد تھی۔



## مستقبل کا آؤٹ لک

آئی ایم ایف کے ایکشن پلان کی تکمیل پاکستان کے معاشی امکانات کے لیے اہم ثابت ہوگی۔ بجلی اور گیس کے نرخوں میں متوقع ایڈجسٹمنٹ، اشیاء کی بڑھتی ہوئی قیمتوں اور کرنسی کی قدر میں کمی کی وجہ سے مالی سال 24 میں افراط زر کے بلند رہنے کی توقع ہے۔ SBP اپنی سخت مالیاتی پالیسی کو برقرار رکھے گا، 24HFY24 میں شرح سود میں ردوبدل کا امکان ہے کیونکہ بنیادی اثرات کی وجہ سے افراط زر 20 فیصد سے نیچے آنے کی توقع ہے۔

حکومت کے بڑھتے ہوئے مالیاتی خسارے کو روکنے کے لیے اصلاحاتی ایجنڈوں پر پیشرفت، خاص طور پر توانائی کے شعبے، ٹیکس لگانے اور خسارے میں جانے والے سرکاری اداروں کے اداروں میں پیش رفت بہت اہم ہوگی۔

اقتصادی چیلنجوں کے باوجود، مارکیٹ میں کافی لیکویڈیٹی دستیاب ہے جیسا کہ صنعت کے زیر انتظام اثاثوں میں FY23 میں 1.6 ٹریلین سے زیادہ ظاہر ہوتا ہے، جو کہ 33 فیصد سالانہ اضافہ ہے۔ اعلیٰ شرح سود والے ماحول میں، سرمایہ کاری کا فلسفہ انکم فنڈز کی طرف جھکاؤ کی توقع کی جاتی ہے، لیکن تاریخی طور پر کم قیمتوں پر ایکویٹی ٹریڈنگ اور 24HFY24 میں سود کی شرح میں تبدیلی کی توقعات کے ساتھ، ایکویٹیز میں سرمایہ کاری میں تیزی آنے کی توقع ہے۔ درمیانی سے طویل مدت کے دوران، ایکویٹیز سے توقع کی جاتی ہے کہ وہ دیگر اثاثوں کی کلاسوں سے بہتر کارکردگی کا مظاہرہ کریں۔

## فنڈ کی کارکردگی اور ادائیگیاں ایچ بی ایل انکم فنڈ

30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 500.95 ملین روپے اور 430.71 ملین روپے تھی۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 112.4509 روپے فی یونٹ تھی جو کہ 30 جون 2022 کو 111.4310 روپے فی یونٹ تھا۔ 17.80 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد سالانہ منافع 17.3 فیصد رہا۔ سال کے دوران بینچ مارک (6 ماہ KIBOR) کی واپسی 18.33 فیصد تھی۔ 30 جون 2023 تک فنڈ کا حجم 2.11 ملین روپے تھا جو کہ سال کے آغاز میں 25.4 ملین روپے تھا۔

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کو (f+A) کی فنڈ استحکام کی درجہ بندی کی دوبارہ تصدیق کی ہے۔

## ایچ بی ایل گورنمنٹ سکیورٹیز فنڈ

30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 87.91 ملین روپے اور 74.92 ملین روپے تھی۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 112.9464 روپے فی یونٹ تھی جو کہ 30 جون 2023 کو 112.4774 روپے فی یونٹ تھا۔ 16.20 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد سالانہ منافع 14.88 فیصد رہا۔ اس مدت کے دوران بینچ مارک (6 ماہ PKRV) ریٹس کی واپسی 18.14 فیصد تھی۔ فنڈ کا حجم 30 مارچ 2023 تک 0.78 ملین روپے تھا جو سال کے آغاز میں 0.63 ملین روپے تھا۔

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ کی استحکام کی درجہ بندی کو گھٹا کر AA-(f) کر دیا ہے۔

### ایچ بی ایل منی مارکیٹ فنڈ

30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 2.48 بلین روپے اور 2.18 بلین روپے تھی۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 103.0279 روپے فی یونٹ تھی جو کہ 30 جون 2023 کو 102.8274 فی یونٹ تھا۔ 16.90 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد سالانہ منافع 16.66 فیصد رہا۔ اس مدت کے دوران بیچ مارک (70 فیصد 3M PKRV اور 30 فیصد 3M ڈپازٹ ریٹس) کی واپسی 16.92 فیصد تھی۔ فنڈ کا حجم 30 جون 2023 تک 13.23 بلین روپے تھا جو سال کے آغاز میں 15.60 بلین روپے تھا۔

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ میں AA+(f) کی فنڈ استحکام کی درجہ بندی کی دوبارہ تصدیق کی ہے۔

### ایچ بی ایل کیش فنڈ

30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل آمدنی اور خالص آمدنی بالترتیب 7.16 بلین روپے اور 6.65 بلین روپے تھی۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 101.9926 روپے فی یونٹ تھی جو کہ 30 جون 2023 کو 101.3611 فی یونٹ تھا۔ 15.8878 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد سالانہ منافع 17.56 فیصد رہا۔ اس مدت کے دوران بیچ مارک (70 فیصد 3M PKRV اور 30 فیصد 3M ڈپازٹ ریٹس) کی واپسی 16.92 فیصد تھی۔ فنڈ کا حجم 30 مارچ 2023 تک 50.34 بلین روپے تھا جو سال کے آغاز میں 36.07 بلین روپے تھا۔

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے فنڈ میں AA+(f) کی فنڈ استحکام کی درجہ بندی کی دوبارہ تصدیق کی ہے۔

### ایچ بی ایل اسٹاک فنڈ

30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل اور خالص نقصان بالترتیب 1.56 بلین روپے اور 7.91 بلین روپے تھا۔ 30 مارچ 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 69.6597 روپے فی یونٹ تھی جو کہ 30 جون 2022 کو 71.9274 فی یونٹ تھا۔ اس طرح 3.15 کی منفی ریٹرن دیتا ہے۔ اسی سال کے دوران بیچ مارک KSE 30 انڈیکس نے 4.41 فیصد کی واپسی حاصل کی۔ فنڈ کا حجم 30 جون 2023 تک 0.16 بلین روپے تھا جو سال کے آغاز میں 0.24 بلین روپے تھا۔

### ایچ بی ایل ایکویٹی فنڈ

30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل اور خالص نقصان بالترتیب 18.12 بلین روپے اور 42.60 بلین روپے تھا۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 70.3636 روپے فی یونٹ تھی جو کہ 30 جون 2022 کو 76.8634 فی یونٹ تھا۔ اس

طرح 8.46 فیصد کی منفی ریٹرن دی گئی۔ سال کے دوران بیچ مارک KSE 100 انڈیکس نے 0.21 فیصد کا منفی منافع حاصل کیا۔ فنڈ کا حجم 30 جون 2023 تک 0.32 بلین روپے تھا جو سال کے آغاز میں 0.82 بلین روپے تھا۔

#### ایچ بی ایل انرجی فنڈ

30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل آمدنی اور خالص نقصان بالترتیب 10.40 ملین روپے اور 4.59 ملین روپے تھا۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 9.8261 روپے فی یونٹ تھی جو کہ 30 جون 2022 کو 9.8637 فی یونٹ تھا۔ اس طرح 0.38 فیصد کی منفی ریٹرن دیتا ہے۔ اسی مدت کے دوران بیچ مارک KSE 30 انڈیکس نے 4.41 فیصد کی واپسی حاصل کی۔ فنڈ کا حجم 30 جون 2023 تک 0.24 بلین روپے تھا جو سال کے آغاز میں 0.43 بلین روپے تھا۔

#### ایچ بی ایل ملٹی ایسٹ فنڈ

30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل اور خالص آمدنی بالترتیب 9.57 ملین روپے اور 4.90 ملین روپے تھا۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 92.3983 روپے فی یونٹ تھی جو کہ 30 جون 2022 کو 92.9202 فی یونٹ تھا۔ (4.35 روپے فی یونٹ ڈیویڈنڈ شامل کرنے کے بعد) 4.05 فیصد کا منافع ملتا ہے۔ اسی سال کے دوران بیچ مارک انڈیکس (ویڈیو اوسط پرمیہ ریٹرن KSE 100 اور 6 ماہ PKRV ریٹس) نے 5.54 فیصد ریٹرن حاصل کیا۔ 30 جون 2023 تک فنڈ کا حجم 0.10 بلین روپے تھا جبکہ 30 جون 2023 تک سال کے آغاز میں 0.10 بلین روپے تھا۔

#### ایچ بی ایل فنانشل پلاننگ فنڈ

فنڈ تین ذیلی فنڈز (منصوبوں) پر مشتمل ہے یعنی ایکٹو ایلو کیشن پلان، کنزرویٹو ایلو کیشن پلان اور اسپیشل انکم پلان۔ خصوصی آمدنی کے منصوبے نے 13 ستمبر 2021 کو اپنی پختگی کا آغاز کیا۔ زیر جائزہ مدت کے دوران فنڈ کی مجموعی کل اور خالص آمدنی بالترتیب 12.73 ملین روپے اور 11.71 ملین روپے حاصل کی۔ 30 جون 2023 تک فنڈ کا حجم 0.11 بلین روپے رہا۔

منصوبوں کی کارکردگی کا جائزہ ذیل میں دیا گیا ہے:

#### ایکٹو ایلو کیشن پلان

زیر جائزہ مدت کے دوران، ایکٹو ایلو کیشن پلان نے کل اور خالص آمدنی بالترتیب 7.49 ملین اور 6.96 ملین روپے رہی۔ ایکٹو ایلو کیشن پلان کے خالص اثاثے 0.07 بلین روپے خالص اثاثہ قیمت (NAV) کی نمائندگی کرتا ہے۔ 30 جون 2023 تک فی یونٹ 78.1189 روپے کے مقابلے

میں 30 جون 2022 تک 74.1068 روپے تھا۔ (6.50 روپے فی یونٹ ڈیویڈنڈ شامل کرنے کے بعد)۔ منصوبے نے 18.47 فیصد کے بیچ مارک ریٹرن کے مقابلے میں زیر جائزہ سال کے لیے 14.20 فیصد کی واپسی حاصل کی۔ اس منصوبے میں 99 فیصد کی حد تک فکسڈ انکم فنڈز اور 1 فیصد کیش میں سرمایہ کاری کی جاتی ہے۔

#### کنزرویٹو ایکویٹیشن پلان

زیر جائزہ مدت کے دوران، ایکٹو ایکویٹیشن پلان نے کل اور خالص آمدنی بالترتیب 5.24 ملین اور 4.75 ملین روپے رہی۔ کنزرویٹو ایکویٹیشن پلان کے خالص اثاثے 0.04 بلین روپے خالص اثاثہ قیمت (NAV) کی نمائندگی کرتا ہے۔ 30 جون 2023 تک فی یونٹ 112.9070 روپے کے مقابلے میں 30 جون 2022 تک 111.7040 روپے تھا۔ (11.50 روپے فی یونٹ ڈیویڈنڈ شامل کرنے کے بعد)۔ منصوبے نے 11.47 فیصد کے بیچ مارک ریٹرن کے مقابلے میں زیر جائزہ سال کے لیے 14.71 فیصد کی واپسی حاصل کی۔ منصوبہ ایکویٹی فنڈز میں 20 فیصد اور فکسڈ انکم فنڈز میں 79 فیصد کی حد تک سرمایہ کاری کرتا ہے۔

#### اسپیشل انکم پلان

خصوصی آمدنی کا منصوبہ 13 ستمبر 2021 کو شروع ہوا اور تمام آمدنی اس منصوبے کے سرمایہ کاروں کو واپس کر دی گئی۔

#### ایچ بی ایل گروتھ فنڈ

2 جولائی 2018 سے مؤثر طریقے سے منظور شدہ کنورژن پلان کے مطابق فنڈ کو اوپن اینڈ ایکویٹی فنڈ میں تبدیل کر دیا گیا ہے۔ یہ معاملہ فنڈ کے مالی بیانات کے نوٹ 1.4 میں مکمل طور پر ظاہر کیا گیا ہے۔ زیر جائزہ مدت کے دوران فنڈ کی مجموعی کل اور خالص آمدنی بالترتیب 468.31 ملین روپے اور 300.83 ملین روپے حاصل کی۔ 30 جون 2023 تک فنڈ کا حجم 4.81 بلین روپے رہا۔

ہر کلاس کی کارکردگی کا جائزہ ذیل میں پیش کیا گیا ہے:

#### ایچ بی ایل گروتھ فنڈ - کلاس ”اے“

ایچ بی ایل گروتھ فنڈ - کلاس ”اے“، 30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل اور خالص آمدنی بالترتیب 471.63 ملین روپے اور 350.97 ملین روپے تھا۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 13.7476 روپے فی یونٹ کلاس اے تھی جو کہ 30 جون 2022 کو 19.4009 فی یونٹ تھا۔ (1.20 روپے فی یونٹ ڈیویڈنڈ شامل کرنے کے بعد)، اس طرح 22.95 فیصد کا منفی منافع ملتا ہے۔ سال کے دوران بیچ مارک KSE 100 انڈیکس نے 0.21 فیصد کی منفی واپسی حاصل کی۔ کلاس ”اے“ کا حجم 30 جون 2023 تک 3.90 بلین روپے تھا جو

سال کے آغاز میں 5.50 بلین روپے تھا۔

ایچ بی ایل گروتھ فنڈ - کلاس ”بی“

ایچ بی ایل گروتھ فنڈ - کلاس ”بی“، 30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل اور خالص نقصان بالترتیب 3.32 بلین روپے اور 50.13 بلین روپے تھا۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 12.2463 روپے فی یونٹ کلاس بی تھی جو کہ 30 جون 2022 کو 12.8951 فی یونٹ تھا۔ اس طرح 5.03 فیصد کی منفی واپسی دیتا ہے۔ اسی مدت کے دوران بینچ مارک KSE 100 انڈیکس کی منفی واپسی 0.21 فیصد رہی۔ کلاس ”بی“ کا حجم 30 جون 2023 تک 0.91 بلین روپے تھا جو سال کے آغاز میں 1.05 بلین روپے تھا۔

ایچ بی ایل انویسٹمنٹ فنڈ

2 جولائی 2018 سے مؤثر طریقے سے منظور شدہ کنورژن پلان کے مطابق فنڈ کو اوپن اینڈ ایکویٹی فنڈ میں تبدیل کر دیا گیا ہے۔ یہ معاملہ فنڈ کے مالی بیانات کے نوٹ 1.4 میں مکمل طور پر ظاہر کیا گیا ہے۔

زیر جائزہ مدت کے دوران فنڈ کی مجموعی کل اور خالص آمدنی بالترتیب 157.36 بلین روپے اور 86.82 بلین روپے حاصل کی۔ 31 مارچ 2023 تک فنڈ کا حجم 1.84 بلین روپے رہا۔

ہر کلاس کی کارکردگی کا جائزہ ذیل میں پیش کیا گیا ہے:

ایچ بی ایل انویسٹمنٹ فنڈ کلاس ”اے“

ایچ بی ایل انویسٹمنٹ فنڈ - کلاس ”اے“، 30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل اور خالص آمدنی بالترتیب 162.33 بلین روپے اور 117.31 بلین روپے تھا۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 4.8996 روپے فی یونٹ کلاس اے تھی جو کہ 30 جون 2022 کو 7.0325 روپے فی یونٹ تھا۔ اس طرح 24.64 فیصد کی منفی واپسی دیتا ہے۔ اسی مدت کے دوران بینچ مارک KSE 100 انڈیکس کی منفی واپسی 0.21 فیصد رہی۔ کلاس ”اے“ کا حجم 30 جون 2023 تک 1.39 بلین روپے تھا جو سال کے آغاز میں 2.00 بلین روپے تھا۔

ایچ بی ایل انویسٹمنٹ فنڈ کلاس ”بی“

ایچ بی ایل گروتھ فنڈ - کلاس ”بی“، 30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل اور خالص نقصان بالترتیب 4.97 بلین روپے اور 30.50 بلین روپے تھا۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 6.0678 روپے فی یونٹ کلاس بی تھی جو کہ 30 جون 2022

کو 6.4666 روپے فی یونٹ تھا۔ اس طرح 6.17 فیصد کی منفی واپسی دیتا ہے۔ اسی مدت کے دوران بینچ مارک KSE 100 انڈیکس کی منفی واپسی 0.21 فیصد رہی۔ کلاس ”بی“ کا حجم 30 جون 2023 تک 0.45 بلین روپے تھا جو سال کے آغاز میں 0.71 بلین روپے تھا۔

#### ایچ بی ایل فنڈ شامل سیکٹر انکم فنڈ۔ پلان ون

30 جون 2023 کو ختم ہونے والی مدت کے دوران فنڈ کی کل اور خالص آمدنی بالترتیب 5.02 بلین روپے اور 4.66 بلین روپے تھی۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 100.8692 روپے فی یونٹ تھی (16.0773 روپے فی یونٹ کے منافع کو شامل کرنے کے بعد) اس طرح 18.26 فیصد سالانہ واپسی، این اے وی فی یونٹ 30 جون 2022 کو 100.0454 فی یونٹ تھا۔ اسی مدت کے دوران بینچ مارک (KIBOR) 18.33 واپسی۔ فنڈ کا حجم 30 جون 2023 تک 27.43 بلین روپے تھا جو سال کے آغاز میں 45.83 بلین روپے تھا۔

#### ایچ بی ایل ٹوٹل ٹریڈری ایکٹیوٹیز ٹریڈ فنڈ

مذکورہ فنڈ نے 12 ستمبر 2022 کو اپنا کام شروع کیا۔ 12 ستمبر 2022 تا 30 جون 2023 کی مدت کے دوران فنڈ کی کل اور خالص آمدنی بالترتیب 75.87 بلین روپے اور 71.32 بلین روپے تھی۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 10.0265 روپے فی یونٹ تھی (1.40 روپے فی یونٹ ڈیویڈنڈ شامل کرنے کے بعد)، اس طرح 17.83 فیصد سالانہ منافع ملتا ہے۔ اسی مدت کے دوران، بینچ مارک کی واپسی 18.01 فیصد تھی۔ فنڈ کا حجم 30 جون 2023 تک 501 ملین روپے تھا۔

#### ایچ بی ایل محفوظ منافع فنڈ

ایچ بی ایل محفوظ منافع فنڈ نے 18 مئی 2023 کو اپنا پلان II شروع کیا

18 مئی 2022 تا 30 جون 2023 کی مدت کے دوران فنڈ کی کل اور خالص آمدنی بالترتیب 76.51 بلین روپے اور 71.72 بلین روپے تھی۔ 30 جون 2023 کو فنڈ کی خالص ایسٹ قیمت (این اے وی) 100.2211 روپے فی یونٹ تھی (1.2492 روپے فی یونٹ ڈیویڈنڈ شامل کرنے کے بعد)، اس طرح 20.63 فیصد سالانہ منافع ملتا ہے۔ اسی مدت کے دوران، بینچ مارک کی واپسی 21.90 فیصد تھی۔ فنڈ کا حجم 30 جون 2023 تک 2.91 بلین روپے تھا۔

#### مینجمنٹ کمپنی ریسٹرنگ

VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ (VIS) نے HBL Asset Management Limited کی انتظامی معیار کی درجہ بندی AM2++ (AM Two Plus Plus) کو-AM اپ گریڈ کر دیا گیا، تفویض کردہ درجہ بندی پر آؤٹ لک کا اندازہ مستحکم پر کیا گیا ہے۔



30 جون 2024 کے لیے ریٹائر ہونے والے آڈیٹرز اور تقرریوں کی تفصیلات درج ذیل جدول میں فراہم کی گئی ہیں۔

فنانس کا نام	30 جون 2023 کو ختم ہونے والے سال کے لیے ریٹائر ہونے والے آڈیٹر	30 جون 2024 کے لیے آڈیٹرز	دوبارہ تقرری/نئی تقرری
ایچ بی ایل گورنمنٹ سیکورٹی فنڈ	بی ڈی اوا براہیم اینڈ کو چارٹرڈ اکاؤنٹنٹس	یوسف عادل اینڈ کو چارٹرڈ اکاؤنٹنٹس	نئی تقرری
ایچ بی ایل کیش فنڈ	بی ڈی اوا براہیم اینڈ کو چارٹرڈ اکاؤنٹنٹس	یوسف عادل اینڈ کو چارٹرڈ اکاؤنٹنٹس	نئی تقرری
ایچ بی ایل ایمرجنسی فنڈ	بی ڈی اوا براہیم اینڈ کو چارٹرڈ اکاؤنٹنٹس	یوسف عادل اینڈ کو چارٹرڈ اکاؤنٹنٹس	نئی تقرری
ایچ بی ایل ایکویٹی فنڈ	بی ڈی اوا براہیم اینڈ کو چارٹرڈ اکاؤنٹنٹس	یوسف عادل اینڈ کو چارٹرڈ اکاؤنٹنٹس	نئی تقرری
ایچ بی ایل محفوظ منافع فنڈ	بی ڈی اوا براہیم اینڈ کو چارٹرڈ اکاؤنٹنٹس	بی ڈی اوا براہیم اینڈ کو چارٹرڈ اکاؤنٹنٹس	دوبارہ تقرری
ایچ بی ایل فنانسل پلاننگ فنڈ	بی ڈی اوا براہیم اینڈ کو چارٹرڈ اکاؤنٹنٹس	کے پی ایم جی تاثیر ہادی اینڈ کو چارٹرڈ اکاؤنٹنٹس	نئی تقرری
ایچ بی ایل ملٹی ایسٹ فنڈ	کے پی ایم جی تاثیر ہادی اینڈ کو چارٹرڈ اکاؤنٹنٹس	کے پی ایم جی تاثیر ہادی اینڈ کو چارٹرڈ اکاؤنٹنٹس	دوبارہ تقرری
ایچ بی ایل کم فنڈ	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	دوبارہ تقرری
ایچ بی ایل مینی مارکیٹ فنڈ	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	دوبارہ تقرری
ایچ بی ایل اسٹاک فنڈ	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	دوبارہ تقرری
ایچ بی ایل گروتھ فنڈ	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	دوبارہ تقرری
ایچ بی ایل انویسمنٹ فنڈ	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	اے ایف فرگوسن اینڈ کو چارٹرڈ اکاؤنٹنٹس	دوبارہ تقرری
ایچ بی ایل ٹول ریٹری ایکسیچنریڈ فنڈ	یوسف عادل اینڈ کو چارٹرڈ اکاؤنٹنٹس	یوسف عادل اینڈ کو چارٹرڈ اکاؤنٹنٹس	دوبارہ تقرری
ایچ بی ایل فنانسل سیکورٹیز کم فنڈ	یوسف عادل اینڈ کو چارٹرڈ اکاؤنٹنٹس	بی ڈی اوا براہیم اینڈ کو چارٹرڈ اکاؤنٹنٹس	نئی تقرری

## یونٹ ہولڈنگ کا پیٹرن

یونٹ ہولڈنگ کے پیٹرن سے متعلق تفصیلات فنڈز کے متعلق مالی بیانات میں فراہم کی گئی ہیں۔ حجم کے لحاظ سے یونٹ ہولڈنگ کی تقسیم متعلقہ فنڈز کی سالانہ فنڈ مینجر رپورٹ کے متعلقہ حصے میں فراہم کی گئی ہے۔

## اعتراف

بورڈ اس موقع سے اپنے قابل قدر یونٹ ہولڈرز کے اعتماد اور سرپرستی کا شکریہ ادا کرتا ہے۔ یہ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، سینٹرل ڈپازٹری کمپنی آف پاکستان اور ڈیجیٹل کسٹوڈین کمپنی لمیٹڈ کی بطور ٹرسٹیز، پاکستان اسٹاک ایکسچینج لمیٹڈ اور اسٹیٹ بینک آف پاکستان کی طرف سے فراہم کردہ مدد اور رہنمائی کے لیے اپنی تعریف ریکارڈ پر رکھنا چاہتا ہے۔  
بورڈ اپنے اسٹاف کی محنت اور لگن کے لیے اپنی تعریف ریکارڈ پر رکھنا چاہتا ہے۔

## از طرف

بورڈ آف ایچ بی ایل ایسٹ مینجمنٹ لمیٹڈ

چیف ایگزیکٹو آفیسر



**HBL** Money Market Fund

## FUND INFORMATION

NAME OF FUND	HBL Money Market Fund
NAME OF AUDITOR	A.F. Ferguson & Co.
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF BANKERS	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited Meezan Bank Limited Askari Bank Limited Samba Bank Limited Zarai Taraqati Bank Limited United Bank Limited Sindh Bank Limited JS Bank Limited
FUND RATING	AA+(f) (VIS)

## Type and Category of Fund

Open end Money Market Fund

## Investment Objective and Accomplishment of Objective

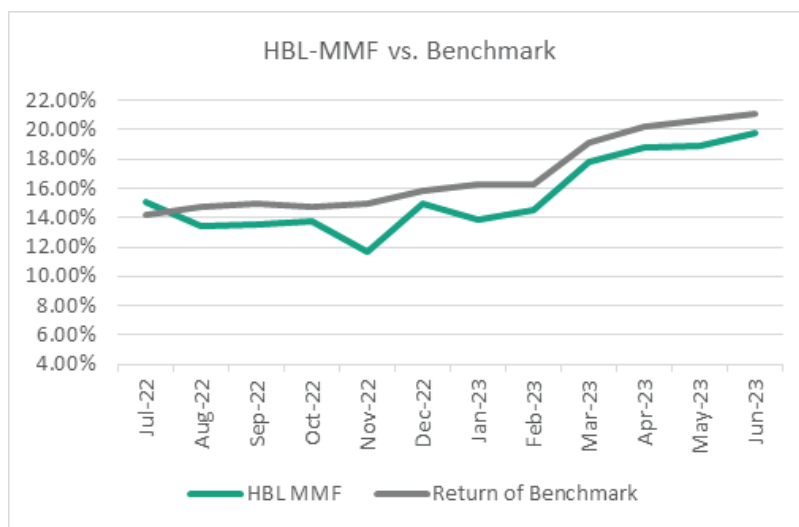
The investment objective of the Fund is to seek high liquidity and competitive return for investors by investing in low risk securities of shorter duration and maturity. The investment objective is achieved.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is 70% 3 – Month PKRV + 30% 3 – Month Deposit Rate of 3 AA and above rated Banks as per MUFAP.

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

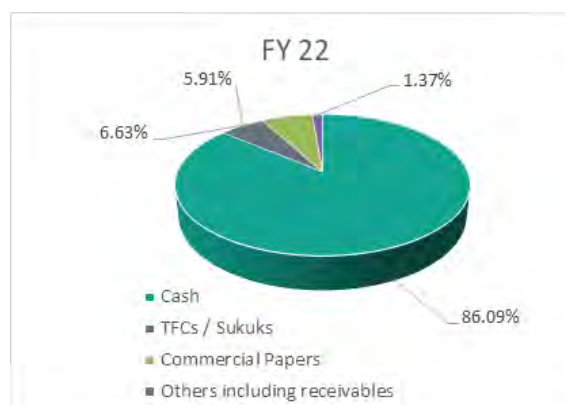
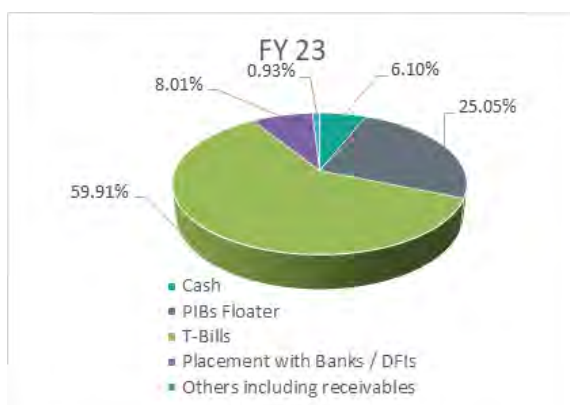
Month	HBL-MMF	Benchmark
Jun-23	19.79%	21.11%
May-23	18.92%	20.64%
Apr-23	18.79%	20.26%
Mar-23	17.76%	19.17%
Feb-23	14.52%	16.24%
Jan-23	13.89%	16.28%
Dec-22	14.95%	15.87%
Nov-22	11.68%	14.95%
Oct-22	13.81%	14.77%
Sep-22	13.59%	14.92%
Aug-22	13.39%	14.75%
Jul-22	15.03%	14.18%



## Strategies and Policies employed during the Year

During the year, the fund was majorly invested in short term Government Securities, placements with DFIs while some exposures were maintained in Cash as well. HBL Money Market Fund posted an annualized return (YTD) of 16.66% against the benchmark return of 16.92% in FY23. In-line with the investment policy of the Fund, the Fund continued to hold major investments in the form of short maturity T-Bills, PIBs with Fortnight reset and placements with Commercial Banks and DFIs while also maintaining cash in Daily Product Accounts and LOPs. During quarter, Calendar and Fiscal year ends, wherever better opportunities were offered in Bank Deposits the Fund Manager deployed the amount to optimize Fund returns.

## Asset Allocation



## Significant Changes in Asset Allocation during the Year

No major changes were made in asset allocation during the year due to nature of the fund. The fund was majorly invested in short term Government Securities, placements with DFIs while some exposures were maintained in Cash as well.

## Fund Performance

The total income and net income of the Fund was Rs. 2.48 billion and Rs. 2.18 billion respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 103.0279 per unit as on June 30, 2023 as compared to Rs. 102.8274 per unit as on June 30, 2022, after incorporating dividend of Rs. 16.90 per unit, thereby giving an annualized return of 16.66%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 16.92%. The size of Fund was Rs. 13.23 billion as on June 30, 2023 as compared to Rs.15.60 billion at the start of the year.

## Market Review

Post-COVID, the SBP shifted its focus from catalyzing economic recovery toward sustaining it. Accordingly, Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

## Distribution

The Fund has distributed cash dividend up-to Rs. 16.90 per unit for the year ended June 30, 2023.

## 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	3,902	71,264
101 – 500	600	134,356
501 – 1,000	154	108,579
1,001 – 10,000	872	4,772,442
10,001 – 100,000	1,472	50,157,496
100,001 – 500,000	180	36,861,951
500,001 – 1,000,000	12	7,221,055
1,000,001 – 5,000,000	13	22,586,231
5,000,001 and more	1	6,461,608
<b>Total</b>	<b>7,206</b>	<b>128,374,982</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE – HBL MONEY MARKET FUND

As at June 30, 2023

	For the period ended June 30, 2023	For the period ended June 30, 2022	For the period ended June 30, 2021	For the period ended June 30, 2020	For the period ended June 30, 2019	For the period ended June 30, 2018
<b>NET ASSETS AND PRICES</b>						
Net assets at the period end (Rs '000)	13,226,208	15,598,673	12,836,970	9,977,368	6,252,738	7,249,502
Net asset value per unit at the period end/period end(Rs)	103.0279	102.8274	102.6193	102.3799	102.2200	107.1869
Selling price/repurchasing price	104.1921	103.9893	103.7789	102.3799	103.3751	107.1869
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest selling price per unit(Rs)	120.8635	114.1003	110.3250	116.0114	111.7235	107.1869
Lowest selling price per unit(Rs)	103.9898	103.8002	103.5368	103.4401	102.1026	101.8380
Highest repurchase price per unit(Rs)	119.5130	112.8254	109.0923	114.7151	110.4751	107.1869
Lowest repurchasing price per unit(Rs)	102.8278	102.6404	102.7990	102.2843	102.0607	101.8380
<b>RETURN ( % )</b>						
Total return	16.66%	10.26%	6.84%	12.38%	8.47%	5.32%
Income distribution	16.44%	9.78%	6.75%	12.50%	8.45%	5.15%
Capital growth	0.22%	0.48%	0.09%	-0.12%	0.02%	0.17%
<b>DISTRIBUTION</b>						
Final dividend distribution	16.90	9.78	6.75	12.5	8.45	5.15
Total dividend distribution for the year/ period	16.90	9.78	6.75	12.50	8.45	5.15
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	16.66%	10.26%	6.84%	12.38%	8.47%	5.32%
Average annual return 2 year	13.41%	8.54%	9.57%	10.41%	6.89%	5.89%
Average annual return 3 year	11.18%	9.80%	9.21%	8.69%	6.74%	5.64%
Weighted average portfolio during (No. of days)	55	15	1	33	15	3
<b>PORTFOLIO COMPOSITION (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	6.10%	86.09%	99.40%	70.74%	70.15%	92.91%
T. Bills	59.91%	0.00%	0.00%	26.31%	0.00%	0.00%
Placement with banks & DFIs	8.01%	0.00%	0.00%	0.00%	8.61%	6.83%
Government Securities	25.05%	0.00%	0.00%	0.00%	7.07%	0.00%
Commercial Paper	0.00%	6.63%	0.00%	3.04%	13.37%	0.00%
TFC / Sukuks	0.00%	5.91%	0.00%	0.00%	0.00%	0.00%
Others including Receivables	0.93%	1.37%	0.60%	0.31%	0.80%	0.26%

## Disclaimer:

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL MONEY MARKET FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Money Market Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, September 25, 2023





A.F. FERGUSON & CO.

## INDEPENDENT AUDITOR'S REPORT

To the Unit holders of HBL Money Market Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of HBL Money Market Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer note 5 to the financial statements)	
	The investments constitute the most significant component of the net asset value (NAV). The investments of the Fund as at June 30, 2023 amounted to Rs. 12,772.891 million.  The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2023 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"><li>• tested the design and operating effectiveness of the key controls for valuation of investments;</li><li>• obtained independent confirmations for verifying the existence of the investment portfolio as at June 30, 2023 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and</li><li>• re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies.</li></ul>

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**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


We also provide board of directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

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

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

  
A. F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: September 22, 2023  
UDIN: AR2023100611brDC8mIX

	Note	2023	2022
		----- Rupees in '000 -----	
<b>ASSETS</b>			
Bank balances	4	898,563	13,661,227
Investments	5	12,772,891	1,985,515
Interest / profit accrued	6	118,727	198,722
Deposits and prepayments	7	105	105
<b>Total assets</b>		13,790,286	15,845,569
<b>LIABILITIES</b>			
Payable to HBL Asset Management Limited - Management Company	8	40,663	41,799
Payable to the Central Depository Company of Pakistan Limited - Trustee	9	746	721
Payable to the Securities and Exchange Commission of Pakistan	10	2,814	2,839
Payable against redemption of units		163,780	-
Dividend payable		60,109	9,261
Accrued expenses and other liabilities	11	295,966	192,276
<b>Total liabilities</b>		564,078	246,896
<b>NET ASSETS</b>		<u>13,226,208</u>	<u>15,598,673</u>
<b>UNIT HOLDERS' FUNDS (AS PER STATEMENT ATTACHED)</b>		<u>13,226,208</u>	<u>15,598,673</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
		----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	19	<u>128,374,982</u>	<u>151,697,590</u>
		----- Rupees -----	
<b>NET ASSET VALUE PER UNIT</b>	3.7	<u>103.0279</u>	<u>102.8274</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**



**HBL Money Market Fund**  
**Income Statement**  
For the year ended June 30, 2023

	Note	2023 ----- Rupees in '000 -----	2022 -----
<b>INCOME</b>			
Interest / profit earned	20	2,014,370	641,991
Profit on savings accounts with banks	13	468,815	865,885
Loss on sale of investments - net		(2,208)	(33,504)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.6	(1,788)	-
		(3,996)	(33,504)
<b>Total income</b>		<b>2,479,189</b>	<b>1,474,372</b>
<b>EXPENSES</b>			
Remuneration of HBL Asset Management Limited - Management Company	8.1 & 8.2	97,172	75,985
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1 & 9.2	8,743	9,172
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	2,814	2,839
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	92,216	26,034
Selling and marketing expenses	8.4	92,216	26,034
Securities transaction costs		663	11
Settlement and bank charges		423	1,703
Auditors' remuneration	14	789	701
Annual listing fee		28	28
Printing expenses		-	76
Annual rating fee		316	305
<b>Total expenses</b>		<b>295,380</b>	<b>142,888</b>
<b>Net income from operating activities</b>		<b>2,183,809</b>	<b>1,331,484</b>
Reversal of provision for Sindh Workers' Welfare Fund		-	62,703
<b>Net income for the year before taxation</b>		<b>2,183,809</b>	<b>1,394,187</b>
Taxation			-
<b>Net income for the year after taxation</b>		<b>2,183,809</b>	<b>1,394,187</b>
<b>Earnings per unit</b>	17		
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		2,183,809	1,394,187
Income already paid on redemption of units		(979,441)	(637,650)
		<b>1,204,368</b>	<b>756,537</b>
<b>Accounting income available for distribution:</b>			
- Relating to capital gain		-	-
- Excluding capital gain		1,204,368	756,537
		<b>1,204,368</b>	<b>756,537</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	2023	2022
	----- Rupees in '000 -----	----- Rupees in '000 -----
Net income for the year after taxation	2,183,809	1,394,187
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>2,183,809</u></u>	<u><u>1,394,187</u></u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL Money Market Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2023

	2023			2022		
	Capital value	Undistribut ed income	Total	Capital value	Undistribut ed income	Total
	Rupees in '000					
<b>Net assets at the beginning of the year</b>	15,548,448	50,225	15,598,673	12,788,663	48,311	12,836,974
Issuance of 498,015,006 units (2022: 376,577,531 units)						
- Capital value (at net asset value per unit at the beginning of the year)	51,209,588	-	51,209,588	38,643,759	-	38,643,759
- Element of income	3,937,194		3,937,194	1,644,453		1,644,453
<b>Total proceeds on issuance of units</b>	55,146,782	-	55,146,782	40,288,212	-	40,288,212
Redemption of 521,337,614 units (2022: 349,973,045 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(53,607,791)	-	(53,607,791)	(35,913,989)	-	(35,913,989)
- Element of loss	(3,098,059)	(979,441)	(4,077,500)	(1,213,766)	(637,650)	(1,851,416)
<b>Total payment on redemption of units</b>	(56,705,850)	(979,441)	(57,685,291)	(37,127,755)	(637,650)	(37,765,405)
Total comprehensive income for the year	-	2,183,809	2,183,809	-	1,394,187	1,394,187
Final distribution for the year ended June 30, 2023 ( cash distribution @ Rs 16.9 per unit declared on June 23, 2023)	-	(1,182,573)	(1,182,573)	-	-	-
Final distribution for the year ended June 30, 2022 ( cash distribution @ Rs 10.04 per unit declared on June 27, 2022)	-	-	-	-	(754,623)	(754,623)
Refund of capital	(835,192)	-	(835,192)	(400,672)	-	(400,672)
<b>Net income for the year less distribution and refund of capital</b>	(835,192)	1,001,236	166,044	(400,672)	639,564	238,892
<b>Net assets at the end of the year</b>	<u>13,154,188</u>	<u>72,020</u>	<u>13,226,208</u>	<u>15,548,448</u>	<u>50,225</u>	<u>15,598,673</u>
<b>Undistributed income brought forward comprising of:</b>						
- Realised income		50,225			48,311	
- Unrealised income		-			-	
		<u>50,225</u>			<u>48,311</u>	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		1,204,368			756,537	
		<u>1,204,368</u>			<u>756,537</u>	
Distribution during the year		(1,182,573)			(754,623)	
Undistributed income carried forward		<u><u>72,020</u></u>			<u><u>50,225</u></u>	
<b>Undistributed income carried forward comprising of:</b>						
- Realised income		73,808			50,225	
- Unrealised loss		(1,788)			-	
		<u><u>72,020</u></u>			<u><u>50,225</u></u>	
		(Rupees)			(Rupees)	
<b>Net asset value per unit at the beginning of the year</b>		<u>102.8274</u>			<u>102.6193</u>	
<b>Net asset value per unit at the end of the year</b>		<u><u>103.0279</u></u>			<u><u>102.8274</u></u>	

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	Note	2023	2022
		----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		2,183,809	1,394,187
<b>Adjustments for:</b>			
Interest / profit earned		(2,014,370)	(641,991)
Profit on savings accounts with banks		(468,815)	(865,885)
Loss on sale of investments - net		2,208	33,504
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		1,788	-
Reversal of provision for Sindh Workers' Welfare Fund		-	(62,703)
		(295,380)	(142,888)
<b>Increase in assets</b>			
Investments - net		(1,460,201)	(2,019,019)
		(1,460,201)	(2,019,019)
<b>Increase / (decrease) in liabilities</b>			
Payable to HBL Asset Management Limited - Management Company		(1,136)	37,727
Payable to the Central Depository Company of Pakistan Limited - Trustee		25	11
Payable to the Securities and Exchange Commission of Pakistan		(25)	240
Accrued expenses and other liabilities		103,690	60,992
		102,554	98,970
Profit received on bank deposits		594,127	772,987
Interest received on investments		1,969,053	613,884
<b>Net cash generated from / (used in) operating activities</b>		910,153	(676,066)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		55,146,782	40,288,212
Payment against redemption and conversion of units		(57,521,511)	(37,765,405)
Refund of capital		(835,192)	(400,672)
Cash dividend paid		(1,131,725)	(748,304)
<b>Net cash (used in) / generated from financing activities</b>		(4,341,646)	1,373,831
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>		(3,431,493)	697,765
Cash and cash equivalents at beginning of the year		13,661,227	12,963,462
<b>Cash and cash equivalents at end of the year</b>	18	10,229,734	13,661,227

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 HBL Money Market Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered between HBL Asset Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed under the Trust Act, 1882 on March 18, 2010 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on April 9, 2010. During the year ended June 30, 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the "Sindh Trust Act, 2020". Accordingly, on August 24, 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act.
- 1.2 The Management Company of the Fund has been registered as Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block-5, Main Clifton Road, Clifton, Karachi, Pakistan.
- 1.3 The Fund is an open ended mutual fund categorised as 'Money Market Scheme' and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from July 12, 2010 to July 14, 2010.
- 1.4 The principal objective of the Fund is to seek high liquidity and comparative return for investors by investing in low risk securities of shorter duration and maturity.
- 1.5 VIS Credit Rating Company Limited (VIS) has upgraded the Management Quality Rating to AM-I (2022: AM2++) on December 30, 2022 and the outlook on the rating has been assigned as 'Stable' and the fund stability rating of AA+(f) (2022: AA+(f)) on December 29, 2022). The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes.
- 1.6 The title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as Trustee of the Fund.

**2. BASIS OF PREPARATION**

**2.1 Statements of compliance**

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2022. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

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

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2023. However, these are not expected to have any significant effects on the Fund's operations and are, therefore, not detailed in these financial statements.

**2.4 Critical accounting estimates and judgments**

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification and valuation of financial assets (notes 3.3 and 5) and provision for Federal excise duty (note 11.1).

**2.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

**2.6 Functional and presentation currency**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### 3.2 Cash and cash equivalents

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

### 3.3 Financial assets

#### 3.3.1 Initial recognition and measurement

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

#### 3.3.2 Classification and subsequent measurement

##### Debt instrument

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

- at amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVTPL)

based on the business model of the entity.

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

#### 3.3.3 Impairment

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

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

#### 3.3.4 Impairment loss on debt securities

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



As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, considering the specific credit and financial condition of the debt security issuer and in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company. The provisioning policy approved by the Board of Directors has also been placed on the Management Company's website as required under the SECP's circular.

**3.3.5 Regular way contracts**

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

**3.3.6 Derecognition**

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

**3.4 Financial liabilities**

**3.4.1 Classification and subsequent measurement**

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

**3.4.2 Derecognition**

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

**3.5 Offsetting of financial assets and financial liabilities**

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

**3.6 Provisions**

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

**3.7 Net asset value per unit**

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

### **3.8 Issue and redemption of units**

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

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

### **3.9 Distribution to unit holders**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

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

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

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

### **3.11 Revenue recognition**

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Income from investments in corporate sukuk certificates, government securities and letter of placements is recognised on an accrual basis using effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the year in which these arise.
- Interest income on bank balances and commercial paper is recognised on an accrual basis.

### **3.12 Expenses**

All expenses chargeable to the Fund including remuneration of the Management Company and Trustee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

### 3.13 Taxation

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

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

### 3.14 Earnings per unit

Earnings per unit (EPU) is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 17.

### 3.15 Foreign currency translation

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

	Note	2023	2022
		----- Rupees in '000 -----	
<b>4 BANK BALANCES</b>			
Saving accounts	4.1	898,563	13,661,227

4.1 These include a balance of Rs. 98.907 million (2022: 6,022 million) with Habib Bank Limited (a related party) and this account carries profit at the rates ranging from 13.5% to 19.5% (2022: 17.56%). Other savings accounts of the Fund carry profit at the rates ranging from 8% to 22.65% (2022: 5% to 16.70%) per annum.

	Note	2023	2022
		----- Rupees in '000 -----	
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
- Government securities - Market Treasury Bills	5.1	8,231,171	-
- Government securities - Pakistan Investment Bonds	5.2	3,441,720	-
- Commercial papers	5.3	-	1,050,515
- Letter of placements	5.4	1,100,000	-
- Corporate sukuk certificates	5.5	-	935,000
		<u>12,772,891</u>	<u>1,985,515</u>

#### 5.1 Government securities - Market Treasury Bills

Name of the security	Issue date	Face value (Rupees in '000)				Rupees in '000			Market value as a percentage of	
		As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation/ (diminution)	total investments	net asset

#### Market Treasury Bills - 3-months

Market treasury bills	June 30, 2022	-	7,764,000	7,764,000	-	-	-	-	-	-
Market treasury bills	July 14, 2022	-	18,000,000	18,000,000	-	-	-	-	-	-
Market treasury bills	July 28, 2022	-	114,559,600	114,559,600	-	-	-	-	-	-
Market treasury bills	August 11, 2022	-	2,635,000	2,635,000	-	-	-	-	-	-
Market treasury bills	August 25, 2022	-	2,200,000	2,200,000	-	-	-	-	-	-
Market treasury bills	September 8, 2022	-	382,000	382,000	-	-	-	-	-	-
Market treasury bills	September 22, 2022	-	4,800,000	4,800,000	-	-	-	-	-	-

Name of the security	Issue date	Face value (Rupees in '000)				Rupees in '000			Market value as a percentage of		
		As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation/ (diminution)	Market value as a percentage of		
									total investments	net asset	
										----- (%) -----	
Market treasury bills	October 6, 2022	-	13,980,000	13,980,000	-	-	-	-	-	-	
Market treasury bills	October 20, 2022	-	17,683,000	17,683,000	-	-	-	-	-	-	
Market treasury bills	November 3, 2022	-	6,928,000	6,928,000	-	-	-	-	-	-	
Market treasury bills	November 17, 2022	-	9,000,000	9,000,000	-	-	-	-	-	-	
Market treasury bills	December 1, 2022	-	5,930,000	5,930,000	-	-	-	-	-	-	
Market treasury bills	December 15, 2022	-	800,000	800,000	-	-	-	-	-	-	
Market treasury bills	December 29, 2022	-	4,107,309	4,107,309	-	-	-	-	-	-	
Market treasury bills	January 26, 2023	-	14,323,000	14,323,000	-	-	-	-	-	-	
Market treasury bills	February 9, 2023	-	7,900,000	7,900,000	-	-	-	-	-	-	
Market treasury bills	February 23, 2023	-	2,050,000	2,050,000	-	-	-	-	-	-	
Market treasury bills	March 9, 2023	-	4,233,500	4,233,500	-	-	-	-	-	-	
Market treasury bills	March 27, 2023	-	60,000	60,000	-	-	-	-	-	-	
Market treasury bills	April 6, 2023	-	15,762,000	15,762,000	-	-	-	-	-	-	
Market treasury bills	April 20, 2023	-	2,075,000	2,075,000	-	-	-	-	-	-	
Market treasury bills	May 4, 2023	-	1,000,000	-	1,000,000	986,141	985,534	(607)	8%	7%	
Market treasury bills	June 15, 2023	-	11,550,000	4,000,000	7,550,000	7,248,519	7,245,637	(2,882)	57%	55%	
Market Treasury Bills - 6 - months										-	-
Market treasury bills	January 27, 2022	-	5,500,000	5,500,000	-	-	-	-	-	-	
Market treasury bills	March 10, 2022	-	3,300,000	3,300,000	-	-	-	-	-	-	
Market treasury bills	April 7, 2022	-	1,000,000	1,000,000	-	-	-	-	-	-	
Market treasury bills	April 21, 2022	-	1,620,000	1,620,000	-	-	-	-	-	-	
Market treasury bills	July 28, 2022	-	420,650	420,650	-	-	-	-	-	-	
Market treasury bills	August 25, 2022	-	640,000	640,000	-	-	-	-	-	-	
Market treasury bills	October 6, 2022	-	500,000	500,000	-	-	-	-	-	-	
Market treasury bills	October 20, 2022	-	250,000	250,000	-	-	-	-	-	-	
Market Treasury Bills - 1 - year											
Market treasury bills	May 19, 2022	-	440,100	440,100	-	-	-	-	-	-	
Market treasury bills	December 28, 2022	-	178,000	178,000	-	-	-	-	-	-	
Total as at June 30, 2023		-	281,571,159	273,021,159	8,550,000	8,234,660	8,231,171	(3,489)			
Total as at June 30, 2022		-	272,482,000	272,482,000	-	-	-	-			

5.1.1 The Market Treasury Bills carry yield of 21.96% and 21.5% per annum and have matured on July 25, 2023 and September 7, 2023.

**5.2 Government Securities - Pakistan Investment Bonds**

Issue date	Tenor	Face value (Rupees in '000)				Rupees in '000			Market value as a percentage of		
		As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation/ (diminution)	total investments	net asset	
										----- % -----	
June 18, 2020	3 years	-	15,949,900	15,949,900	-	-	-	-	-	-	
September 8, 2022	3 years	-	3,859,100	3,859,100	-	-	-	-	-	-	
May 6, 2021	5 years	-	8,377,000	8,377,000	-	-	-	-	-	-	
October 13, 2022	5 years	-	2,286,000	2,286,000	-	-	-	-	-	-	
August 26, 2021	5 years	-	32,550,000	29,100,000	3,450,000	3,440,019	3,441,720	1,701	26.02%	0.01%	
Total as at June 30, 2023						3,440,019	3,441,720	1,701			
Total as at June 30, 2022						-	-	-			

**5.2.1 The Pakistan Investment Bond carry yield of 21.76% per annum and have maturity on August 26, 2026.**

**5.3 Investment in Commercial Papers - At fair value through profit or loss**

Name of the security	Effective Yield	Issue Date	Face value (Rupees in '000)				Rupees in '000		Market value as a percentage of net asset	Market value as a percentage of total investments
			As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023		
----- % -----										
China Power Hub Generation Company (Private) Limited (AA+, PACRA)	13.90%	April 13, 2022	500,000	-	500,000	-	-	-	-	-
Lucky Electric Power Company Limited (AA, PACRA)	16.21%	April 12, 2022	600,000	-	600,000	-	-	-	-	-
Lucky Electric Power Company Limited (AA, PACRA)	17.34%	November 1, 2022	-	300,000	300,000	-	-	-	-	-
Total as at June 30, 2023							-	-		
Total as at June 30, 2022							1,050,515	1,050,515		

**5.4 Letter of Placement - At fair value through profit or loss**

Name of investee company	Maturity date	Face value (Rupees in '000)				Rupees in '000		Market value as a percentage of	
		As at July 01, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	total investments	net asset
----- % -----									
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	July 29, 2022	-	1,500,000	1,500,000	-	-	-	-	-
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	September 14, 2022	-	1,450,000	1,450,000	-	-	-	-	-
Saudi Pak Industrial and Agricultural Investment Company (Private) Limited	February 24, 2023	-	1,400,000	1,400,000	-	-	-	-	-
Pak Oman Investment Company Limited	July 29, 2022	-	1,600,000	1,600,000	-	-	-	-	-
Pak Oman Investment Company Limited	August 12, 2022	-	1,000,000	1,000,000	-	-	-	-	-
Pak Oman Investment Company Limited	August 16, 2022	-	1,200,000	1,200,000	-	-	-	-	-
Pak Oman Investment Company Limited	August 17, 2022	-	1,200,498	1,200,498	-	-	-	-	-
Pak Oman Investment Company Limited	August 18, 2022	-	1,600,000	1,600,000	-	-	-	-	-
Pak Oman Investment Company Limited	August 19, 2022	-	1,600,666	1,600,666	-	-	-	-	-
Pak Oman Investment Company Limited	August 23, 2022	-	1,600,000	1,600,000	-	-	-	-	-
Pak Oman Investment Company Limited	August 25, 2022	-	1,600,000	1,600,000	-	-	-	-	-
Pak Oman Investment Company Limited	August 26, 2022	-	1,500,000	1,500,000	-	-	-	-	-
Pak Oman Investment Company Limited	September 9, 2022	-	1,500,000	1,500,000	-	-	-	-	-
Pak Oman Investment Company Limited	September 14, 2022	-	1,500,000	1,500,000	-	-	-	-	-
Pak Oman Investment Company Limited	September 15, 2022	-	1,500,621	1,500,621	-	-	-	-	-
Pak Oman Investment Company Limited	September 20, 2022	-	400,000	400,000	-	-	-	-	-
Pak Oman Investment Company Limited	October 5, 2022	-	1,000,000	1,000,000	-	-	-	-	-
Pak Oman Investment Company Limited	October 11, 2022	-	1,000,000	1,000,000	-	-	-	-	-
Pak Oman Investment Company Limited	December 16, 2022	-	500,000	500,000	-	-	-	-	-
Pak Oman Investment Company Limited	December 28, 2022	-	600,000	600,000	-	-	-	-	-
Pak Oman Investment Company Limited	February 22, 2023	-	1,300,000	1,300,000	-	-	-	-	-
Pak Oman Investment Company Limited	February 24, 2023	-	1,400,000	1,400,000	-	-	-	-	-
Pak Oman Investment Company Limited	March 8, 2023	-	1,200,000	1,200,000	-	-	-	-	-
Pak Oman Investment Company Limited	February 10, 2023	-	1,000,000	1,000,000	-	-	-	-	-
Pak Oman Investment Company Limited	January 26, 2023	-	1,100,000	1,100,000	-	-	-	-	-
Pak Oman Investment Company Limited	February 3, 2023	-	1,100,000	1,100,000	-	-	-	-	-
Pak Kuwait Investment Company Limited	August 23, 2022	-	1,600,000	1,600,000	-	-	-	-	-
Pak Kuwait Investment Company Limited	September 30, 2022	-	600,000	600,000	-	-	-	-	-

Name of investee company	Maturity date	Face value (Rupees in '000)				Rupees in '000		Market value as a percentage of	
		As at July 01, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	total investments	net asset
----- % -----									
Pak Kuwait Investment Company Limited	November 2, 2022	-	800,000	800,000	-	-	-	-	-
Pak Kuwait Investment Company Limited	November 3, 2022	-	800,343	800,343	-	-	-	-	-
Pak Kuwait Investment Company Limited	November 4, 2022	-	1,200,677	1,200,677	-	-	-	-	-
Pak Kuwait Investment Company Limited	November 7, 2022	-	1,201,184	1,201,184	-	-	-	-	-
Pak Kuwait Investment Company Limited	November 15, 2022	-	400,000	400,000	-	-	-	-	-
Pak Kuwait Investment Company Limited	December 16, 2022	-	1,000,000	1,000,000	-	-	-	-	-
Pak Kuwait Investment Company Limited	December 26, 2022	-	400,000	400,000	-	-	-	-	-
Pak Kuwait Investment Company Limited	January 27, 2023	-	1,100,000	1,100,000	-	-	-	-	-
Pak Kuwait Investment Company Limited	February 3, 2023	-	1,100,000	1,100,000	-	-	-	-	-
Pak Kuwait Investment Company Limited	February 17, 2023	-	1,200,000	1,200,000	-	-	-	-	-
Pak Brunei Investment Company Limited	November 3, 2022	-	300,000	300,000	-	-	-	-	-
Pak Brunei Investment Company Limited	November 4, 2022	-	400,125	400,125	-	-	-	-	-
Pak Brunei Investment Company Limited	December 15, 2022	-	550,000	550,000	-	-	-	-	-
Pak Brunei Investment Company Limited	January 13, 2023	-	1,000,000	1,000,000	-	-	-	-	-
Pak Brunei Investment Company Limited	February 3, 2023	-	400,000	400,000	-	-	-	-	-
Pak Brunei Investment Company Limited	February 17, 2023	-	1,200,000	1,200,000	-	-	-	-	-
Pak Brunei Investment Company Limited	February 21, 2023	-	1,400,000	1,400,000	-	-	-	-	-
Pakistan China Investment Company Limited	January 24, 2023	-	1,000,000	1,000,000	-	-	-	-	-
Askari Bank Limited	July 29, 2022	-	1,600,000	1,600,000	-	-	-	-	-
Askari Bank Limited	August 23, 2022	-	1,600,000	1,600,000	-	-	-	-	-
Askari Bank Limited	August 26, 2022	-	1,500,000	1,500,000	-	-	-	-	-
Askari Bank Limited	September 9, 2022	-	1,500,000	1,500,000	-	-	-	-	-
Askari Bank Limited	January 24, 2023	-	1,100,000	1,100,000	-	-	-	-	-
Askari Bank Limited	January 26, 2023	-	1,000,000	1,000,000	-	-	-	-	-
Askari Bank Limited	February 28, 2023	-	1,100,000	1,100,000	-	-	-	-	-
Meezan Bank Limited	January 6, 2023	-	1,100,000	1,100,000	-	-	-	-	-
Meezan Bank Limited	February 21, 2023	-	1,400,000	1,400,000	-	-	-	-	-
Meezan Bank Limited	February 24, 2023	-	1,400,000	1,400,000	-	-	-	-	-
Meezan Bank Limited	March 22, 2023	-	1,400,000	1,400,000	-	-	-	-	-
Meezan Bank Limited	March 28, 2023	-	1,410,000	1,410,000	-	-	-	-	-
Bank Alfalah Limited	April 7, 2023	-	1,400,000	1,400,000	-	-	-	-	-
Bank Alfalah Limited	July 6, 2023	-	1,100,000	-	1,100,000	1,100,000	1,100,000	8.61%	8.32%
Total as at June 30, 2023						1,100,000	1,100,000		
Total as at June 30, 2022						-	-		

5.4.1 The letter of placement carry yield of 22.65% per annum and have matured on July 6, 2023.

## 5.5 Sukuks - Unlisted

Name of Investee Company	Rate of return	Maturity date	As at July 1, 2022	Purchased during the year	Sales / redemptions during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Percentage in relation to	
									Net assets of the Fund	Total market value of investment
			Number of certificates			Rupees in '000			% -----	
Power generation and distribution										
K-Electric Limited (April 22, 2022) Face value: Rs. 100,000	13.98%	October 12, 2022	2,500	-	2,500	-	-	-	-	-
Lucky Electric Power Company Limited (April 14, 2022) Face value: Rs. 100,000	14.23%	October 14, 2022	6,000	-	6,000	-	-	-	-	-
The Hub Power Company Limited (April 27, 2022) Face value: Rs. 100,000	15.10%	October 27, 2022	850	-	850	-	-	-	-	-
China Power Hub Generation Company (Private) Limited (July 28, 2022) Face value: Rs. 100,000	17.06%	January 28, 2023	-	6,500	6,500	-	-	-	-	-
K-Electric Limited (August 29, 2022) Face value: Rs. 100,000	18.30%	February 28, 2023	-	2,500	2,500	-	-	-	-	-
Lucky Electric Power Company Limited (October 14, 2022) Face value: Rs. 100,000	17.27%	April 13, 2023	-	5,730	5,730	-	-	-	-	-
K-Electric Limited (December 13, 2022) Face value: Rs. 100,000	18.34%	June 13, 2023	-	4,980	4,980	-	-	-	-	-
Total as at June 30, 2023							-	-		
Total as at June 30, 2022							935,000	935,000		
							1,671,000	1,671,000		

		Note	2023 ----- Rupees in '000 -----	2022 -----
<b>5.6</b>	<b>Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>			
	Market value of investments	5.1, 5.2, 5.3, 5.4 & 5.5	12,772,891	1,985,515
	Less: carrying value of investments	5.1, 5.2, 5.3, 5.4 & 5.5	(12,774,679)	(1,985,515)
			<u>(1,788)</u>	<u>-</u>
<b>6</b>	<b>INTEREST / PROFIT ACCRUED</b>			
	Interest / profit accrued on:		45,303	170,615
	- Bank balances		73,424	28,107
	- Government securities - Pakistan Investment Bonds		<u>118,727</u>	<u>198,722</u>
<b>7</b>	<b>DEPOSITS AND PREPAYMENTS</b>			
	Security deposit with:			
	- Central Depository Company of Pakistan Limited		100	100
	Prepayment		<u>5</u>	<u>5</u>
			<u>105</u>	<u>105</u>
<b>8</b>	<b>PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
	Remuneration payable	8.1	6,001	8,421
	Sindh Sales Tax payable on remuneration of the Management Company	8.2	780	1,095
	Allocation of expenses related to registrar services, accounting, operation and valuation services payable	8.3	8,427	7,863
	Selling and marketing expense payable	8.4	24,550	18,708
	Sales load payable		<u>905</u>	<u>5,712</u>
			<u>40,663</u>	<u>41,799</u>
8.1	As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the offering document subject to the Total Expense Ratio Limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rates ranging from 0.50% to 0.75% (2022: 0.20% to 0.75%) per annum of the average daily net assets of the Fund during the year ended June 30, 2023. The remuneration is payable to the Management Company monthly in arrears.			
8.2	The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011			
8.3	In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).			
	The Management Company based on its own discretion has currently charged such expenses at the rate of 0.60% to 0.70% (2022: 0.05% to 0.70%) of the daily net assets of the scheme for allocation of such expenses to the Fund.			
8.4	In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company, based on its own discretion, has charged selling and marketing expenses at the rates ranging from 0.60% to 0.70% (2022: 0.05% to 0.70%) during the year ended June 30, 2023 while keeping in view the overall return and Total Expense Ratio Limit of the Fund as defined under the NBFC Regulations.			



	Note	2023	2022
		----- Rupees in '000 -----	
<b>9</b>	<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		
	Remuneration payable to the Trustee	9.1 660	638
	Sindh Sales Tax payable on remuneration of the Trustee	9.2 86	83
		<u>746</u>	<u>721</u>

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

The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the trust deed at the rate of 0.055% (2022: 0.055%) per annum of the daily net assets of the Fund.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2023	2022
		----- Rupees in '000 -----	
<b>10</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
	Annual fee payable	10.1 <u>2,814</u>	<u>2,839</u>

10.1 In accordance with the NBFC Regulations 2008, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP) at the rate of 0.02% (2022: 0.02%) of the daily net assets of the Fund.

	Note	2023	2022
		----- Rupees in '000 -----	
<b>11</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Provision for Federal excise duty	11.1 41,211	41,211
	Auditors' remuneration payable	505	508
	Withholding tax payable	227,441	130,484
	Capital gain tax payable	23,146	17,066
	Advance against units to be issued	2,500	2,500
	Zakat payable	840	419
	Brokerage payable	323	88
		<u>295,966</u>	<u>192,276</u>

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

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 41.211 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the NAV per unit of the Fund would have been higher by Re 0.32 (2022: Re. 0.27) per unit.

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2023 and June 30, 2022.

	2023	2022
	----- Rupees in '000 -----	
<b>13 PROFIT ON SAVINGS ACCOUNTS WITH BANKS</b>		
Interest / profit on:		
Savings accounts	468,815	865,885
	<u>468,815</u>	<u>865,885</u>
<b>14 AUDITORS' REMUNERATION</b>		
Annual audit fee	479	417
Half yearly review	185	161
Other certifications and out of pocket expenses	66	71
Sales tax	59	52
	<u>789</u>	<u>701</u>

## 15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2023 is 1.98% (2022: 1.01%) which includes 0.10% (2022: 0.09%) representing government levies on the Fund such as sales taxes, annual fee to the SECP etc. This maximum ratio limit as prescribed under the NBFC Regulation for a collective investment scheme categorised as an 'Money Market Scheme' is 2% which is required to be complied on an annual basis by the Fund.

## 16 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. The Fund 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.

**17 EARNINGS PER UNIT**

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

	2023	2022
	----- Rupees in '000 -----	
<b>18 CASH AND CASH EQUIVALENTS</b>		
Balances with banks in:		
- Savings accounts	898,563	13,661,227
Government securities - Market Treasury Bills	8,231,171	-
Letter of placements	1,100,000	-
	<u>10,229,734</u>	<u>13,661,227</u>

	2023	2022
	----- Number of units -----	
<b>19 NUMBER OF UNITS IN ISSUE</b>		
Total outstanding as of July 01	151,697,590	125,093,106
Add: issued during the year	498,015,006	376,577,531
Less: redeemed during the year	(521,337,614)	(349,973,047)
Total units in issue as of June 30	<u>128,374,982</u>	<u>151,697,590</u>

	2023	2022
	----- Rupees in '000 -----	
<b>20 INTEREST / PROFIT EARNED</b>		
Interest / profit on:		
Government securities- Market Treasury Bills and		
Pakistan Investment Bonds	1,585,950	454,876
Corporate sukuk certificates	196,737	28,107
Letter of placements	158,324	24,580
Commercial papers	73,359	95,544
Term deposit receipts	-	38,884
	<u>2,014,370</u>	<u>641,991</u>

**21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, the 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, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are also in the normal course of business, at contracted rates and at the terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the offering document, trust deed and the NBFC regulations and hence, the transactions are considered to be on an arm's length basis.

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

Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

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

**21.1 Transactions during the year**

	2023	2022
	----- Rupees in '000 -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management remuneration including sales tax thereon	97,172	75,985
Allocation of expenses related to registrar services, accounting, operation and valuation services	92,216	26,034
Selling and marketing expenses	92,216	26,034
Redemption of nil units (2022: 236,726 units)	-	26,000
<b>Habib Bank Limited - Sponsor</b>		
Dividend paid	-	458
Bank charges paid	423	1,185
Profit earned on bank deposits	73,425	293,185
Issuance of nil units (2022: 487,031 units)	-	54,375
Redemption of 4,603,276 units (2022: nil units)	489,508	-
<b>Habib Bank Limited - Treasury Division</b>		
Dividend paid	-	62
Issuance of nil units (2022: 681,844 units)	-	76,126
Redemption of 681,844 units (2022: nil units)	72,507	-
<b>HBL Asset Management Limited Employees Gratuity Fund - Associate</b>		
Dividend paid	233	-
Issuance of 24,637 units (2022: nil units)	2,657	-
<b>HBL Asset Management Limited Employees Provident Fund - Associate</b>		
Dividend paid	812	-
Issuance of 85,693 units (2022: nil units)	9,244	-
<b>MCBFSL Trustee HBL Financial Planning Fund</b>		
<b>Active Allocation Plan - Associate</b>		
Issuance of nil units (2022: 32,748 units)	-	3,551
Redemption of 11,931 units (2022: 20,816 units)	1,308	2,146
Dividend paid	-	298
<b>MCBFSL Trustee HBL Financial Planning Fund</b>		
<b>Conservative Allocation Plan - Associate</b>		
Issuance of 2,121 units (2022: 83,009 units)	218	8,944
Redemption of 47,588 units (2022: 418,840 units)	5,045	45,621
Dividend paid	218	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee's remuneration including sales tax thereon	8,743	9,172
<b>CDC Trustee HBL Islamic Money Market Fund - Fund under common management</b>		
Purchase of Commercial Papers	-	69,557
Sale of Commercial Papers	-	63,839
<b>CDC Trustee HBL Income Fund - Fund under common management</b>		
Sale of Market Treasury Bills	-	58,224
<b>CDC Trustee HBL Financial Sector Income Fund - Fund under common management</b>		
Purchase of Market Treasury Bills	1,700,000	-

	2023	2022
	----- Rupees in '000 -----	
<b>CDC Trustee HBL Cash Fund - Fund under common management</b>		
Purchase of Market Treasury Bills	1,075,000	-
Sale of Market Treasury Bills	1,350,000	4,769,206
Sale of Commercial Paper LEPCL - ICP	302,555	-
<b>Jaffer Brothers (Private) Limited And Associated Companies</b>		
<b>Staff Provident Fund</b>		
Issuance of 1,155 units (2022: nil units)	119	-
Redemption of 1,155 units (2022: nil units)	137	-
<b>Directors, executives and key management personnel</b>		
Issuance of 193,328 units (2022: 50,979 units)	28,108	5,457
Redemption of 158,391 units (2022: 42,558 units)	24,707	4,457
Dividend paid	1,137	264
<b>Muhammad Arshad</b>		
<b>Connected Person - due to holding more than 10%</b>		
Issuance of 27,683 units (2022: nil units)	2,852	-
Redemption of 1,771 units (2022: nil units)	200	-
Dividend paid	1,852	-
<b>Riaz Textile Mills (Private) Limited</b>		
<b>Connected Person - due to holding more than 10%</b>		
Issuance of 36,534 units (2022: nil units)	4,260	-
Dividend paid	28	-
<b>Saleem Majidulla</b>		
<b>Connected Person - due to holding more than 10%</b>		
Issuance of 21 units (2022: nil units)	2	-
Dividend paid	3	-
<b>21.2 Balance outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration payable to the Management Company	6,781	9,516
including sales tax thereon	905	5,712
Sales load payable	24,550	18,708
Selling and marketing expense payable		
Allocation of expenses related to registrar services, accounting, operation and valuation services payable	8,427	7,863
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	98,907	
Profit accrued on bank deposits	1,837	127,644
Outstanding: nil units (2022: 4,603,276 units)	-	473,343
<b>Habib Bank Limited - Treasury Division</b>		
Outstanding: nil units (2022: 681,844 units)	-	70,112
<b>HBL Asset Management Limited Employees Gratuity Fund - Associate</b>		
Outstanding: 24,637 units (2022: nil units)	2,538	-
<b>HBL Asset Management Limited Employees Provident Fund - Associate</b>		
Outstanding: 85,693 units (2022: nil units)	8,829	-

**22 FINANCIAL INSTRUMENTS BY CATEGORY**

**Financial assets**

Bank balances
Investments
Interest / profit accrued
Deposit

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Payable against redemption of units
Dividend payable
Accrued expenses and other liabilities

2023		
At amortised cost	At fair value through profit or loss	Total
Rupees in '000		
898,563	-	898,563
-	12,772,891	12,772,891
118,727	-	118,727
100	-	100
1,017,390	12,772,891	13,790,281
40,663	-	40,663
746	-	746
163,780	-	163,780
60,109	-	60,109
828	-	828
266,126	-	266,126

**Financial assets**

Bank balances
Investments
Interest / profit accrued
Deposit

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Dividend payable
Accrued expenses and other liabilities

2022		
At amortised cost	At fair value through profit or loss	Total
Rupees in '000		
13,661,227	-	13,661,227
-	1,985,515	1,985,515
198,722	-	198,722
100	-	100
13,860,049	1,985,515	15,845,564
41,799	-	41,799
721	-	721
9,261	-	9,261
596	-	596
52,377	-	52,377

**23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

## 23.1 Market risk

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

The Management Company manages 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.

### (i) Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2023, the Fund is exposed to such risk on its balances held with banks, investments in Market Treasury Bills, Pakistan Investment Bonds and letter of placements. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds KIBOR based Pakistan Investment Bonds, letter of placements and bank balances which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs 54.403 million (2022: Rs. 136.612 million).

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

As at June 30, 2023, the Fund holds Market Treasury Bills which are classified as financial assets at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan for Market Treasury Bills with all other variables held constant, the net income for the year and net assets of the Fund would have been lower / higher by Rs 82.312 million (2022: Rs. 19.855 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2023 can be determined as follows:



2023					
Effective interest rate / yield	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
(%)	Rupees in '000				

**On-balance sheet financial instruments**

**Financial assets**

Bank balances

8% to 22.65%

Investments

13.98% to 22.42%

Interest / profit accrued

Deposit

898,563	-	-	-	898,563
1,100,000	8,231,171	3,441,720	-	12,772,891
-	-	-	118,727	118,727
-	-	-	100	100
1,998,563	8,231,171	3,441,720	118,827	13,790,281

**Financial liabilities**

Payable to HBL Asset Management Limited

- Management Company

Payable to the Central Depository Company

of Pakistan Limited - Trustee

Payable against redemption of units

Dividend payable

Accrued expenses and other liabilities

-	-	-	40,663	40,663
-	-	-	746	746
-	-	-	163,780	163,780
-	-	-	60,109	60,109
-	-	-	828	828
-	-	-	266,126	266,126

**On-balance sheet gap (a)**

1,998,563	8,231,171	3,441,720	(147,299)	13,524,155
-----------	-----------	-----------	-----------	------------

**Off-balance sheet financial instruments**

-	-	-	-	-
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**Off-balance sheet gap (b)**

-	-	-	-	-
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**Total interest rate sensitivity gap (a-b)**

1,998,563	8,231,171	3,441,720		
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**Cumulative interest rate sensitivity gap**

1,998,563	10,229,734	13,671,454		
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2022					
Effective interest rate / yield	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
(%)	Rupees in '000				

**On-balance sheet financial instruments**

**Financial assets**

Bank balances

5% to 17.56%

Investments

13.97% to 16.21%

Interest / profit accrued

Deposit

13,661,227	-	-	-	13,661,227
935,000	1,050,515	-	-	1,985,515
-	-	-	198,722	198,722
-	-	-	100	100
14,596,227	1,050,515	-	198,822	15,845,564

**Financial liabilities**

Payable to HBL Asset Management Limited

- Management Company

Payable to the Central Depository Company

of Pakistan Limited - Trustee

Dividend payable

Accrued expenses and other liabilities

-	-	-	41,799	41,799
-	-	-	721	721
-	-	-	9,261	9,261
-	-	-	596	596
-	-	-	52,377	52,377

**On-balance sheet gap (a)**

14,596,227	1,050,515	-	146,445	15,793,187
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**Off-balance sheet financial instruments**

-	-	-	-	-
---	---	---	---	---

**Off-balance sheet gap (b)**

-	-	-	-	-
---	---	---	---	---

**Total interest rate sensitivity gap (a-b)**

14,596,227	1,050,515	-		
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**Cumulative interest rate sensitivity gap**

14,596,227	15,646,742	15,646,742		
------------	------------	------------	--	--

**(ii) Currency risk**

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

**(iii) Price risk**

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

Equity price risk is the risk that the fair value of equity instruments decreases as a result of changes in the level of equity indices and the value of individual stocks. The Fund does not have any investment in equity securities as of June 30, 2023.

**23.2 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 to the Fund.

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets up to 90 days and would be secured by the assets of the Fund. However, no borrowing was required to be obtained by the Fund during the current year.

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 requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

-----2023-----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
<b>Financial assets</b>						
Bank balances	898,563	-	-	-	-	898,563
Investments	-	1,100,000	8,231,171	3,441,720	-	12,772,891
Interest / profit accrued	118,727	-	-	-	-	118,727
Deposit	-	-	-	-	100	100
	1,017,290	1,100,000	8,231,171	3,441,720	-	13,790,281

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company  
Payable to the Central Depository Company of Pakistan Limited - Trustee  
Payable against redemption of units  
Dividend payable  
Accrued expenses and other liabilities

**Net financial assets**

2023						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
40,663	-	-	-	-	-	40,663
746	-	-	-	-	-	746
163,780	-	-	-	-	-	163,780
60,109	-	-	-	-	-	60,109
323	505	-	-	-	-	828
265,621	505	-	-	-	-	266,126
751,669	1,099,495	8,231,171	3,441,720	-	100	13,524,155

**Financial assets**

Bank balances  
Investments  
Interest / profit accrued  
Deposit

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company  
Payable to the Central Depository Company of Pakistan Limited - Trustee  
Dividend payable  
Accrued expenses and other liabilities

**Net financial assets / liabilities**

2022						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
13,661,227	-	-	-	-	-	13,661,227
-	-	1,985,515	-	-	-	1,985,515
198,722	-	-	-	-	-	198,722
-	-	-	-	-	100	100
13,859,949	-	1,985,515	-	-	100	15,845,564
41,799	-	-	-	-	-	41,799
721	-	-	-	-	-	721
8,764	-	-	-	-	-	8,764
88	508	-	-	-	-	596
51,372	508	-	-	-	-	51,880
13,807,580	(508)	1,985,515	-	-	100	15,793,684

## 23.3 Credit risk

- 23.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

	2023		2022	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
Rupees				
Bank balances	898,563	898,563	13,661,227	13,661,227
Investments in government securities	11,672,891	-	-	-
Investments in debt instruments	1,100,000	1,100,000	1,985,515	1,985,515
Interest / profit accrued	118,727	45,303	198,722	198,722
Deposit	100	100	100	100
	<u>13,790,281</u>	<u>2,043,966</u>	<u>15,845,564</u>	<u>15,845,564</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2023 is the carrying amount of the financial assets. Investments in government securities and their accrued profit, however, are not exposed to credit risk and have been excluded from the above analysis as these are guaranteed by the Government of Pakistan.

### 23.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon. The credit rating profile of balances with banks as follows:

Rating category	% of financial assets exposed to credit risk	
	2023	2022
AAA	8.29%	86.47%
AA+	56.47%	0.01%
AA	0.06%	0.01%
AA-	0.34%	0.00%
	<u>65.16%</u>	<u>86.49%</u>

### 23.3.3 Concentration of credit risk

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

The Fund does not have any collateral against any of the aforementioned assets.

## 24 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

### Fair value hierarchy

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

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

As at June 30, 2023 and June 30, 2022, the Fund held the following financial instruments measured at fair values:

	2023			Total
	Level 1	Level 2	Level 3	
<b>Financial assets 'at fair value through profit or loss'</b>	<b>(Rupees)</b>			
Government securities - Market Treasury Bills	-	8,231,171	-	8,231,171
Government securities - Pakistan Investment Bonds	-	3,441,720	-	3,441,720
Letter of placements	-	1,100,000	-	1,100,000
	<u>-</u>	<u>12,772,891</u>	<u>-</u>	<u>12,772,891</u>

2023			Total
Level 1	Level 2	Level 3	
(Rupees)			
<b>Financial assets 'at fair value through profit or loss'</b>			
Commercial paper*	-	1,050,515	1,050,515
Corporate sukuk certificates	-	935,000	935,000
	-	1,985,515	1,985,515

\* The valuation of commercial papers has been done based on amortisation to its fair value as per the guidelines given in Circular 33 of 2012 since the residual maturity of these investments is less than six months and are placed with counterparties which have high credit rating.

## 25 UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's NAV per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unit Holders' Fund'.

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 23, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

## 26 UNIT HOLDING PATTERN OF THE FUND

-----As at June 30, 2023-----				
Category	Number of unit holders	Number of units held	Unit holding or investment amount	Percentage of total
			Rupees in '000'	
Associated Companies	3	125,358	11,367	0.09%
Trust	23	246,134	25,359	0.19%
Insurance companies	11	1,429,826	147,312	1.11%
NBFCs	1	12,141	1,251	0.01%
Retirement Funds	34	2,760,280	284,386	2.15%
Other Corporate	200	23,439,557	2,414,928	18.26%
Individuals	9,728	98,396,186	10,139,103	76.66%
Foreign investor	51	1,965,500	202,502	1.53%
	10,051	128,374,982	13,226,208	100%

**26 UNIT HOLDING PATTERN OF THE FUND**

Category	-----As at June 30, 2022-----			
	Number of unit holders	Number of units held	Unit holding or investment amount Rupees in '000'	Percentage of total
Individuals	7,180	98,407,847	10,119,125	65.00%
Associated company	4	5,297,051	544,583	3.00%
Insurance companies	3	626,073	64,377	0.00%
Retirement funds	23	5,927,038	609,462	4.00%
Trusts	19	393,080	40,419	1.00%
Foreign investors	45	3,646,299	374,940	2.00%
Others	132	37,400,202	3,845,767	25.00%
	<u>7,406</u>	<u>151,697,590</u>	<u>15,598,673</u>	<u>100.00%</u>

**27 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

-----2023-----	-----2022-----
Name of broker	Name of broker
Al Falah CLSA Securities (Private) Limited	Invest One Markets Limited
Optimus Markets (Private) Limited	Magenta Capital (Private) Limited
C & M Management (Private) Limited	Optimus Markets (Private) Limited
Continental Exchange (Private) Limited	Bright Capital (Private) Limited
Bright Capital (Private) Limited	Arif Habib Limited
Icon Securities (Private) Limited	JS Global Capital Limited
BIPL Securities Limited	Pearl Securities Limited
Invest One Markets Limited	BIPL Securities Limited
JS Global Capital Limited	BMA Capital Management Limited
Magenta Capital (Private) Limited	Paramount Capital (Private) Limited

**28 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE**

Following are the details in respect of members of the Investment Committee of the Fund:

S. No	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	24+ years
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27+ years
3	Wamiq Sakrani	Head of Fixed Income	MBA	13+ years
4	Imad Ansari	Head of Risk	MBA	16+ years
5	Umair Naseer	Head of Research	MBA	10+ years
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15 years
7	Raza Abbas	Senior Fund Manager	M.Com	20 years
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7+ years

**29 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave Granted	
Mr. Shahid Ghaffar	6	6	-	-
Ms. Ava A. Cowasjee	6	6	-	-
Mr. Rayomond H. Kotwal	6	6	-	-
Mr. Abrar Ahmed Mir	6	2	4	August 29, 2022, January 16, 2023, January 23, 2023 and February 13, 2023
Mr. Tariq Masaud	6	6	-	-
Mr. Abid Sattar	6	6	-	-
Mr. Khalid Malik	6	5	1	October 19, 2022

**30 GENERAL**

- 30.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosures.
- 30.2 Figures have been rounded off to the nearest thousand Rupees unless otherwise stated.
- 30.3 Units have been rounded off to the nearest decimal place.

**31 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 25, 2023.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**





**HBL** Income Fund

## FUND INFORMATION

NAME OF FUND	HBL Income Fund
NAME OF TRUSTEE	A.F. Ferguson & Co.
NAME OF AUDITOR	Yousuf Adil, Chartered Accountants.
NAME OF BANKERS	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited JS Bank Limited Samba Bank Limited Zarai Taraqiati Bank Limited Askari Bank Limited MCB Bank Limited Soneri Bank Limited Telenor Bank Microfinance U Microfinance Bank Limited The First Microfinance Bank Limited NRSP Microfinance Bank Limited Industrial and Commercial Bank of China Limited Meezan Bank Limited Sindh Bank Limited Finca Microfinance Bank Limited Khushali Microfinance Bank Limited
Fund Rating	A+(f) (VIS)

## Type and Category of Fund

Open end Income Fund

## Investment Objective and Accomplishment of Objective

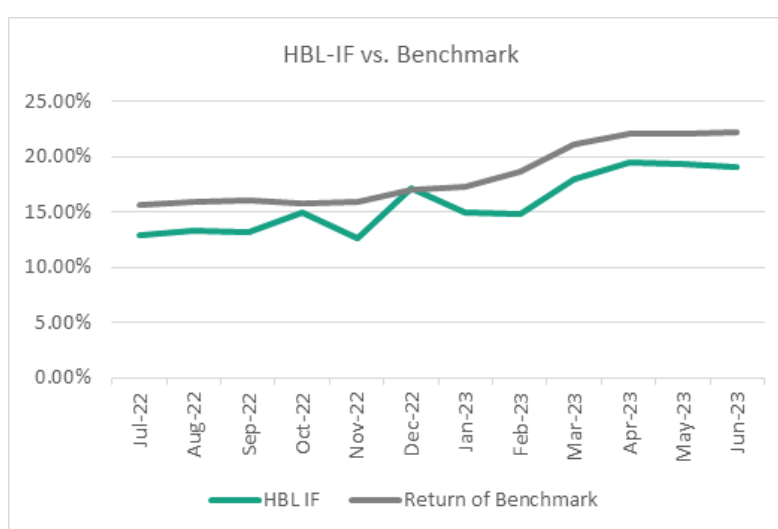
The objective of the Fund is to provide a stable stream of income with moderate level of risk by investing in fixed income securities. The investment objective is achieved.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is average six month KIBOR Offer rate.

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

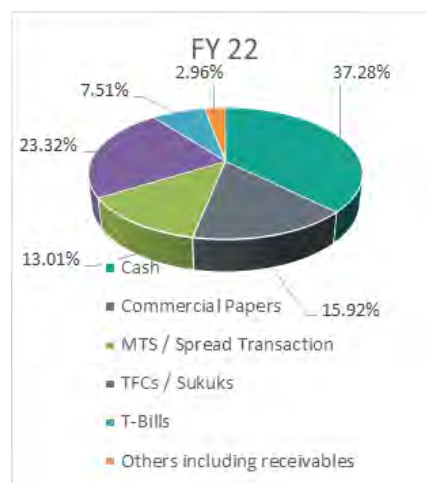
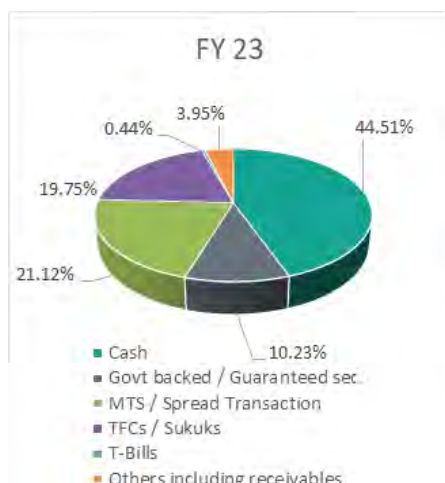
Month	HBL-IF	Benchmark
Jun-23	19.10%	22.24%
May-23	19.31%	22.08%
Apr-23	19.56%	22.09%
Mar-23	18.00%	21.20%
Feb-23	14.85%	18.73%
Jan-23	14.99%	17.38%
Dec-22	17.13%	17.00%
Nov-22	12.62%	15.96%
Oct-22	14.96%	15.82%
Sep-22	13.17%	16.05%
Aug-22	13.34%	15.96%
Jul-22	12.87%	15.64%



## Strategies and Policies employed during the Year

During the year under review, fund size of HBL Income Fund nearly halved to PKR 2,108 million compared to PKR 4,186 million in June, 2022. Combined exposure in TFCs/Sukuk, Government Guaranteed Securities were recorded at 19.75% and 10.23% as on June 30, 2023. The Fund was further invested in MTS/ Spread transactions and cash at bank which accounted for 21.12% and 44.51% of the portfolio. In order to capture the benefit from the increasing interest rate, fund generated gains by investing in MTS/ Spread Transactions and floating rate securities. During the year, funds were also invested in T-Bills for managing the Cash and Cash Equivalents.

## Asset Allocation



## Fund Performance

The total income and net income of the Fund was Rs. 500.95 million and Rs. 430.71 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 112.4509 per unit as on June 30, 2023 as compared to Rs. 111.4310 per unit as on June 30, 2022, after incorporating dividend of Rs. 17.80 per unit, thereby giving an annualized return of 17.03%. During the year the benchmark (6 Month KIBOR) return was 18.33%. The size of Fund was Rs. 2.11 billion as on June 30, 2023 as compared to Rs. 4.25 billion at the start of the year.

## Money Market Review

Post-COVID, the SBP shifted its focus from catalyzing economic recovery toward sustaining it. Accordingly, Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

## Distribution

The Fund has distributed cash dividend up-to Rs. 17.80 per unit for the year ended June 30, 2023.

## 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	493	15,181
101 – 500	200	45,462
501 – 1,000	75	57,408
1,001 – 10,000	385	1,790,429
10,001 – 100,000	325	9,937,848
100,001 – 500,000	47	9,923,276
500,001 – 1,000,000	6	4,559,922
1,000,001 – 5,000,000	2	4,151,888
5,000,001 and above	1	7,623,636
<b>Total</b>	<b>1,534</b>	<b>38,105,050</b>

### **Unit Splits**

There were no unit splits during the year.

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

Investments are subject to market risk.

### **Soft Commission**

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

**PERFORMANCE TABLE –  
HBL INCOME FUND**  
As at June 30, 2023

	2023	2022	2021	2020	2019	2018
Net assets at the period end(Rs'000)	2,107,792	4,239,599	2,273,185	1,543,827	1,510,743	2,456,460
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	112.4509	111.4310	110.5617	108.2828	106.1134	111.2890
Offer	114.3569	113.3198	112.4357	110.1182	107.9120	113.1753
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	131.5749	125.1043	117.6291	122.6415	116.9874	113.1531
Lowest offer price per unit	113.3763	112.5869	109.7430	107.4499	107.6075	107.8570
Highest redemption price per unit	129.3819	123.0191	115.6685	120.5974	115.0375	111.2890
Lowest redemption price per unit	111.4866	110.7104	107.9139	106.1799	105.8140	106.0593
<b>RETURN ( % )</b>						
Total return	17.03%	11.43%	7.10%	13.28%	8.82%	4.98%
Income distribution	15.97%	10.63%	5.40%	12.00%	9.00%	5.50%
Capital growth	1.06%	0.80%	1.70%	1.28%	-0.18%	-0.52%
<b>DISTRIBUTION</b>						
First Interim dividend distribution (Rs)	-	-	-	-	-	-
Date of Income Distribution						
Second Interim dividend distribution (Rs)	-	-	-	-	-	-
Date of Income Distribution						
Third Interim dividend distribution (Rs)	-	-	-	-	-	-
Date of Income Distribution						
Final dividend distribution (Rs)	17.80	11.75	5.40	12.00	9.00	5.50
Date of Income Distribution	16-Jun-23	23-Jun-21	18-Jun-21	26-Jun-20	27-Jun-19	04-Jul-18
Total dividend distribution for the year/ period (Rs)	17.80	11.75	5.40	12.00	9.00	5.50
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	17.03%	11.43%	7.10%	13.28%	8.82%	4.98%
Average annual return 2 year	14.20%	9.24%	10.15%	11.03%	6.88%	4.81%
Average annual return 3 year	11.78%	10.57%	9.70%	8.97%	6.13%	5.25%
Weighted average portfolio during (No. of days)	328	192	466	857	852	928
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	44.51%	37.28%	16.16%	39.05%	34.38%	40.74%
TFCs	19.75%	23.32%	19.65%	27.22%	52.26%	39.92%
PIBs	0.00%	0.00%	16.98%	26.61%	0.00%	0.00%
Government Securities	10.67%	7.51%	0.00%	0.00%	0.00%	5.48%
Placement with Banks and DFIs	0.00%	0.00%	0.00%	0.00%	0.00%	8.29%
MTS / Spread Transaction	21.12%	13.01%	38.92%	0.00%	0.00%	2.83%
Commercial Paper	0.00%	15.92%	1.47%	3.59%	9.29%	0.00%
Others Including receivables	3.95%	2.96%	6.82%	3.53%	4.07%	2.75%

**Note:**

The Launch date of the Fund is March 15, 2007

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL INCOME FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Income Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023







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## INDEPENDENT AUDITOR'S REPORT

To the Unit holders of HBL Income Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of HBL Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Net Asset Value</b> (Refer notes 4 and 5 to the financial statements)</p> <p>The bank balances and investments constitute the most significant component of the net asset value (NAV). The bank balances and investments of the Fund as at June 30, 2023 amounted to Rs. 980.061 million and Rs. 669.877 million respectively.</p> <p>The existence of bank balances and the existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2023 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2023 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li> <li>re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and</li> <li>obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

AFCO

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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■ KARACHI ■ LAHORE ■ ISLAMABAD

**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

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

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

*A.F. Ferguson & Co.*

A. F. Ferguson & Co.  
Chartered Accountants  
Karachi

Dated: September 22, 2023

UDIN: AR202310061qZU0H8LRo

	Note	2023	2022
		----- Rupees in '000 -----	
<b>ASSETS</b>			
Bank balances	4	980,061	1,758,049
Investments	5	669,877	2,484,530
Receivable against margin trading system		465,148	370,025
Interest / profit accrued	6	30,926	56,070
Advance, deposits, prepayments and other receivables	7	55,941	47,078
<b>Total assets</b>		2,201,953	4,715,752
<b>LIABILITIES</b>			
Payable to HBL Asset Management Limited - Management Company	8	5,983	9,211
Payable to the Central Depository Company of Pakistan Limited - Trustee	9	525	600
Payable to the Securities and Exchange Commission of Pakistan	10	564	817
Unclaimed dividend		3,802	4,491
Payable against purchase of investments		-	386,791
Accrued expenses and other liabilities	11	83,287	67,757
<b>Total liabilities</b>		94,161	469,667
<b>NET ASSETS</b>		<u>2,107,792</u>	<u>4,246,085</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>2,107,792</u>	<u>4,246,085</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
		----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	13	<u>18,744,108</u>	<u>38,105,050</u>
		----- Rupees -----	
<b>NET ASSET VALUE PER UNIT</b>		<u>112.4509</u>	<u>111.4310</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
 Chief Financial Officer

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

\_\_\_\_\_  
 Director



**HBL Income Fund**  
**INCOME STATEMENT**  
For the year ended June 30, 2023

	Note	2023	2022
		----- Rupees in '000 -----	
<b>INCOME</b>			
Interest / profit earned	15	251,237	148,963
Profit on savings accounts with banks		162,107	219,866
Mark-up on margin trading system		83,083	82,449
Dividend income		-	9,244
Other income		416	2,736
Gain on sale of investments - net		2,958	17,024
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.9	1,144	(1,575)
		4,102	15,449
<b>Total income</b>		<b>500,945</b>	<b>478,707</b>
<b>EXPENSES</b>			
Remuneration of HBL Asset Management Limited - Management Company	8.1 & 8.2	39,149	47,817
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	10,461	3,280
Selling and marketing expenses	8.4	10,461	5,120
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1 & 9.2	2,389	3,461
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	564	817
Settlement and bank charges		5,688	8,707
Securities transaction cost		592	3,145
Auditors' remuneration	16	527	463
Printing and stationery charges		25	79
Fees and subscription		375	680
<b>Total operating expenses</b>		<b>70,231</b>	<b>73,569</b>
<b>Net income from operating activities</b>		<b>430,714</b>	<b>405,138</b>
Reversal of provision for Sindh Workers' Welfare Fund		-	31,380
<b>Net income for the year before taxation</b>		<b>430,714</b>	<b>436,518</b>
Taxation	18	-	-
<b>Net income for the year after taxation</b>		<b>430,714</b>	<b>436,518</b>
<b>Earnings per unit</b>	19		
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		430,714	436,518
Income already paid on units redeemed		(205,503)	(180,604)
		<b>225,211</b>	<b>255,914</b>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		1,698	4,138
- Excluding capital gains		223,513	251,776
		<b>225,211</b>	<b>255,914</b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	2023	2022
	----- Rupees in '000 -----	----- Rupees in '000 -----
Net income for the year after taxation	430,714	436,518
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>430,714</u></u>	<u><u>436,518</u></u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL Income Fund**  
**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**  
For the year ended June 30, 2023

	2023			2022		
	Capital value	Undistrib uted	Total	Capital value	Undistrib uted	Total
	Rupees in '000					
<b>Net assets at the beginning of the year</b>	4,064,292	181,793	4,246,085	2,130,952	168,626	2,299,578
Issuance of 20,711,172 units (2022: 103,177,646 units)						
- Capital value (at net asset value per unit at the beginning of the year)	2,307,867	-	2,307,867	11,407,499	-	11,407,499
- Element of income	111,477	-	111,477	524,287	-	524,287
<b>Total proceeds on issuance of units</b>	2,419,344	-	2,419,344	11,931,786	-	11,931,786
Redemption of 40,072,114 units (2022: 85,632,919 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(4,465,277)	-	(4,465,277)	(9,467,724)	-	(9,467,724)
- Element of loss	(65,842)	(205,503)	(271,345)	(360,182)	(180,604)	(540,786)
<b>Total payments on redemption of units</b>	(4,531,119)	(205,503)	(4,736,622)	(9,827,906)	(180,604)	(10,008,510)
Total comprehensive income for the year	-	430,714	430,714	-	436,518	436,518
Distribution For the year ended June 30, 2023 (cash distribution @ Rs. 11.75 per unit declared on June 25, 2022)	-	-	-	-	(242,747)	(242,747)
Distribution for the year ended June 30, 2023 (cash distribution @ Rs. 17.8 per unit declared on June 16, 2023)	-	(207,151)	(207,151)	-	-	-
Refund of capital	(44,578)	-	(44,578)	(170,540)	-	(170,540)
Net (loss) / income for the year less distribution	(44,578)	223,563	178,985	(170,540)	193,771	23,231
<b>Net assets at the end of the year</b>	<b>1,907,939</b>	<b>199,853</b>	<b>2,107,792</b>	<b>4,064,292</b>	<b>181,793</b>	<b>4,246,085</b>
<b>Undistributed income brought forward comprising of:</b>						
- Realised income		183,368			138,257	
- Unrealised (loss) / income		(1,575)			30,369	
		181,793			168,626	
<b>Accounting income available for distribution:</b>						
- Relating to capital gains	1,698			4,138		
- Excluding capital gains	223,513			251,776		
	225,211			255,914		
Distribution during the year	(207,151)			(242,747)		
Undistributed income carried forward	199,853			181,793		
<b>Undistributed income carried forward comprising of:</b>						
- Realised income	198,709			183,368		
- Unrealised income / (loss)	1,144			(1,575)		
	199,853			181,793		
		(Rupees)			(Rupees)	
<b>Net asset value per unit at the beginning of the year</b>		111.4310			110.5617	
<b>Net asset value per unit at the end of the year</b>		112.4509			111.4310	

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



	Note	2023	2022
		----- Rupees in '000 -----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		430,714	436,518
<b>Adjustments for:</b>			
Profit on savings accounts with banks		(162,107)	(219,866)
Interest / profit earned		(251,237)	(148,963)
Mark-up on margin trading system		(83,083)	(82,449)
Dividend income		-	(9,244)
Gain on sale of investments - net		(2,958)	(17,024)
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.9	(1,144)	1,575
Reversal of provision for Sindh Workers' Welfare Fund		-	(31,380)
		(69,815)	(70,833)
<b>Decrease / (increase) in assets</b>			
Investments - net		1,441,723	(305,295)
Receivable against margin trading system		(16,435)	125,797
Advance, deposits, prepayments and other receivables		(8,863)	380
		1,416,425	(179,118)
<b>Increase / (decrease) in liabilities</b>			
Payable to HBL Asset Management Limited - Management Company		(3,228)	2,969
Payable to the Central Depository Company of Pakistan Limited - Trustee		(75)	234
Payable to the Securities and Exchange Commission of Pakistan		(253)	376
Unclaimed dividend		(689)	-
Accrued expenses and other liabilities		15,530	27,705
		11,285	31,284
		1,357,895	(218,667)
Mark-up received on bank deposits		178,725	190,987
Mark-up received on investments		264,158	140,315
Dividend income received		-	15,133
<b>Net cash generated from operating activities</b>		1,800,778	127,768
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		2,419,344	11,931,786
Payment against redemption and conversion of units		(4,736,622)	(10,008,510)
Refund of capital		(44,578)	(144,147)
Cash dividend paid		(207,151)	(242,747)
<b>Net cash (used in) / generated from financing activities</b>		(2,569,006)	1,536,382
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>		(768,228)	1,664,150
Cash and cash equivalents at the beginning of the year		1,758,049	388,557
<b>Cash and cash equivalents at the end of the year</b>	14	989,821	2,052,707

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 HBL Income Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered between HBL Asset Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed under the Trust Act, 1882 on September 06, 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 25, 2006. During the year ended June 30, 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under "Sindh Trust Act, 2020". Accordingly, on September 08, 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act, 2020.
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3 The Fund is an open ended mutual fund categorised as 'Income Scheme' and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par from March 15, 2007 to March 17, 2007.
- 1.4 The principal objective of the Fund is to make investments in fixed income securities. Other avenues of investments include ready future arbitrage in listed securities and transactions under Continuous Funding System.
- 1.5 VIS Credit Rating Company Limited (VIS) has upgraded the Management Quality Rating to AM-I (2022: AM2++) on December 30, 2022 and the outlook on the rating has been assigned as 'Stable' and the fund stability rating of A+(f) (2022: A+(f)) on December 29, 2022. The rating reflects the Management Company's experienced management team, structured investment process and sound quality of systems and processes.
- 1.6 The title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as trustee of the Fund.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2022. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

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

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2023. However, these are not expected to have any significant effects on the Fund's operations and are, therefore, not detailed in these financial statements.

**2.4 Critical accounting estimates and judgments**

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification and valuation of financial assets (notes 3.2 and 5), provision for federal excise duty (note 11.1).

**2.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

**2.6 Functional and presentation currency**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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### 3.1 Cash and cash equivalents

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

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

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

#### 3.2.2 Classification and subsequent measurement

##### Debt instruments

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

- amortised cost
- at fair value through other comprehensive income (FVOCI)
- at fair value through profit or loss (FVTPL)

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVTPL. Therefore the management considers its investment in debt securities as being managed as a group of assets and hence has classified.

##### Equity instruments

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

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

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

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

### 3.2.3 Impairment

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

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### 3.2.4 Impairment loss on debt securities

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

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, considering the specific credit and financial condition of the debt security issuer and in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company. The provisioning policy approved by the Board of Directors has also been placed on the Management Company's website as required under the SECP's circular.

### 3.2.5 Regular way contracts

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

### 3.2.6 Derecognition

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

### 3.3 Financial liabilities

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

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

### 3.4 Offsetting of financial assets and financial liabilities

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

**3.5 Provisions**

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

**3.6 Net assets value per unit**

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

**3.7 Issue and redemption of units**

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

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

**3.8 Distribution to the unit holders**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

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

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

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

**3.10 Revenue recognition**

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Income from investments in government securities, commercial paper, term finance and corporate sukuk certificates are recognised on an accrual basis using effective interest method.

- Unrealised gains / (losses) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are recorded in the period in which they arise.
- Dividend income is recognised when the Fund's right to receive the dividend is established.
- Interest income on bank balances and other income is recognised on an accrual basis.

### 3.11 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee and annual fee to the SECP are recognised in the Income Statement on an accrual basis.

### 3.12 Taxation

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

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

### 3.13 Earnings per unit

Earnings per unit (EPU) is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 19.

### 3.14 Foreign currency translation

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

	Note	2023	2022
		----- Rupees in '000 -----	
<b>4 BANK BALANCES</b>			
Balances with banks in:			
Savings accounts	4.1	<u>980,061</u>	<u>1,758,049</u>
4.1	This includes a balance of Rs. 0.125 million (2022: Rs. 1,668.422 million) with Habib Bank Limited (a related party) that carries profit at the rates ranging from 13.50% to 19.51% (2022: 17.30%) and Rs. 507.805 million (2022: Rs. 41.973 million) with HBL Microfinance Bank Limited (a related party) carrying profit at the rates ranging from 15.5% to 22.25% (2022: 17.25%). Other savings accounts of the Fund carry profit at the rates ranging from 11.50% to 21.85% (2022: 10.35% to 17.50%) per annum.		



	Note	2023	2022
		Rupees in '000	
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
Corporate sukuk certificates	5.1	54,285	613,418
Term finance certificates	5.2	380,682	483,706
Government securities - Pakistan Investment Bonds	5.3	-	-
Government securities - Market Treasury Bills	5.4	9,760	354,057
Government securities - GOP Ijara Sukuk	5.5	225,150	-
Listed equity securities (spread transactions)	5.6	-	238,833
Future stock contracts		-	4,879
Commercial papers	5.7	-	789,637
		<u>669,877</u>	<u>2,484,530</u>

5.1 Corporate sukuk certificates

Name of Investee Company	Profit rate	Maturity date	As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Percentage in relation to	
										Total market value of investment	Net assets of the fund
-----Number of certificates----- (Rupees in '000') -----Percentage-----											
Technology & Communication											
TPL Trakker Limited (1st Issue) (March 30, 2021) Face value: Rs. 611,111	25.91%	March 30, 2026	47	-	-	47	28,866	28,627	(239)	4.27%	1.36%
Power generation & distribution											
Hub Power Holdings Limited (November 12, 2020) Face Value: Rs. 100,000	24.58%	November 12, 2025	-	400	150	250	25,000	25,658	658	3.83%	1.22%
Cable & Electrical Goods											
Pak Elektron Limited (6th Issue) (November 15, 2021) Face value: Rs. 1,000,000	16.30%	February 15, 2023	-	150	150	-	-	-	-	-	-
Power generation & distribution											
K-Electric Limited (February 4, 2022) Face Value: Rs. 1,000,000	11.61%	August 4, 2022	-	1,500	1,500	-	-	-	-	-	-
The Hub Power Company Limited (April 27, 2022) Face Value: Rs. 100,000	15.10%	October 27, 2022	-	500	500	-	-	-	-	-	-
Lucky Electric Power Company Limited (April 14, 2022) Face Value: Rs. 1,000,000	14.23%	October 14, 2022	-	225	225	-	-	-	-	-	-
K-Electric Limited (August 10, 2022) Face Value: Rs. 1,000,000	17.24%	February 9, 2023	-	250	250	-	-	-	-	-	-
Others											
New Allied Electronics Industries (Private) Limited * - sukuk (note 5.1.1) (December 3, 2007)		December 3, 2012	9,000	-	-	9,000	-	-	-	-	-
Total as at June 30, 2023							53,866	54,285	419		
Total as at June 30, 2022							615,095	613,418	(1,677)		

\* In case of debt securities against which a provision has been made, these are carried at amortised cost less provision. For non-performing securities market value / valuation by MUFAP is not available.

5.2 Term finance certificates

Name of Investee Company	Profit rate	Maturity date	As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation/ (diminution)	Percentage in relation to	
										Total market value of investment	Net assets of the fund
			-----Number of certificates-----			----- (Rupees in '000') -----			-----Percentage-----		
Technology & Communication											
TPL Corporation Limited (3rd Issue) (June 28, 2022) Face value: Rs. 100,000	25.41%	June 28, 2027	1,000	-	-	1,000	100,000	102,842	2,842	15.35%	4.88%
Worldcall Telecom Limited * (note 5.2.1) (October 7, 2008)			23,750	-	-	23,750	-	-	-	-	-
Chemicals											
Agritech Limited * (note 5.2.2 & 5.2.3)			2,000	-	-	2,000	-	-	-	-	-
Agritech Limited * - TFC 4th issue (note 5.2.2)			430	-	-	430	-	-	-	-	-
Balance carried forward							100,000	102,842	2,842		

Name of Investee Company	Profit rate	Maturity date	As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Percentage in relation to	
										Total market value of investment	Net assets of the fund
-----Number of certificates-----							(Rupees in '000')		-----Percentage-----		
Balance brought forward							100,000	102,842	2,842		
Commercial Banks											
The Bank of Punjab (note 5.2.4) (December 23, 2016) Face value: Rs. 99,760	18.03%	December 23, 2026	1,550	135	1,685	-	-	-	-	-	-
JS Bank Limited (1st Issue) (December 29, 2017) Face value: Rs. 99,780	24.37%	December 29, 2024	1,264	-	-	1,264	126,753	126,142	(611)	18.83%	5.98%
Soneri Bank Limited (4th Issue) (December 26, 2022) Face Value: Rs 99,800	23.83%	December 23, 2032	-	1,000	-	1,000	99,980	97,945	(2,035)	14.62%	4.65%
Bank Alfalah Limited (7th Issue) (January 15, 2021) Face Value: Rs 5,000	9.03%	January 15, 2024	7,600	-	-	7,600	35,025	35,911	886	5.36%	1.70%
Bank Al-Habib Limited (8th Issue) (September 30, 2021) Face Value: Rs 4,998	22.76%	September 30, 2031	-	50,000	50,000	-	-	-	-	-	-
Investment Companies											
Jahangir Siddiqui & Company Limited (11th Issue) (March 6, 2018) *Face Value: Rs 833	22.30%	September 6, 2023	10,000	-	-	10,000	8,606	8,387	(219)	1.25%	0.40%
Jahangir Siddiqui & Company Limited (July 18, 2017) *Face Value: Rs 625	18.50%	July 18, 2023	15,100	-	-	15,100	9,733	9,454	(279)	1.41%	0.45%
Others											
New Allied Electronics Industries (Private) Limited * - TFC (note 5.2.5) (May 15, 2007)		May 15, 2011	9,000	-	-	9,000	-	-	-	-	-
Total as at June 30, 2023							380,097	380,682	585		
Total as at June 30, 2022							485,908	483,706	(2,202)		

\* In case of debt securities against which a provision has been made, these are carried at amortised cost less provision. For non-performing securities market value / valuation by MUFAP is not available.

- 5.2.1 World call Telecom Limited Term finance certificates were classified by MUFAP as non-performing on November 8, 2012 after default of instalment due on October 7, 2012 (earlier default on April 7, 2012) for the second time. A restructuring agreement was signed on December 26, 2012. The restructuring included the extension of repayment period by two years, deferral of principal instalments till October 7, 2014 and payment of regular mark-up during the restructuring period. In accordance with Circular No. 33 of 2012 dated October 24, 2012, a provision of Rs. 47.767 million has been made out of which till June 30, 2023 Rs. 10.440 million has been received leaving an outstanding balance as at June 30, 2023 of Rs. 37.33 million, which is fully provided.
- 5.2.2 The Term finance and corporate sukuk certificates held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.
- 5.2.3 Installment amounting to Rs. 1.998 million (2022: Rs. 1.998 million) became due for payment on Term finance certificates have been fully provided and are reflected in note 7.
- 5.2.4 The Term finance certificates have face value of Rs. 99,760 each and are issued on December 23, 2016 carried interest rate at the rate of 6 months KIBOR plus 1%. The original maturities of the Term finance certificates were on December 23, 2026, however, were matured earlier during the year.
- 5.2.5 These represent investments in privately placed Term finance certificates of the investee company. This investment has been fully provided.

### 5.3 Government securities - 'Pakistan investment bonds

Issue Date	Tenor	Face value (Rupees in '000)			Rupees in '000			Percentage in relation to		
		As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Total market value of investment	Net assets of the fund
December 30, 2021	2 years	-	1,200,000	1,200,000	-	-	-	-	-	-
August 26, 2021	2 years	-	954,000	954,000	-	-	-	-	-	-
February 9, 2023	2 years	-	795,000	795,000	-	-	-	-	-	-
September 8, 2022	3 years	-	175,000	175,000	-	-	-	-	-	-
August 4, 2022	3 years	-	1,100,000	1,100,000	-	-	-	-	-	-
October 22, 2022	3 years	-	1,200,000	1,200,000	-	-	-	-	-	-
April 29, 2022	5 years	-	300,000	300,000	-	-	-	-	-	-
May 6, 2021	5 years	-	125,000	125,000	-	-	-	-	-	-
October 13, 2022	5 years	-	1,100,000	1,100,000	-	-	-	-	-	-
August 22, 2019	10 years	-	200,000	200,000	-	-	-	-	-	-
<b>Total as at June 30, 2023</b>						-	-	-	-	-
<b>Total as at June 30, 2022</b>						-	-	-	-	-

### 5.4 Government securities - Market Treasury Bills

Particulars	Issue Date	Face Value (Rupees in '000)				Rupees in '000			Percentage in relation to	
		As at July 1, 2022	Purchased during the year	Disposed of matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Total market value of investment	Net assets of the fund
Market Treasury Bills - 3 - months										
Market treasury bills	April 21, 2022	150,000	-	150,000	-	-	-	-	-	-
Market treasury bills	June 30, 2022	150,000	-	150,000	-	-	-	-	-	-
Market treasury bills	July 28, 2022	-	500,000	500,000	-	-	-	-	-	-
Market treasury bills	August 25, 2022	-	300,000	300,000	-	-	-	-	-	-
Market treasury bills	October 6, 2022	-	250,000	250,000	-	-	-	-	-	-
Market treasury bills	November 17, 2022	-	100,000	100,000	-	-	-	-	-	-
Market treasury bills	March 9, 2023	-	200,000	200,000	-	-	-	-	-	-
Market treasury bills	April 6, 2023	-	2,068,000	2,068,000	-	-	-	-	-	-
Market treasury bills	May 18, 2023	-	10,000	-	10,000	9,771	9,760	(11)	1.46%	0.46%
Market Treasury Bills - 6 - months										
Market treasury bills	January 27, 2022	60,000	-	60,000	-	-	-	-	-	-
Market Treasury Bills - 1 - Year										
Market treasury bills	October 6, 2022	-	500,000	500,000	-	-	-	-	-	-
Total as at June 30, 2023						9,771	9,760	(11)		
Total as at June 30, 2022						353,895	354,057	162		

5.4.1 The market treasury bills carry yield of 21.99% (2022: 13.41% to 14.71% ) per annum and have matured on August 10, 2023.

### 5.5 Government securities - Ijarah sukuks

Name of the security	Maturity date	Tenor	Face value (Rupees in '000)			Rupees in '000			Percentage in relation to	
			As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation	Total market value of investment
GOP Ijara Sukuk Certificates XXXI - VRR (May 22, 2023) Face value : Rs. 100,000	May 22, 2024	1 Year	-	7,250	5,000	2,250	225,000	225,150	150	33.61%
<b>Total as at June 30, 2023</b>							225,000	225,150	150	
<b>Total as at June 30, 2022</b>							-	-	-	

## 5.6 Listed equity securities (spread transactions)

The movement in equity securities given below represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready market and sells them in future market on the same day, resulting in spread income due to difference in ready and future stock prices. This way the Fund has no open exposure to the stock market. These securities (if any) at the period-end are valued at the period end ready rate while the future contracts (representing the derivatives) are valued at the period end future rate and the difference between the contracted rate and the future rate has been taken to the Income Statement.

Name of the Investee Company	As at July 1, 2022	Purchased during the year	Bonus / right shares received during the year	Sold during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Percentage in relation to		Holding as a percentage of paid-up capital of investee company
									Total market value of investments	Net assets of the fund	
	Number of shares					Rupees in '000			Percentage		
POWER GENERATION & DISTRIBUTION											
Hub Power Company Limited	-	150,000	-	150,000	-	-	-	-	-	-	-
GLASS & CERAMICS											
Ghani Global Glass Limited	-	12,000	-	12,000	-	-	-	-	-	-	-
COMMERCIAL BANKS											
Habib Metropolitan Bank	-	450,000	-	450,000	-	-	-	-	-	-	-
CHEMICAL											
G3 Technologies Limited	-	271,000	-	271,000	-	-	-	-	-	-	-
TECHNOLOGY & COMMUNICATION											
TRG Pakistan Limited	-	14,500	-	14,500	-	-	-	-	-	-	-
Air Link Communication Limited	-	2,500,000	-	2,500,000	-	-	-	-	-	-	-
FOOD & PERSONAL CARE PRODUCTS											
Unity Foods Limited	11,900,000	-	-	11,900,000	-	-	-	-	-	-	-
Total as at June 30, 2023											
Total as at June 30, 2022						241,570	238,833	2,737			

## 5.7 Investment in Commercial Papers - At fair value through profit or loss

Particulars	Rate of return	Issue Date	Face value (Rupees in '000)			Rupees in '000		Percentage in relation to	
			As at July 01, 2022	Purchases during the year	Disposed of / Matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Total market value of investments
HPHL CP (AA, PACRA)	9.85%	November 12, 2020	71,888	-	71,888	-	-	-	-
Waves CP (A, VIS)	11.01%	November 2, 2021	100,000	-	100,000	-	-	-	-
LEPCL ICP 2 (AA, PACRA)	12.97%	January 12, 2022	200,000	-	200,000	-	-	-	-
PEL CP (A+, PACRA)	12.63%	February 1, 2022	100,000	-	100,000	-	-	-	-
China Power CP (AA+, PACRA)	14.05%	April 12, 2022	370,000	-	370,000	-	-	-	-
<b>Total as at June 30, 2023</b>						-	-	-	-
<b>Total as at June 30, 2022</b>						789,637	789,637	-	-

## 5.8 Details of non-compliant investments

The Securities and Exchange Commission of Pakistan (SECP), vide its Circular no. 16 dated July 7, 2010, has prescribed certain disclosures for non-compliances, either with the minimum investment criteria specified for the category assigned to the Collective Investment Schemes or with the investment requirements of their constitutive documents.

Name of non-compliant investment	Note	Type of investment	Value of investment before provision	Provision held	Value of investment after provision	% of net assets	% of total investments
			(Rupees)		(%)		
New Allied Electronics Industries (Private) Limited	5.1.1	Sukuk	44,149	44,149	-	-	-
World Telecom Limited	5.2.1	TFC	37,330	37,330	-	-	-
Agritech Limited	5.2.2 & 5.2.3	TFC	9,992	9,992	-	-	-
New Allied Electronics Industries (Private) Limited	5.2.5	TFC	19,025	19,025	-	-	-
			110,496	110,496	-	-	-

		Note	2023	2022
			----- Rupees in '000 -----	
<b>5.9</b>	<b>Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss'</b>			
	Market value of investments	5.1, 5.2, 5.3, 5.4, 5.5, 5.6 & 5.7	669,877	1,694,893
	Carrying value of investments	5.1, 5.2, 5.3, 5.4, 5.5, 5.6 & 5.7	(668,733)	(1,696,468)
			<u>1,144</u>	<u>(1,575)</u>
<b>6</b>	<b>INTEREST / PROFIT ACCRUED</b>			
	Interest / profit accrued on:			
	Bank balances		14,303	30,921
	Debt securities - Term finance and corporate sukuk certificates		4,560	23,256
	Government securities - GOP Ijarah Sukuk		5,775	-
	Marginal trading system		6,288	1,893
			<u>30,926</u>	<u>56,070</u>
<b>7</b>	<b>ADVANCE, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	Security deposits:			
	- National Clearing Company of Pakistan Limited		30,019	21,471
	- Central Depository Company of Pakistan Limited		100	100
			30,119	21,571
	Receivable against investments in Term finance certificates	5.2.3	1,998	1,998
	Advance tax	7.1	25,212	25,212
	Prepaid expenses		610	295
			<u>57,939</u>	<u>49,076</u>
	Less: Provision against overdue instalments of Term finance certificates		<u>(1,998)</u>	<u>(1,998)</u>
			<u>55,941</u>	<u>47,078</u>

7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on profit on bank deposit paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt amounts to Rs 25.212 million (2022: 25.212 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on bank balances and debt securities has been shown as other receivable as at June 30, 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

	Note	2023 ----- (Rupees) -----	2022 -----
<b>8</b>	<b>PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>		
Remuneration payable	8.1	1,766	3,668
Sindh Sales Tax payable on remuneration of the Management Company	8.2	230	477
Allocated expenses payable related to registrar services, accounting, operation and valuation services	8.3	883	917
Selling and marketing expenses payable	8.4	2,915	2,503
Sales load payable		189	1,646
		<u>5,983</u>	<u>9,211</u>

8.1 As per regulation 61 of the NBFC Regulations, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the offering document subject to the Total Expense Ratio Limit. Keeping in view the maximum allowable threshold, the Management Company has charged remuneration at the rates ranging from 1% to 1.5% (2022: 0.75% to 1.308%).

The remuneration is payable to the Management Company monthly in arrears.

8.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

8.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company may charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS). The Management Company based on its own discretion has charged allocated expenses at the rates ranging from 0.25% to 0.5% (2022: 0.1% to 0.25%).

8.4 In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company, based on its own discretion, has charged selling and marketing expenses at the rates ranging from 0.25% to 0.5% (2022: 0.4% to 0.25%) during the year ended June 30, 2023 while keeping in view the overall return and Total Expense Ratio Limit of the Fund as defined under the NBFC Regulations.

	Note	2023 -----Rupees in '000 -----	2022 -----
<b>9</b>	<b>PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		
Trustee fee payable	9.1	133	275
Sindh Sales Tax payable on trustee fee	9.2	17	36
CDS charges payable		375	289
		<u>525</u>	<u>600</u>

9.1 The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed at the rate of 0.075% (2022: 0.075%) of daily net assets of the Fund. The remuneration is paid to the trustee monthly in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

		<b>Note</b>	<b>2023</b>	<b>2022</b>
			<b>-----Rupees in '000 -----</b>	
<b>10</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
	Annual fee payable	10.1	<u>564</u>	<u>817</u>
			<u>564</u>	<u>817</u>

- 10.1 In accordance with the NBFC Regulations, 2008, a collective investment scheme is required to pay annual fee to the Securities and Exchange Commission of Pakistan at the rate of 0.02% (2022: 0.02%) per annum of average annual net assets of the Fund.

		<b>Note</b>	<b>2023</b>	<b>2022</b>
			<b>-----Rupees in '000 -----</b>	
<b>11</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
	Federal excise duty payable on the Management Company's remuneration	11.1	27,578	27,578
	Capital gain tax payable		6,919	9,120
	Withholding tax payable		33,036	28,663
	Auditors' remuneration		268	229
	Securities transaction cost payable		842	1,115
	Zakat payable		440	440
	Other payables		<u>14,204</u>	<u>612</u>
			<u>83,287</u>	<u>67,757</u>

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

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 27.578 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the NAV of the Fund would have been higher by Rs. 1.471 (2022: Re. 0.724) per unit.

## **12 CONTINGENCIES AND COMMITMENTS**

- 12.1 There were no contingencies and commitments outstanding as at June 30, 2023 and June 30, 2022.



		2023	2022
		-----Number of units -----	
13	<b>NUMBER OF UNITS IN ISSUE</b>		
	Total outstanding as of July 01	38,105,050	20,560,323
	Issued during the year	20,711,172	103,177,646
	Redeemed during the year	(40,072,114)	(85,632,919)
	Total units in issue as of June 30	<u>18,744,108</u>	<u>38,105,050</u>

		Note	2023	2022
			-----Rupees in '000 -----	
14	<b>CASH AND CASH EQUIVALENTS</b>			
	Balances with banks in:			
	Savings accounts	4	980,061	1,758,049
	Government securities - Market Treasury Bills	5.4	9,760	294,658
			<u>989,821</u>	<u>2,052,707</u>

15	<b>INTEREST / PROFIT EARNED</b>			
	Interest / profit on:			
	Debt securities - Term finance and corporate sukuk certificates		142,897	81,920
	Government securities - Market Treasury Bills and GOP Ijara Sukuk		84,651	22,439
	Commercial Papers		23,689	44,604
			<u>251,237</u>	<u>148,963</u>

		2023	2022
		-----Rupees in '000 -----	
16	<b>AUDITORS' REMUNERATION</b>		
	Annual audit fee	351	305
	Half yearly review	93	81
	Out of pocket expenses	44	43
	Sales tax	39	34
		<u>527</u>	<u>463</u>

17	<b>TOTAL EXPENSE RATIO</b>	
	The Total Expense Ratio (TER) of the Fund as at June 30, 2023 is 2.49% (2022: 1.80%) which includes 0.19% (2022: 0.16%) representing government levies on the Fund such as sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income Scheme.	

18	<b>TAXATION</b>	
	The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2023 to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements during the year.	

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

**19 EARNINGS PER UNIT**

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

**20 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties 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, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are also in the normal course of business, at contracted rates and at terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the offering document, trust deed and the NBFC regulations and hence, the transactions are considered to be on an arm's length basis.

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

Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

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

**20.1 Transactions during the year**

	<b>2023</b>	<b>2022</b>
	<b>-----Rupees in '000 -----</b>	
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company including Sales Tax thereon	<u>39,149</u>	<u>47,817</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>10,461</u>	<u>3,280</u>
Selling and marketing expenses	<u>10,461</u>	<u>5,120</u>
<b>Habib Bank Limited - Sponsor</b>		
Dividend paid	<u>-</u>	<u>26,203</u>
Bank charges paid	<u>264</u>	<u>512</u>
Profit earned on bank deposits	<u>6,847</u>	<u>22,068</u>
Issue of Nil units (2022: 5,623,706 units)	<u>-</u>	<u>683,281</u>
Redemption of 7,623,706 units (2022: Nil units)	<u>876,811</u>	<u>-</u>

20.1	Transactions during the year	2023 -----Rupees in '000 -----	2022 -----Rupees in '000 -----
	<b>Habib Bank Limited - Treasury Division</b>		
	Issue of Nil units (2022: 404,270 units)	-	49,268
	Redemption of 404,270 units (2022: Nil units)	46,496	-
	Dividend paid	-	31
	<b>HBL Microfinance Bank (Formerly: The First Microfinance Bank) - Associate</b>		
	Profit earned on bank deposits	82,828	61,708
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Trustee's remuneration including Sales Tax thereon	2,389	3,461
	CDS charges	824	1,372
	<b>MCBFSL Trustee - HBL Financial Planning Fund Conservative Allocation Plan - Associate</b>		
	Issue of 48,355 units (2022: 601,168 units)	5,479	70,140
	Redemption of 304,635 units (2022: 97,050 units)	35,032	11,515
	Dividend paid	3,750	1,841
	<b>MCBFSL Trustee HBL Financial Planning Fund Active Allocation Plan - Associate</b>		
	Issue of 587,212 units (2022: 20,416 units)	65,752	2,280
	Redemption of 618,300 units (2022: 79,716 units)	70,608	9,368
	Dividend paid	-	129
	<b>Jaffer Brothers (Private) Limited And Associated Companies Staff Provident Fund</b>		
	<b>Connected person - due to holding more than 10% units</b>		
	Issue of 467,533 units (2022: Nil units)	57,313	-
	Dividend paid	2,596	-
	<b>Habib Bank Limited - Connected Party</b>		
	Sale of Market Treasury Bills	584,000	-
	Purchase of GOP Ijara Sukuk	725,000	-
	<b>CDC Trustee HBL Cash Fund - Fund under common management</b>		
	Purchase of Market Treasury Bills	88,000	100,000
	Sale of Pakistan Investment Bonds	65,000	-
	<b>CDC Trustee HBL Multi Asset Fund - Fund under common management</b>		
	Purchase of Term finance certificate- Bank of Punjab	-	13,500
	<b>CDC Trustee HBL Government Securities Fund - Fund under common management</b>		
	Purchase of Pakistan Investment Bonds	100,000	-
		2023	2022
		-----Rupees in '000 -----	-----Rupees in '000 -----
20.1	<b>CDC Trustee HBL Money Market Fund - Fund under common management</b>		
	Purchase of Market Treasury Bills	-	60,000
	<b>CDC Trustee HBL Financial Sector Income Fund Plan I - Fund under common management</b>		
	Sale of Pakistan Investment Bonds	100,000	-
	Sale of Market Treasury Bills	-	7,000

	2023	2022
	-----Rupees in '000	-----
<b>Directors and Executives of the Management Company and their relatives</b>		
Issue of 16,192 units (2022: 147,818 units)	<u>1,805</u>	<u>15,458</u>
Redemption of 18,903 units (2022: 147,318 units)	<u>2,282</u>	<u>16,961</u>
Dividend paid	<u>2,089</u>	<u>1,067</u>
<b>20.2 Balances outstanding as at year end:</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management remuneration payable including Sales Tax thereon	<u>1,996</u>	<u>4,145</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>883</u>	<u>917</u>
Selling and marketing expenses payable	<u>2,915</u>	<u>2,503</u>
Sales load payable	<u>189</u>	<u>1,646</u>
<b>Habib Bank Limited - Sponsor</b>		
Outstanding Nil units (2022: 7,623,706 units)	<u>-</u>	<u>849,517</u>
Bank balances	<u>215</u>	<u>1,668,422</u>
Profit accrued on bank deposits	<u>102</u>	<u>4,850</u>
<b>Habib Bank Limited - Treasury Division</b>		
Outstanding Nil units (2022: 404,270 units)	<u>-</u>	<u>45,048</u>
<b>HBL Microfinance Bank (Formerly: The First Microfinance Bank) - Associate</b>		
Bank balances	<u>507,805</u>	<u>41,973</u>
Profit accrued on bank deposits	<u>8,084</u>	<u>6,932</u>
<b>MCBFSL Trustee - HBL Financial Planning Fund Conservative Allocation Plan - Associate</b>		
Outstanding 247,838 units (2022: 504,118 units)	<u>27,870</u>	<u>56,174</u>
<b>MCBFSL Trustee HBL Financial Planning Fund Active Allocation Plan - Associate</b>		
Outstanding Nil units (2022: 31,088 units)	<u>-</u>	<u>3,464</u>
<b>Jaffer Brothers (Private) Limited And Associated Companies Staff Provident Fund</b>		
<b>Connected person - due to holding more than 10% units</b>		
Outstanding 467,533 units (2022: Nil units)	<u>52,575</u>	<u>-</u>
<b>Directors and Executives of the Management Company and their relatives</b>		
Outstanding 135,511 units (2022: 138,222 units)	<u>15,238</u>	<u>15,402</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee's remuneration payable including Sales Tax thereon	<u>150</u>	<u>311</u>
Security deposit receivable	<u>100</u>	<u>100</u>
CDC charges payable	<u>375</u>	<u>289</u>

**21 FINANCIAL INSTRUMENTS BY CATEGORY**

**Financial assets**

	2023		
	At amortised cost	At fair value through profit or loss	Total
	Rupees in '000		
Bank balances	980,061	-	980,061
Investments	-	669,877	669,877
Receivable against margin trading system	465,148	-	465,148
Interest / profit accrued	30,926	-	30,926
Deposits	30,119	-	30,119
	<u>1,506,254</u>	<u>669,877</u>	<u>2,176,131</u>

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company	5,983	-	5,983
Payable to the Central Depository Company of Pakistan Limited - Trustee	525	-	525
Unclaimed dividend	3,802	-	3,802
Payable against purchase of investments	-	-	-
Accrued expenses and other liabilities	15,314	-	15,314
	<u>25,624</u>	<u>-</u>	<u>25,624</u>

**Financial assets**

	2022		
	At amortised cost	At fair value through profit or loss	Total
	Rupees in '000		
Bank balances	1,758,049	-	1,758,049
Investments	-	2,484,530	2,484,530
Receivable against margin trading system	370,025	-	370,025
Interest / profit accrued	56,070	-	56,070
Deposits	21,571	-	21,571
	<u>2,205,715</u>	<u>2,484,530</u>	<u>4,690,245</u>

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company	9,211	-	9,211
Payable to the Central Depository Company of Pakistan Limited - Trustee	600	-	600
Unclaimed dividend	4,491	-	4,491
Payable against purchase of investments	386,791	-	386,791
Accrued expenses and other liabilities	1,956	-	1,956
	<u>403,049</u>	<u>-</u>	<u>403,049</u>

**22 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

## **22.1 Market risk**

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

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / interest rate risk, currency risk, and price risk.

### **(i) Yield / interest rate risk**

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2023, the Fund is exposed to such risk on its balances held with banks, investments in Term finance and corporate sukuk certificates, Market Treasury Bills and GOP Ijara Sukuk. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds KIBOR based Term finance and corporate sukuk certificates, GOP Ijara Sukuk and accrued profit on balances with banks which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs. 16.40 million (2022: Rs. 28.55 million).

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

As at June 30, 2023, the Fund holds Market Treasury Bills which are classified as financial assets at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan for market treasury bills, commercial papers and with all other variables held constant, the net income for the year and net assets of the Fund would have been lower / higher by Rs. 0.10 million (2022: Rs. 11.44 million). Further, MTS is also subject to interest rate risk but it is not carried at FVTPL, therefore, there is no impact on net income or net assets due to change in market interest rates.

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2023 can be determined as follows.T

-----2023-----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest	Total
	Upto three months	More than three months and upto one	More than one year		
(%)	----- Rupees in '000 -----				

**Financial assets**

Bank balances	11.50% to 22.25%	980,061	-	-	-	980,061
Investments	9.03% to 25.91%	27,602	261,061	381,124	-	440,893
Receivable against margin trading system		465,148	-	-	-	465,148
Interest / profit accrued		-	-	-	30,926	30,926
Deposits		-	-	-	30,119	30,119
		1,472,811	261,061	381,124	61,045	1,947,147

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company		-	-	-	5,983	5,983
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	525	525
Unclaimed dividend		-	-	-	3,802	3,802
Payable against purchase of investments		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	15,314	15,314
		-	-	-	25,624	25,624

**On-balance sheet gap (a)**

1,472,811	261,061	381,124	35,421	2,150,507
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**Off-balance sheet financial instruments**

-	-	-	-	-
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**Off-balance sheet gap (b)**

-	-	-	-	-
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**Total interest rate sensitivity gap (a+b)**

1,472,811	261,061	381,124
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**Cumulative interest rate sensitivity gap**

1,472,811	1,733,872	1,524,496
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-----2022-----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest	Total
	Upto three months	More than three months and upto one	More than one year		
(%)	----- Rupees in '000 -----				

**Financial assets**

Bank balances	10.35% to 17.5%	1,758,049	-	-	-	1,758,049
Investments	9.03% to 17.78%	719,658	853,915	672,124	238,833	2,909,530
Receivable against margin trading system		370,025	-	-	-	370,025
Interest / profit accrued		-	-	-	56,070	56,070
Deposits		-	-	-	21,571	21,571
		2,847,732	853,915	672,124	316,474	9,805,490

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company		-	-	-	9,211	9,211
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	600	600
Unclaimed dividend		-	-	-	4,491	4,491
Payable against purchase of investments		-	-	-	386,791	386,791
Accrued expenses and other liabilities		-	-	-	1,956	1,956
		-	-	-	403,049	403,049

**On-balance sheet gap (a)**

2,847,732	853,915	672,124	(86,575)	10,208,539
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**Off-balance sheet financial instruments**

-	-	-	-	-
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**Off-balance sheet gap (b)**

-	-	-	-	-
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**Total interest rate sensitivity gap (a+b)**

2,847,732	853,915	672,124
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**Cumulative interest rate sensitivity gap**

2,847,732	3,701,647	2,688,496
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**(ii) Currency risk**

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

**(iii) Price risk**

The Fund is exposed to price risk on investments held by the Fund and classified at fair value through profit or loss.

The management of the Fund monitors the proportion of equity securities in its investment portfolio based on market indices. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines or the requirements of NBFC regulations. The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund with an overall limit of 25% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations).

The Fund also manages its exposure to price risk by reviewing portfolio allocation as frequently as necessary and at least once a quarter from the aspect of allocation within industry and individual stock within that allocation. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Investment Committee. The primary objective of the Fund's investment strategy is to maximise investment returns.

In case of 5% increase / decrease in KSE 100 index on June 30, 2023, with all other variables held constant, the total income of the Fund for the year would increase / decrease by Rs. nil million (2022: Rs. 0.137 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

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 the 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, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 Index.

**22.2 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 to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed off and are considered readily realisable.

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 requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month:

2023						
Within 1 month	More than one month and upto three months	More than three months and upto	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees						
<b>Financial assets</b>						
Bank balances	980,061	-	-	-	-	980,061
Investments	-	27,602	261,061	381,214	-	440,893t
Receivable against margin trading system	-	465,148	-	-	-	465,148
Interest / profit accrued	30,926	-	-	-	-	30,926
Deposits	30,119	-	-	-	-	30,119
	1,041,106	492,750	261,061	381,214	-	1,947,147
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company	5,983	-	-	-	-	5,983
Payable to the Central Depository Company of Pakistan Limited - Trustee	525	-	-	-	-	525
Unclaimed dividend	3,802	-	-	-	-	3,802
Payable against purchase of investments	-	-	-	-	-	-
Accrued expenses and other liabilities	15,046	268	-	-	-	15,314
	25,356	268	-	-	-	25,624
<b>Net financial assets</b>	1,015,750	492,482	261,061	381,214	-	1,972,771

2023						
Within 1 month	More than one month and upto three months	More than three months and upto	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees						
<b>Financial assets</b>						
Bank balances	1,758,049	-	-	-	-	1,758,049
Investments	238,833	719,658	853,915	672,124	-	2,909,530
Receivable against margin trading system	-	370,025	-	-	-	370,025
Interest / profit accrued	56,070	-	-	-	-	56,070
Deposits	21,571	-	-	-	-	21,571
	2,074,523	1,089,683	853,915	672,124	-	5,115,245
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company	9,211	-	-	-	-	9,211
Payable to the Central Depository Company of Pakistan Limited - Trustee	600	-	-	-	-	600
Unclaimed dividend	4,491	-	-	-	-	4,491
Payable against purchase of investments	386,791	-	-	-	-	386,791
Accrued expenses and other liabilities	1,727	229	-	-	-	1,956
	402,820	229	-	-	-	403,049
<b>Net financial assets</b>	1,671,703	1,089,454	853,915	672,124	-	5,518,294

## 22.3 Credit risk

22.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due.

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations. Before making investment decisions, the credit rating and credit worthiness of the issuer / counterparty is taken into account along with the financial background so as to minimise the risk of default.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Analysing credit ratings and obtaining adequate collaterals wherever appropriate / relevant.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of the credit ratings and the financial statements on a regular basis.
- Cash is held only with reputable banks with high quality external credit ratings.
- Investment transactions are carried out with a large number of brokers, whose credit worthiness is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.

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

	2023		2022	
	Balance as per statement of assets and	Maximum exposure to credit risk	Balance as per statement of assets and	Maximum exposure to credit risk
	Rupees in '000			
Bank balances	980,061	980,061	1,758,049	1,758,049
Investments	669,877	434,967	2,484,530	1,886,761
Receivable against margin trading system	465,148	465,148	370,025	370,025
Interest / profit accrued	30,926	30,926	56,070	56,070
Deposits	30,119	30,119	21,571	21,571
	<u>2,176,131</u>	<u>1,941,221</u>	<u>4,690,245</u>	<u>4,092,476</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2023 is the carrying amount of the financial assets. Investment in Market Treasury Bills and GOP Ijara Sukuk however, are not exposed to credit risk and have been excluded from the above analysis as there are guaranteed by the Government of Pakistan.

## 22.3.2 Credit quality of financial assets

The Fund's significant credit risk arises mainly on account of its placements in banks and profit accrued thereon, and against investments. The credit rating profile of balances with banks is as follows.

Rating category	% of financial assets exposed to credit risk	
	2023	2022
<b>Bank balances</b>		
AAA	1.37%	77.28%
AA+	0.01%	3.76%
AA-	20.57%	0.66%
A+	23.72%	0.33%
A-	0.01%	0.17%
	<u>45.68%</u>	<u>82.20%</u>
<b>Term finance and corporate sukuk certificates</b>		
AAA	1.72%	1.64%
AA+	2.10%	4.84%
AA	-	18.48%
AA-	4.74%	4.69%
A+	11.64%	14.79%
A1+	-	7.04%
	<u>20.20%</u>	<u>51.48%</u>

### 22.3.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic and industry factors similarly affect groups of counter parties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. As transactions are entered with credit worthy parties thereby any significant concentration of credit risk is mitigated

All financial assets of the Fund as at June 30, 2023 are unsecured and are not impaired except for instruments mentioned in note 5.8.

## 23 FAIR VALUE MEASUREMENT

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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

### Fair value hierarchy

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

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

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

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

As at June 30, 2023 and June 30, 2022, the Fund held the following financial instruments measured at fair values:

	2023			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>	<b>(Rupees)</b>			
<b>Financial assets at fair value through profit or loss</b>				
- Corporate sukuk certificates	-	54,285	-	54,285
- Term finance certificates	-	380,682	-	380,682
- Market Treasury Bills	-	9,760	-	9,760
- GOP Ijara Sukuk	-	225,150	-	225,150
	-	669,877	-	669,877

	2022			
	Level 1	Level 2	Level 3	Total
<b>ASSETS</b>	<b>(Rupees)</b>			
<b>Financial assets at fair value through profit or loss</b>				
- Corporate sukuk certificates	-	613,418	-	613,418
- Term finance certificates	-	483,706	-	483,706
- Market Treasury Bills	-	354,057	-	354,057
- Listed equity securities (spread transactions)	238,833	-	-	238,833
- Future stock contracts	4,879	-	-	4,879
- Commercial paper*	-	789,637	-	789,637
	243,712	2,240,818	-	2,484,530

\* The valuation of commercial papers has been done based on amortisation to its fair value as per the guidelines given in Circular 33 of 2012 since the residual maturity of these investments is less than six months and are placed with counterparties which have high credit rating.

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## UNITS HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 22, the Fund endeavors to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

**25 UNIT HOLDING PATTERN OF THE FUND**

Category	2023			
	Number of	Number of	Investment	Percentage
Rupees in '000				
Individuals	2,213	14,130,980	1,589,041	75.39%
Foreign investor	5	10,939	1,230	0.05%
Associated company	1	247,838	27,870	1.32%
Retirement funds	24	2,546,951	286,407	13.59%
Trusts	13	1,376,771	154,819	7.35%
Others	15	430,629	48,425	2.30%
	2,271	18,744,108	2,107,792	100%

Category	2022			
	Number of	Number of	Investment	Percentage
Rupees in '000				
Individuals	1,487	18,747,159	2,089,017	50.60%
Foreign investor	5	118,599	13,216	0.31%
Associated companies	4	8,563,182	954,203	21.07%
Retirement funds	19	3,839,896	427,883	10.08%
Trusts	9	5,291,227	589,607	13.89%
Others	10	1,544,987	172,159	4.05%
	1,534	38,105,050	4,246,085	100%

**26 LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

2023		2022	
Name of broker		Name of broker	
Al Falah CLSA Securities (Private) Limited		Pearl Securities Limited	
Summit Capital (Private) Limited		Invest One Markets Limited	
Next Capital Limited		Magenta Capital (Private) Limited	
Continental Exchange (Private) Limited		BIPL Securities Limited	
BIPL Securities Limited		C & M Management (Private) Limited	
Invest One Markets Limited		Arif Habib Limited	
JS Global Capital Limited		Bright Capital (Private) Limited	
		JS Global Capital Limited	
		Paramount Capital (Private) Limited	
		Vector Capital (Private) Limited	

**27 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE**

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

S. No.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	24 + years
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27 + years
3	Wamiq Sakrani	Head of Fixed Income	MBA	13 + years
4	Imad Ansari	Head of Risk	MBA	16 + years
5	Umair Naseer	Head of Research	MBA	10 + years
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15 years
7	Raza Abbas	Senior Fund Manager	M.Com	20 years
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7 + years

**28 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of director	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29, 2022, January 16, 2023, January 23, 2023 and February 13, 2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19, 2022

**29 GENERAL**

29.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

29.2 Figures have been rounded off to the nearest thousand rupees.

29.3 Units have been rounded off to the nearest decimal place.

**30 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 25, 2023.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director





**HBL** Energy Fund

## FUND INFORMATION

NAME OF FUND	HBL Energy Fund
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	BDO Ebrahim & Co. Chartered Accountants.
NAME OF BANKERS	Habib Bank Limited Allied Bank Limited MCB Bank Limited JS Bank Limited Soneri Bank Limited Zarai Taraqiati Bank Limited Habib Metropolitan Bank Limited Khushali Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited National Bank of Pakistan HBL Micro Finance Bank Limited

## Type and Category of Fund

Equity / Open-end

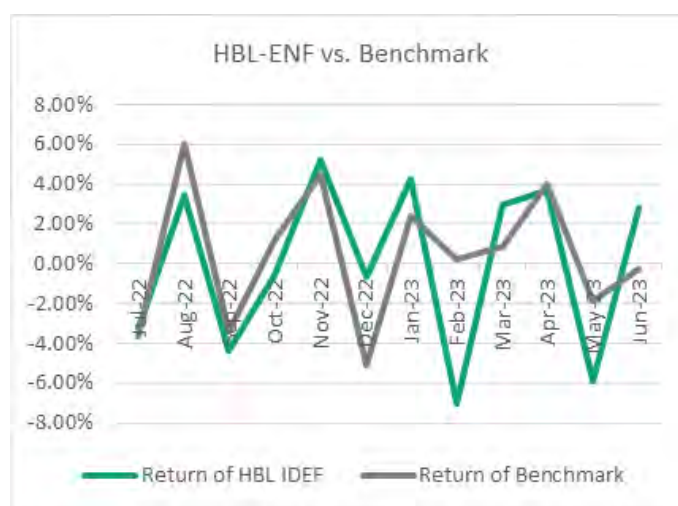
## Investment Objective and Accomplishment of Objective

HBL Energy Fund (HBL ENF) is an open end equity fund. The objective of the Fund is to capture significant return from an actively managed portfolio by investing in listed equity securities of energy sector in Pakistan and in this respect the Fund has achieved its objective.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KSE-30 Total Return Index.

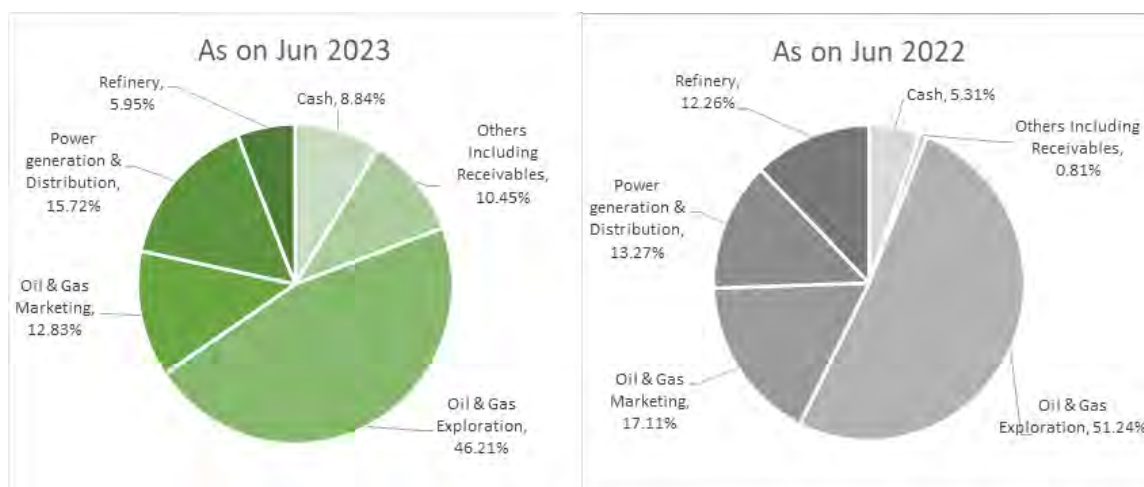
Month	Return of Fund	
	HBL-ENF	Benchmark
Jun-23	2.80%	-0.25%
May-23	-5.88%	-1.84%
Apr-23	3.70%	3.99%
Mar-23	2.99%	0.89%
Feb-23	-7.03%	0.21%
Jan-23	4.22%	2.39%
Dec-22	-0.68%	-5.09%
Nov-22	5.22%	4.45%
Oct-22	-0.62%	1.18%
Sep-22	-4.35%	-3.39%
Aug-22	3.48%	6.06%
Jul-22	-3.22%	-3.62%



## Strategies and Policies employed during the Year

During the year under review, the Fund decreased its exposure in equities from 94% on June 30, 2022 to 81% as on June 30, 2023. Further, sector-wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in power sector was increased, while exposure in oil & gas exploration, oil & gas marketing and refinery was decreased.

## Asset Allocation



## Significant Changes in Asset Allocation during the Year

The following table shows a comparison of top sector wise allocation of equity investments in the Fund as on June 30, 2023 and June 30, 2022:

Sector Name	As on Jun 2023	As on Jun 2022
Cash	8.84%	5.31%
Others Including Receivables	10.45%	0.81%
Oil & Gas Exploration	46.21%	51.24%
Oil & Gas Marketing	12.83%	17.11%
Power generation & Distribution	15.72%	13.27%
Refinery	5.95%	12.26%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The total income and net loss of the Fund was Rs. 10.40 million and Rs. 4.59 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 9.8261 per unit as on June 30, 2023 as compared to Rs. 9.8637 per unit as on June 30, 2022, thereby giving a negative return of 0.38%. During the same year the benchmark KSE 30 index yielded a return of 4.41%. The size of Fund was Rs. 0.24 billion as on June 30, 2023 as compared to Rs. 0.43 billion at the start of the year.

## Market Review

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2023.

## Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Fund.

### Breakdown of Unit Holding by Size

From – To (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	91	2,368
101 – 500	47	12,341
501 – 1,000	3,073	2,427,228
1,001 – 10,000	1,026	3,069,016
10,001 – 100,000	155	4,647,471
100,001 – 500,000	26	5,782,214
500,001 – 1,000,000	1	521,371
1,000,001 – 5,000,000	1	1,646,721
5,000,001 and above	1	6,468,401
<b>Total</b>	<b>4,421</b>	<b>24,577,131</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

**PERFORMANCE TABLE –  
HBL ENERGY FUND**  
As at June 30, 2023

	2023	20220	2021	2020	2019	2018
Net assets at the period end(Rs'000)	241,498	431,182	774,522	570,810	734,341	1,061,029
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	9.8261	9.8637	11.9855	10.0106	11.1201	14.6857
Offer	10.0482	10.0866	12.2564	10.2368	11.3714	15.0176
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	11.27	12.3229	13.2351	14.3597	15.2319	16.6501
Lowest offer price per unit	9.28	9.5629	10.3691	7.8038	10.8489	14.018
Highest redemption price per unit	11.02	12.0506	12.9426	14.0423	14.8953	16.2821
Lowest redemption price per unit	9.07	9.3516	10.1399	7.6313	10.6091	13.7082
<b>RETURN ( % )</b>						
Total return	-0.38%	-17.70%	19.73%	-9.98%	-24.28%	-2.33%
Income distribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital growth	-0.38%	-17.70%	19.73%	-9.98%	-24.28%	-2.33%
<b>DISTRIBUTION</b>						
Final dividend distributatio n (Rs)	0	0	0	0	0	0
Date of Income Distribution	0	0	0	0	0	0
Total dividend distribution for the year/ period (Rs)	0	0	0	0	0	0
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-0.38%	-17.70%	19.73%	-9.98%	-24.28%	-2.33%
Average annual return 2 year	-9.45%	-0.73%	3.82%	-17.44%	-14.00%	12.73%
Average annual return 3 year	-0.62%	-3.92%	-6.55%	-12.68%	-1.27%	7.28%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	9%	5%	2%	7%	8%	9%
Stock / Equities	81%	94%	94%	93%	92%	90%
Others Including receivables	10%	1%	5%	1%	0%	1%

**Note:**

- The Launch date of the Fund is January 2006
- HBL energy fund converted from closed end scheme to open end scheme effective from June 25, 2013

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

## Summary of Actual Proxy voted by CIS

HBL Energy Fund	Meetings	Resolutions	For	Against
Number	1	7	7	-
(%ages)			100%	-

(h) AMC did not participate in shareholders' meetings

Scrip	AGM Meeting Dt	EOGM Meeting Dt
Attock Petroleum Ltd	20-09-22	
Attock Refinery Ltd	20-09-22	
Engro Powergen Qadirpur Ltd	29-03-23	14-10-22
Hub Power Company Ltd	29/09/2022 4-Oct-2022	20-02-23
Kot Addu Power Company Ltd		
Mari Petroleum Company Ltd		
National Refinery Ltd	19-Oct-22	
Nishat Chunian Power Ltd		
Nishat Power Limited	18-10-22	
Oil & Gas Development Co Ltd		30-11-22
Pakistan Oilfields Ltd	20-09-22	30/11/2022 12 June 2023
Pakistan Petroleum Ltd		30-11-22
Pakistan Refinery Limited		
Pakistan State Oil Company Ltd		
Saif Power Limited		
Shell Pakistan Ltd		
Sui Northern Gas Pipeline Ltd	29-07-22	
Sui Southern Gas Co Ltd		

The proxy voting policy is available on the website of HBL Asset Management Limited (the Management Company) and detailed information regarding actual proxies in respect of the Fund would be available to all the unit holders without charge upon a request to be submitted at our head office located at 7th Floor, Emerald Tower, Block-5, Clifton, Karachi.



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shahr-e-Faisal  
Karachi - 74400, Pakistan  
Tel : (92-21) 111-111-500  
Fax: (92-21) 34326021 - 23  
URL: [www.cdcpk.com](http://www.cdcpk.com)  
Email: [info@cdc-pak.com](mailto:info@cdc-pak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL ENERGY FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Energy Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023





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Pakistan

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HBL ENERGY FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL Energy Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Existence and valuation of investments</p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2023, the investments held by the Fund comprised of listed equity securities which represent 88.38% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>We evaluated the design and implementation of key controls of investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li></ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange Limited as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.



The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 25 SEP 2023

UDIN: AR202310166XDpdJOfQR

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS



		2023	2022
	Note	----- Rupees in '000 -----	
<b>ASSETS</b>			
Bank balances	5	26,773	24,197
Investments	6	244,571	427,791
Dividend and mark-up receivable	7	647	664
Other receivable		1,667	-
Advances and deposits	8	3,074	3,074
<b>TOTAL ASSETS</b>		276,732	455,726
<b>LIABILITIES</b>			
Payable to the Management Company	9	1,219	3,558
Payable to the Trustee	10	51	91
Payable to Securities and Exchange Commission of Pakistan	11	61	128
Unclaimed dividend		5,382	5,382
Accrued expenses and other liabilities	12	28,521	15,385
<b>TOTAL LIABILITIES</b>		35,234	24,544
<b>NET ASSETS</b>		241,498	431,182
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		241,498	431,182
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		-----Number of units-----	
<b>Number of units in issue</b>	14	24,577,131	43,714,002
		-----Rupees-----	
<b>Net assets value per unit</b>		9.8261	9.8637

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

	Note	2023 ----- Rupees in '000 -----	2022
<b>INCOME</b>			
Capital loss on sale of investment- net		(21,756)	(99,531)
Dividend income		35,243	55,603
Mark-up on bank deposits		5,520	2,810
		<u>19,007</u>	<u>(41,118)</u>
Unrealised diminution on revaluation of investments classified as financial assets at 'fair value through profit or loss' - net	6.3	(8,607)	(69,439)
		<u>10,400</u>	<u>(110,557)</u>
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	6,063	12,803
Sindh Sales Tax on remuneration of the Management Company	9.2	788	1,664
Remuneration of Trustee	10.1	606	1,280
Sindh Sales Tax on remuneration of the trustee	10.2	79	166
Annual fee to Securities and Exchange Commission of Pakistan	11.1	61	128
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	1,667	4,651
Selling and marketing expenses	9	1,516	7,632
Auditors' remuneration	15	490	445
Fee and subscription		145	465
Securities transaction costs and settlement charges		3,538	1,700
Bank charges		36	40
		<u>14,989</u>	<u>30,974</u>
Net loss for the year from operating activities		(4,589)	(141,531)
Reversal of provision for Sindh Workers' Welfare Fund	12.2	-	7,320
Net loss for the year before taxation		(4,589)	(134,211)
Taxation	16	-	-
Net loss for the year after taxation		<u>(4,589)</u>	<u>(134,211)</u>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		-	-
Accounting income available for distribution:			
Relating to capital gains		-	-
Excluding capital gains		-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Earnings per unit	17		

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**



	<b>2023</b>	<b>2022</b>
	<b>----- Rupees in '000 -----</b>	
Net loss for the year after taxation	(4,589)	(134,211)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(4,589)</u>	<u>(134,211)</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

# HBL Energy Fund

## Statement of Movement in Unit Holders Fund

For the year ended June 30, 2023

	2023			2022		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
(Rupees in '000)						
Net assets at beginning of the year	547,836	(116,654)	431,182	756,966	17,557	774,523
Issuance of 8,395,147 units (2022: 12,081,438 units)						
Capital value (at net asset value per unit at the beginning of the year)	82,807	-	82,807	144,801	-	144,801
Element of income	1,119	-	1,119	(16,633)	-	(16,633)
Total proceeds on issuance of units	83,926	-	83,926	128,168	-	128,168
Redemption of 27,532,018 units (2022: 76,561,469 units)						
Capital value (at net asset value per unit at the beginning of the year)	(271,568)	-	(271,568)	(395,391)	-	(395,391)
Income already paid on redemption of units	-	-	-	-	-	-
Element of loss	2,547	-	2,547	58,093	-	58,092.91
Total payments on redemption of units	(269,021)	-	(269,021)	(337,298)	-	(337,298)
Total comprehensive loss for the year	-	(4,589)	(4,589)	-	(134,211)	(134,211)
Net assets at end of the year	362,742	(121,243)	241,498	547,836	(116,654)	431,182
Undistributed (loss) / income brought forward						
Realised (loss) / income	(47,215)			1,722		
Unrealised (loss) / income	(69,439)			15,785		
	(116,654)			17,507		
Accounting income available for distribution						
Relating to capital gains	-			-		
Excluding capital gains	-			-		
Total comprehensive loss for the year	(4,589)			(134,211)		
Accumulated loss carried forward	(121,243)			(116,704)		
Accumulated loss carried forward						
Realised loss	(112,636)			(47,215)		
Unrealised loss	(8,607)			(69,439)		
	(121,243)			(116,654)		
	(Rupees)			(Rupees)		
Net assets value per unit at beginning of the year	9.8637			11.9855		
Net assets value per unit at end of the year	9.8261			9.8637		

The annexed notes from 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

	2023	2022
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year before taxation	(4,589)	(134,211)
Adjustments for:		
Capital loss on sale of investment- net	21,756	99,531
Dividend income	(35,243)	(55,603)
Mark-up on bank deposits	(5,520)	(2,810)
Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	8,607	69,439
	<u>(14,989)</u>	<u>(23,654)</u>
<b>Decrease / (increase) in assets</b>		
Investments - net	152,857	175,349
Other receivables	(1,667)	36,357
Advances and deposits	-	(78)
	151,190	211,628
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(2,339)	(434)
Payable to the Trustee	(40)	(66)
Payable to Securities and Exchange Commission of Pakistan	(67)	(29)
Accrued expenses and other liabilities	13,136	(7,375)
	<u>10,690</u>	<u>(7,904)</u>
Cash generated from operations	146,891	180,070
Dividend received	35,219	55,579
Mark-up received on bank deposits	5,561	2,308
	<u>40,780</u>	<u>57,887</u>
Net cash generated from operating activities	187,671	237,957
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	83,926	128,168
Payment against redemption of units	(269,021)	(354,958)
Net cash used in financing activities	<u>(185,095)</u>	<u>(226,790)</u>
Net Increase in cash and cash equivalents	2,576	11,167
Cash and cash equivalents at the beginning of the year	24,197	13,030
Cash and cash equivalents at end of the year	5 <u>26,773</u>	<u>24,197</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

## **1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL Energy Fund ("the Fund") was established in 2006 as a closed-end scheme under a Trust Deed executed between PICIC Asset Management Company Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee.

Through an order dated August 31, 2016, the Securities and Exchange Commission of Pakistan (SECP) approved the merger of PICIC Asset Management Company Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. During the current year the Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on August 24, 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

Effective from September 1, 2016, HBL Asset Management Limited became Management Company of the Fund which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund For Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

In accordance with clause 65(1) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a meeting of the certificate holders of the Fund was held on January 31, 2013 whereby the conversion of the Fund into an open-end scheme was duly approved through a resolution passed by the majority of the certificate holders present in the meeting who were entitled to vote. The SECP accorded its final approval for conversion of the Fund into an open-end scheme through its letter dated May 3, 2013. The second supplemental Trust Deed and replacement Offering Document were approved by SECP vide its letter no D/PRDD/AMCW/PEF/567/2013 dated May 31, 2013 and letter no SCD/PRDD/AMCW/PEF/606/2013 dated June 24, 2013 respectively. The conversion of the Fund from a closed end fund to an open-end fund was authorised by the SECP vide its letter No. SCD / PRDD / AMCW / PEF / 607 / 2013 dated June 24, 2013. The Fund converted into an open end scheme on the effective date i.e. June 25, 2013. The certificates of the closed-end fund were cancelled on the effective date and were exchanged with the units of the open-end scheme in the swap ratio of 1:1. Each certificate holder was allotted units according to their respective holdings as at that date on the basis of a ratio of 1 certificate to 1 unit. Accordingly 100,000,000 units were issued on the date of conversion.

Since the effective date of conversion, the certificates of the closed-end scheme were de-listed from Pakistan Stock Exchange. Units of the open-end scheme are listed on the Pakistan Stock Exchange Limited. The units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund has been categorised as an equity scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The objective of the Fund is to invest in securities of the energy sector in Pakistan so as to provide investors an access to high quality blue chip stocks in the energy sector. The eligible stocks comprise of investment in shares of companies engaged in the following activities:

- Oil and Gas Exploration
- Oil and Gas Marketing
- Oil Refining
- Power Generation and Distribution

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

VIS Credit Rating Agency has assigned a management quality rating of 'AM1' (Stable outlook) to the Management Company and a stability rating of AA+(f) to the Fund as at December 30, 2022 and December 29, 2022, respectively.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

-Provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, unless stated otherwise.

These financial statements have been prepared under accrual basis of accounting except for cash flow information.

### **2.3 Functional and presentation currency**

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

### **2.4 Use of judgments and estimates**

The preparation of these financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

#### **Classification and valuation of investments**

For details please refer notes 4.2.1.1 and 6 to these financial statements.

#### **Impairment of investment**

For details please refer notes 4.2.1.2 to these financial statements.

#### **Provision for taxation**

For details please refer notes 4.4 and 16 to these financial statements.

#### **Other assets**

Judgement is involved in assessing the realisability of other assets balances.

### **3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

#### **3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023**

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

#### **3.2 New accounting standards, amendments and interpretations that are not yet effective**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

#### 4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.



#### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less.

#### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **4.2.1 Financial assets**

##### **4.2.1.1 Classification and measurement of financial assets and financial liabilities**

On initial recognition, a financial asset is classified and measured at: amortised cost or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model on which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

-it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

-its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified and measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
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<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income and impairment are recognised in income statement.
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##### **4.2.1.2 Impairment of financial assets**

The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

-12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.

-Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly investment, advances and deposits, dividend and mark-up receivable and bank balances.

#### **4.2.1.3 Regular way purchase and sale of financial assets**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

#### **4.2.1.4 Derecognition**

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

#### **4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 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.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income**

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

#### **4.8 Net assets value per unit**

The net assets value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

#### **4.9 Revenue recognition**

-Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

-Dividend income from equity securities is recognised when the right to receive the dividend is established.

-Mark up / return on bank deposits and government securities are recognised on a time apportionment basis using effective rate.

-Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss are included in the Income Statement in the year in which they arise.

#### **4.10 Transactions with related parties / connected persons**

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

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

			2023	2022
	Note		-----Rupees in '000-----	
<b>5 BANK BALANCES</b>				
Cash at bank:				
In current accounts			11	11
In savings accounts	5.1		26,762	24,186
			<u>26,773</u>	<u>24,197</u>

5.1 These carry mark-up at rates ranging between 9.0% to 21.85% (2022: 5.5% to 17%) per annum. This includes an amount held by related parties, Habib Bank Limited amounting to Rs. 8.941 million (2022: Rs. 1.297 million) on which return is earned at rate ranging between 9.0% to 19.5% (2022:10.7%) and HBL Microfinance Bank Limited (Formerly The First Microfinance Bank Limited) amounting to Rs. 0.079 million on which interest is earned at rate ranging 10.25% to 17.25% (2022: Nil)

## 6 INVESTMENTS

Financial assets at fair value through profit or loss

Listed equity securities	6.1	244,571	427,791
		<u>244,571</u>	<u>427,791</u>

### 6.1 Financial assets at fair value through profit or loss - Listed Equity Securities

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

Name of the investee companies (Sector wise)	As at July 1, 2022	Purchases made during the year	Bonus issue	Sales made during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023s	Unrealized appreciation / (diminution) on re- measurement of investments	Market value as percentage of total investments	Market value as percentage of net assets	Par value as a percentage of issued capital of the investee company
	-----Number of Shares-----				-----Rupees in 000-----						
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>											
Mari Petroleum Company Limited	29,439	60,310	-	65,478	24,271	37,765	36,762	(1,003)	15.03%	15.22%	0.02%
Oil & Gas Development Company Limited	835,691	1,150,440	-	1,322,991	663,140	53,197	51,725	(1,472)	21.15%	21.42%	0.02%
Pakistan Oilfields Limited	123,940	149,300	-	273,240	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Petroleum Limited	980,994	1,830,726	-	1,940,218	871,502	56,296	51,541	(4,755)	21.07%	21.34%	0.03%
	1,970,064	3,190,776	-	3,601,927	1,558,913	147,258	140,028	(7,230)	57.25%	57.98%	
<b>OIL &amp; GAS MARKETING COMPANIES</b>											
Attock Petroleum Limited	24,300	112,731	12,325	123,067	26,289	7,986	7,893	(93)	3.23%	3.27%	0.02%
Pakistan State Oil Company Limited (6.1.2)	408,437	551,169	-	957,217	2,389	264	265	1	0.11%	0.11%	0.00%
Shell Pakistan Limited	-	473,900	-	363,900	110,000	12,788	12,722	(66)	5.20%	5.27%	0.05%
Sui Northern Gas Pipelines Limited	-	3,379,995	-	2,922,825	457,170	19,085	17,999	(1,086)	7.36%	7.45%	0.07%
Sui Southern Gas Company Limited	-	550,000	-	550,000	-	-	-	-	0.00%	0.00%	0.00%
	432,737	5,067,795	12,325	4,917,009	595,848	40,123	38,879	(1,244)	15.90%	16.10%	
<b>POWER GENERATION &amp; DISTRIBUTION</b>											
The Hub Power Company Limited	887,119	1,809,496	-	2,140,285	556,330	38,712	38,709	(3)	15.83%	16.03%	0.04%
Kot Addu Power Company Limited	-	663,784	-	663,784	-	-	-	-	0.00%	0.00%	0.00%
Nishat Power Limited	-	1,720,329	-	1,193,050	527,279	8,763	8,937	174	3.65%	3.70%	0.15%
Nishat Chunian Limited	-	301,500	-	301,500	-	-	-	-	0.00%	0.00%	0.00%
Engro Powergen Qadirpur Limited	-	238,000	-	238,000	-	-	-	-	0.00%	0.00%	0.00%
Saif Power Limited	-	262,500	-	262,500	-	-	-	-	0.00%	0.00%	0.00%
	887,119	4,995,609	-	4,799,119	1,083,609	47,475	47,646	171	19.48%	19.73%	
<b>REFINERY</b>											
Attock Refinery Limited	120,500	509,776	-	579,856	50,420	8,369	8,654	285	3.54%	3.58%	0.05%
National Refinery Limited	137,222	158,800	-	233,598	62,424	9,953	9,364	(589)	3.83%	3.88%	0.08%
Pakistan Refinery Limited	-	950,000	-	950,000	-	-	-	-	0.00%	0.00%	0.00%
	257,722	1,618,576	-	1,763,454	112,844	18,322	18,018	(304)	7.37%	7.46%	
<b>As at June 30, 2023</b>	<b>3,547,642</b>	<b>14,872,756</b>	<b>12,325</b>	<b>15,081,509</b>	<b>3,351,214</b>	<b>253,178</b>	<b>244,571</b>	<b>(8,607)</b>	<b>100%</b>	<b>101.27%</b>	
<b>As at June 30, 2022</b>	<b>7,360,670</b>	<b>2,372,187</b>	<b>-</b>	<b>6,185,215</b>	<b>3,547,642</b>	<b>497,230</b>	<b>427,791</b>	<b>(69,439)</b>	<b>100%</b>	<b>99.21%</b>	

6.1.1 As at June 30, 2023, the Fund has pledged shares with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP, of following companies

- Oil and Gas Development Company (326,000 shares having market value of Rs. 25.428 million)
- Pakistan Petroleum Limited (255,000 shares having market value of Rs. 15.081 million)
- Pakistan State Oil Limited (100,000 shares having market value of Rs. 11.101 million)
- Mari Petroleum Company Limited (5,000 shares having market value of Rs. 7.573 million)

6.1.2 These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5% is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan (MUFAP), has filed a petition in Honourable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honourable Sindh High Court has granted stay order till the final outcome of the case. However, the investee companies have withheld the share equivalent to 5% of bonus announcement of the Fund. These consist of 12,325 shares of PSO having aggregate fair market value of Rs. 0.265 million at June 30, 2023 (2022: Rs. 0.411 million) and not yet deposited on CDC account of department of Income tax. The final outcome of the case is pending however, management is of the view that the decision will be in the favour and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

"During the year ended June 30, 2018, the Honorable Supreme Court of Pakistan passed a judgment on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50% of the tax calculated by the tax authorities is deposited with the authorities. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically"

Subsequent to the year ended June 30, 2019, the CISs have filed a fresh constitutional petition via CP4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High Court of Sindh has issued notices to the relevant parties and has ordered that no 3rd party interest on bonus shares issued to the Funds in lieu of their investments be created in mean time. The matter is still pending at adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitution petition will be in favour of the CISs.

Finance Act, 2018 effective from July 01, 2018 has omitted Section 236M of the Income Tax Ordinance, 2001 (the ordinance) requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold 5% of the bonus shares to be issued. Accordingly, post July 01, 2018 shares are not being withheld at the time of bonus issue.

	Note	2023 ----- Rupees in '000 -----	2022 -----
<b>6.3</b>	<b>Net unrealized diminution on</b>		
	<b>re-measurement of investments classified as</b>		
	<b>financial assets at fair value through profit or loss' - net</b>		
Market value of investments		244,571	427,791
Less: Carrying value of investments		(253,178)	(497,230)
		<u>(8,607)</u>	<u>(69,439)</u>

		2023	2022
	Note	----- Rupees in '000 -----	
<b>7</b>	<b>DIVIDEND AND MARK-UP RECEIVABLE</b>		
	Dividend receivable	105	81
	Mark-up receivable on saving accounts	542	583
		<u>647</u>	<u>664</u>
<b>8</b>	<b>ADVANCES AND DEPOSITS</b>		
	Security deposits with:		
	National Clearing Company of Pakistan Limited	2,500	2,500
	Central Depository Company of Pakistan Limited	300	300
		<u>2,800</u>	<u>2,800</u>
	Advance tax	8.1 274	274
		<u>3,074</u>	<u>3,074</u>
8.1	The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.		
	The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 150 and 151 of ITO 2001. The management is confident that the same shall be refunded after filing refund application.		
<b>9</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Remuneration payable to the Management Company	9.1 403	778
	Sindh Sales Tax payable on Management Company's remuneration	9.2 52	101
	Sales Load Payable	5	4
	Allocation of fee and expenses related to registrar		
	services, accounting, operation and valuation services	9.3 111	501
	Selling and marketing expenses payable	9.4 648	2,174
		<u>1,219</u>	<u>3,558</u>
9.1	As per the amendment in regulation 61 of the NBFC regulation, the Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document. The maximum limit disclosed in the Offering Document is 3% per annum of average annual net assets. During the year, the fee is being charged at the rate of 2% of the average annual net assets accordingly. The fee is payable monthly in arrears.		
9.2	The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.		
9.3	As per Regulation 60(3)(s) of the amended NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee is being charged at the rate ranging between 0.55% to 1.6% of the average annual net assets accordingly.		

- 9.4 According to the amendment in NBFC regulations 2008, selling and marketing expenses is allowed on all categories of open end mutual funds, except fund of funds with no cap. During the year, the fee is being charged at the rate ranging between 1.05% to 2.1% of the average annual net assets accordingly.

		2023	2022
	Note	----- Rupees in '000 -----	
<b>10 PAYABLE TO THE TRUSTEE</b>			
Trustee fee payable	10.1	40	78
Sindh Sales Tax payable on remuneration of Trustee	10.2	5	10
CDS charges payable		6	3
		<u>51</u>	<u>91</u>

- 10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the average annual net assets of the Fund. The fee is paid to the Trustee on monthly in arrears.

Earlier the tariff structure applicable to the Fund was as follows:

Up to Rs. 1 billion	0.20% per annum of net assets, whichever is higher
Over Rs. 1 billion	Rs. 2.0 million plus 0.10% per annum of net assets on amount exceeding Rs. 1 billion

- 10.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

		2023	2022
	Note	----- Rupees in '000' -----	
<b>11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			

Annual fee payable	11.1	<u>61</u>	<u>128</u>
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- 11.1 As per Regulation 62 of the NBFC Regulations, an Asset Management Company managing a CIS, shall pay SECP an annual fee of 0.02% of the average annual net assets. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

Provision for Federal Excise Duty (FED)	12.1	13,920	13,920
Withholding tax payable		617	389
Auditors' remuneration		267	647
Brokerage payable		606	112
Zakat payable		251	251
NCCPL charges payable		35	36
Others payable		<u>12,825</u>	<u>30</u>
		<u>28,521</u>	<u>15,385</u>

- 12.1 The legal status of applicability of Federal Excise Duty is the same as ever since June 30, 2022. However, since the appeal filed by the tax authorities is pending in the Honorable Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained a provision for FED on remuneration of Management Company, aggregating to Rs. 13.92 million (2022: Rs. 13.92 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2023 would have been higher by Re. 0.57 per unit (2022: Re. 0.32 per unit).

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2023 (2022: Nil), other than those already disclosed in the financial statements.

**14 NUMBER OF UNITS IN ISSUE**

	2023	2022
	-----Number of units-----	
Total units in issue at the beginning of the year	43,714,002	64,621,727
Add: Units issued during the year	8,395,147	12,081,438
Less: Units redeemed during the year	(27,532,018)	(32,989,163)
Total units in issue at the end of the year	<u>24,577,131</u>	<u>43,714,002</u>

**15 AUDITORS' REMUNERATION**

	2023	2022
	----- Rupees in '000' -----	
Annual audit fee	263	239
Fee for half yearly review	140	127
Other certifications and out of pocket expenses	87	79
	<u>490</u>	<u>445</u>

**16 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 its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current year as a result of loss incurred during the year.

**17 EARNINGS PER UNIT**

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



## 18 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	----- As at June 30, 2023 -----		
	At fair value through profit or	Amortized cost	Total
<b>Financial assets</b>			
Bank balances	-	26,773	26,773
Investments	244,571	-	244,571
Dividend and mark-up receivable	-	647	647
Other receivable	-	1,667	1,667
Deposits	-	2,800	2,800
	<u>244,571</u>	<u>31,887</u>	<u>276,458</u>

Particulars	----- As at June 30, 2023 -----		
	At fair value through profit or loss	Amortized cost	Total
	-----Rupees in '000-----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	1,167	1,167
Payable to Trustee	-	46	46
Unclaimed dividend	-	5,382	5,382
Accrued expenses and other liabilities	-	13,705	13,705
	<u>-</u>	<u>20,300</u>	<u>20,300</u>

Particulars	----- As at June 30, 2022 -----		
	At fair value through profit or loss	Amortized cost	Total
	-----Rupees in '000-----		
<b>Financial assets</b>			
Bank balances	-	24,197	24,197
Investments	427,791	-	427,791
Dividend and mark-up receivable	-	664	664
Receivable against sale of investment	-	-	-
Deposits	-	2,800	2,800
	<u>427,791</u>	<u>27,661</u>	<u>455,452</u>

Particulars	----- As at June 30, 2022 -----		
	At fair value	Amortized cost	Total
	-----Rupees in '000-----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	3,457	3,457
Payable to Trustee	-	81	81
Unclaimed dividend	-	5,382	5,382
Accrued expenses and other liabilities	-	795	795
	<u>-</u>	<u>9,715</u>	<u>9,715</u>

## 19 TRANSACTIONS AND BALANCES WITH 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, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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.

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative period and not in the current period are not disclosed in the comparative year.

Details of the material transactions with connected persons and balances with them are as follows:

	2023	2022
	----- Rupees in '000 -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	6,063	12,803
Sindh Sales Tax on remuneration of the Management Company	788	1,664
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,667	4,651
Selling and marketing expense	1,516	7,632
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	606	1,280
Sindh Sales Tax on remuneration of the trustee	79	166
CDS charges	76	46
Annual CDC charges	-	209
	2023	2022
	----- Rupees in '000 -----	
<b>Habib Bank Limited - Sponsor</b>		
Bank charges	21	20
Mark-up on bank deposits	601	287
Redemption of 12,419,913 (2022: 7,270,280) units	123,232	73,000
<b>DCCL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Fund under common management</b>		
Issue of units: 521,371 (2022: Nil) units	5,120	-
Redemption of Nil (2022:Nil) units	-	-
	2023	2022
	----- Rupees in '000 -----	
<b>Directors and Executives of the Management Company</b>		
Issue of 1,978,963 (2022: 26,380) units	19,869	270
Redemption of 332,239 (2022: 459,158) units	3,330	4,662
<b>MCB Bank Limited- Connected person due to holding more than 10% units:</b>		
Bank charges paid	0	5
Markup on bank deposit	2,096	928

	2023	2022
	----- Rupees in '000 -----	----- Rupees in '000 -----
<b>HBL Micro Finance Bank Limited -Associate</b>		
Markup on bank deposit	647	-
<b>19.2 Balance outstanding as at the year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration payable to the Management Company	403	778
Sindh Sales Tax payable on remuneration of the Management Company	52	101
Allocation of expenses related to registrar services, accounting, operation and valuation services	111	501
Selling and marketing expenses payable	653	2,178
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	40	78
Sindh Sales Tax payable on Trustee Remuneration	5	10
Security deposit	300	300
CDS charges payable	6	3
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	8,941	1,297
Units held: Nil (2022: 12,419,913)	-	122,506
	<b>2023</b>	<b>2022</b>
	----- Rupees in '000 -----	----- Rupees in '000 -----
<b>DCCL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Fund under common management</b>		
Units held: 521,371 (2022: Nil)	5,123	-
<b>Directors and Executives of the Management Company</b>		
Units held: 1,646,723 (2022: Nil)	16,181	-
	<b>2023</b>	<b>2022</b>
	----- Rupees in '000 -----	----- Rupees in '000 -----
<b>MCB Bank Limited- Connected person due to holding more than 10% units:</b>		
Bank balances	14,193	12,289
Units held: 6,468,400 (2022: 6,468,400)	63,559	63,802
<b>HBL Micro Finance Bank Limited -Associate</b>		
Bank balances	80	9

2023                      2022  
----- Rupees in '000 -----

**Rohtas Associates Private Limited- Connected**

**person due to holding more than 10% units:**

Units held: 6,277,914 (2022: 6,277,914)	61,687	61,923
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**20 FINANCIAL RISK MANAGEMENT**

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

The Fund's risk management policies are established to identify and analyze the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The fund preliminarily invest in a portfolio of equity securities. These Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

**20.1 Market risk**

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

The Management Company manages 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 price risk.

**20.1.1 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk.

**20.1.2 Interest rate risk**

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

**a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings account, the interest rates on which range between 9.0% to 21.85% (2022: 5.5% to 17%) per annum.

The Fund's interest rate risk arises from the balances in savings accounts. In case of 100 basis points (decrease) / increase in interest rates on June 30, 2023 with all other variables held constant, the net assets for the year would have been higher / lower by Re. 0.06 million (2022: Re 0.03 million).

**b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

Particulars	As at June 30, 2023					Total
	Effective yield interest rate	Exposed to yield / interest rate risk			Not exposed to yield/ interest rate risk	
		Upto three months	More than three months and upto one	More than one year		
	%	Rupees in '000				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	9.0 - 21.85	26,762	-	-	11	26,773
Investments						
Listed equity securities		-	-	-	244,571	244,571
Dividend and Mark-up receivable		-	-	-	647	647
Receivable against sale of investment		-	-	-	1,667	1,667
Deposits		-	-	-	2,800	2,800
<b>Sub total</b>		26,762	-	-	249,696	276,458
<b>Financial liabilities</b>						
Payable to the Management		-	-	-	1,167	1,167
Payable to the Trustee		-	-	-	46	46
Unclaimed dividend		-	-	-	5,382	5,382
Accrued expenses and		-	-	-	13,705	13,705
<b>Sub total</b>		-	-	-	20,300	20,300
<b>On-balance sheet gap (a)</b>		26,762	-	-	229,396	256,158
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		26,762	-	-		
<b>Cumulative interest rate sensitivity gap</b>		26,762	-	-		

Particulars	----- As at June 30, 2022 -----					Total
	Effective yield interest rate	Exposed to yield / interest rate risk			Not exposed to yield/ interest rate risk	
		Upto three months	More than three months and upto one	More than one year		
	%	----- Rupees in '000 -----				

Particulars	----- As at June 30, 2022 -----					Total
	Effective yield interest rate	Exposed to yield / interest rate risk			Not exposed to yield/ interest rate risk	
		Upto three months	More than three months and upto one	More than one year		
	%	----- Rupees in '000 -----				
Financial liabilities						
Payable to the Management Company		-	-	-	3,457	3,457
Payable to the Trustee		-	-	-	81	81
Unclaimed dividend					5,382	5,382
Accrued expenses and other liabilities		-	-	-	795	795
Sub total		-	-	-	9,715	9,715
		24,186			421,551	445,737
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		24,186	-	-		
Cumulative interest rate sensitivity gap		24,186	-	-		

### 20.1.3 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 instrument or its issuer or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified on the Statement of Financial Position at fair value through profit or loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document / NBFC Regulations, also limit individual equity securities to no more than 20% of net assets of the Fund, or issued capital of the investee company.

In case of 5% increase / decrease in price of all shares held by Fund at the year end, net loss for the year would decrease / increase by Rs 12.23 million (2022: Rs 21.39 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk mainly arises from saving with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

#### Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for upon delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC Rules and the regulations and the guidelines given by the SECP from time to time.

20.2.1 The analysis below summarises the credit quality of the funds' bank balances as at June 30, 2023 and June 30, 2022.

Name of the bank	Balance as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
<b>Rupees in '000</b>			
<b>Current account</b>			
Habib Bank Limited	-	A-1+	VIS
MCB Bank Limited	10	A-1+	VIS
Habib Metro Bank Limited	1	A-1+	VIS
<b>Savings accounts</b>			
JS Bank Limited	324	A-1+	PACRA
MCB Bank Limited	14,183	A-1+	VIS
Soneri Bank Limited	3,149	A-1+	PACRA
Habib Bank Limited	8,941	A-1+	VIS
Zarai Taraqiati Bank Limited	18	A-1+	VIS
Khushali Microfinance Bank Limited	28	A-2	VIS
U Microfinance Bank	8	A-1	VIS
Allied Bank Limited	3	A-1+	PACRA
Mobilink Microfinance Bank Limited	10	A-1	PACRA
HBL Microfinance Bank Limited	80	A-1	VIS
National Bank of Pakistan	10	A-1+	PACRA
	<u>26,762</u>		

Name of the bank	Balance as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating agency
<b>Rupees in '000</b>			
<b>Current account</b>			
Habib Bank Limited	-	A-1	VIS
MCB Bank Limited	10	A-1+	VIS
Habib Metropolitan Bank Limited	1	A-1+	VIS
<b>Savings accounts</b>			
JS Bank Limited	1,529	A-1+	PACRA
MCB Bank Limited	12,286	A-1+	VIS
Soneri Bank Limited	6,403	A-1+	PACRA
Habib Bank Limited	1,297	A-1	VIS
Zarai Taraqiati Bank Limited	16	A-1+	VIS
Khushali Microfinance Bank Limited	2,612	A-1	VIS
U Microfinance Bank	9	A-1	VIS
Allied Bank Limited	4	A-1+	PACRA
Mobilink Microfinance Bank Limited	9	A-1	PACRA
HBL Microfinance Bank Limited	9	A-1	VIS
National Bank of Pakistan	10	A-1+	PACRA
	<u>24,197</u>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2023 and June 30, 2022 is the carrying amount of the financial assets other than investments in equity securities.

20.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

	2023	2022
	----- (Percentage) -----	
<b>Rating by rating category</b>		
A-1+	99.54%	89%
A-1	0.37%	11%
A-2	0.10%	0%

#### **Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the Government.

### **20.3 Liquidity risk**

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year, no borrowings was availed by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year .



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

Particulars	As at June 30, 2023			
	Upto three months	Over three months and upto one year	Over one year	Total

**Financial liabilities**

Payable to the Management Company	1,167	-	-	1,167
Payable to Trustee	46	-	-	46
Unclaimed dividend	5,382	-	-	5,382
Accrued expenses and other liabilities	13,705	-	-	13,705
	<u>20,300</u>	<u>-</u>	<u>-</u>	<u>20,300</u>

Particulars	As at June 30, 2022			
	Upto three months	Over three months and upto one year	Over one year	Total

**Financial liabilities**

Payable to the Management Company	3,457	-	-	3,457
Payable to Trustee	81	-	-	81
Unclaimed dividend	5,382	-	-	5,382
Accrued expenses and other liabilities	795	-	-	795
	<u>9,715</u>	<u>-</u>	<u>-</u>	<u>9,715</u>

**21 UNIT HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund 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 the unit holders' fund. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company Critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

**22 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS**

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

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

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 reporting 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. "

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 ( Fair Value Measurement), the Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level - 1)
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level - 2) and,
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. 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.

Particulars	Note	June 30, 2023					
		Carrying amount			Fair Value		
		At fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>	22.1						
Listed equity securities		244,571	-	244,571	244,571	-	-
<b>Financial assets not measured at fair value</b>	22.2						
Bank balances		-	26,773	26,773			
Dividend and mark-up receivable		-	647	647			
Receivable against sale of investment		-	-	-			
Deposits		-	2,800	2,800			
		-	30,220	30,220			
<b>Financial liabilities not measured at fair value</b>	22.2						
Payable to the Management Company		-	1,167	1,167			
Payable to the Trustee		-	46	46			
Unclaimed dividend		-	5,382	5,382			
Accrued expenses and other liabilities		-	13,705	13,705			
		-	20,300	20,300			

Particulars	Note	June 30, 2022					
		Carrying amount			Fair Value		
		At fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>	22.1						
Listed equity securities		427,791	-	427,791	427,791	-	-
<b>Financial assets not measured at fair value</b>	22.2						
Bank balances		-	24,197	24,197			
Dividend and mark-up receivable		-	664	664			
Receivable against sale of investment		-	36,357	36,357			
Deposits		-	2,800	2,800			
		-	64,018	64,018			
<b>Financial liabilities not measured at fair value</b>	22.2						
Payable to the Management Company		-	3,457	3,457			
Payable to the Trustee		-	81	81			
Unclaimed dividend		-	5,382	5,382			
Accrued expenses and other liabilities		-	795	795			
		-	9,715	9,715			

## 22.1 Valuation techniques

For level 1 investments at fair value through profit or loss - 'Investment in respect of equity securities, the Fund uses daily quotation rates which are taken from Pakistan Stock Exchange Limited at reporting date.

22.2 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 periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 22.3 Transfers during the year

No transfers were made between various levels of fair value hierarchy during the year.

**23 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

**Top ten brokers during the year ended June 30, 2023**

- 1 Arif Habib Ltd
- 2 Sherman Securities (Pvt) Ltd
- 3 Ismail Iqbal Securities (Pvt) Limited
- 4 Topline Securities (Private) Ltd.
- 5 JS Global Capital Ltd
- 6 Optimus Capital Management (Pvt.) Ltd.
- 7 AL Falah CLSA Securities (Pvt) Ltd.
- 8 Spectrum Securities (Pvt) Ltd
- 9 Cedar Capital (Pvt) Ltd
- 10 Habib Metropolitan Financial Services Ltd

**Top ten brokers during the year ended June 30, 2022**

- 1 Arif Habib Ltd
- 2 Sherman Securities (Pvt) Ltd
- 3 Ismail Iqbal Securities (Pvt) Limited
- 4 Topline Securities (Private) Ltd.
- 5 JS Global Capital Ltd
- 6 Optimus Capital Management (Pvt.) Ltd.
- 7 AL Falah CLSA Securities (Pvt) Ltd.
- 8 Spectrum Securities (Pvt) Ltd
- 9 Cedar Capital (Pvt) Ltd
- 10 Habib Metropolitan Financial Services Ltd

**24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the investment committee of the Fund as on June 30, 2023 are as follows:

S.No.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	Bsc	24+
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA,FRM	27+
3	Imad Ansari	Head of Risk	MBA	16+
4	Umair Naseer	Head of Research	MBA	10+
5	Raza Abbas	Senior Fund Manager	M.Com	20
6	Abdul Samad Khanani	Senior Fund Manager	BBA	7+

**PATTERN OF UNIT HOLDING**

Pattern of unit holding as at June 30, 2023 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
Individuals	4,505	14,014,414	137,707	57.02%
Associated Companies and Director	-	1,646,723	16,181	6.70%
Insurance Companies	2	128,099	1,259	0.52%
Banks and DFIs	3	6,469,719	63,572	26.32%
Retirement Funds	12	779,005	7,655	3.17%
Other Corporate	19	401,626	3,946	1.63%
NBFCs	2	3,162	31	0.01%
Trust	7	1,134,381	11,147	4.62%
	4,550	24,577,131	241,498	100.00%

Pattern of unit holding as at June 30, 2022 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
Individuals	4,532	19,690,192	193,478	30.47%
Associated Companies and Director	1	23,428,667	230,212	36.26%
Insurance Companies	3	1,463,965	14,385	2.27%
Banks and DFIs	2	6,469,719	63,572	10.01%
Retirement Funds	10	3,501,075	34,401	5.42%
Other Corporate	24	9,162,575	90,032	14.18%
NBFCs	2	3,162	31	0.00%
Trust	6	902,371	8,867	1.40%
	4,580	64,621,727	634,978	100.00%

**ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16 & 23, 2023, February 13, 2023 and April 28, 2023 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr .Abrar Ahmed Mir	6	2	4	August 29, 2022 January 16, 2023 January 23, 2023 February 13, 2023
5	Mr .Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19, 2022.

**27 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2023 is 4.94% (2022: 4.84%) which includes 0.44% (2022: 0.34%) representing Government levy and SECP fee.

**28 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue on August 25, 2023 by the Board of Directors of the Management Company.

**29 CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**30 GENERAL**

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

**For HBL Asset Management Limited  
(Management Company)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



**HBL** Equity Fund

## FUND INFORMATION

NAME OF FUND	HBL Equity Fund
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	BDO Ebrahim & Co. Chartered Accountants.
NAME OF BANKERS	MCB Bank Limited Soneri Bank Limited JS Bank Limited Habib Bank Limited Habib Metro Bank Khushali Microfinance Bank Mobilink Microfinance Bank HBL Microfinance Bank National Bank Limited Allied Bank Limited Zarai Taraqiati Bank Limited



## Type and Category of Fund

Open end Equity Fund

## Investment Objective and Accomplishment of Objective

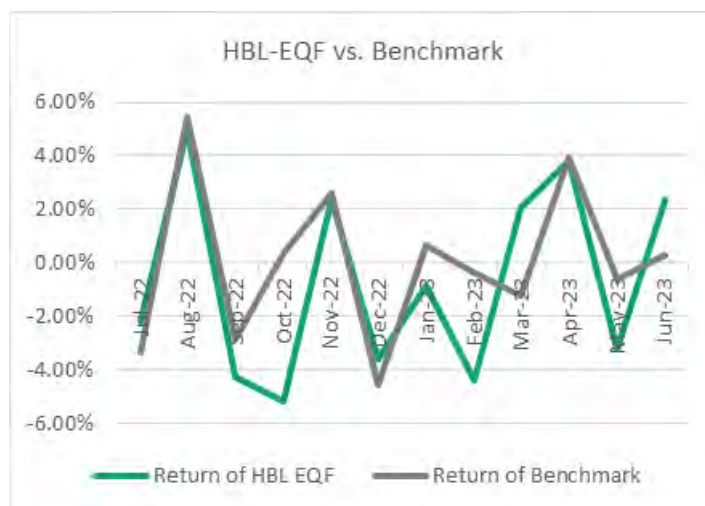
The fund objective is to provide its investors maximum risk adjusted returns over longer investment horizon by investing in a diversified equity portfolio that offers both capital gains and dividend income.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KSE 100 Index.

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

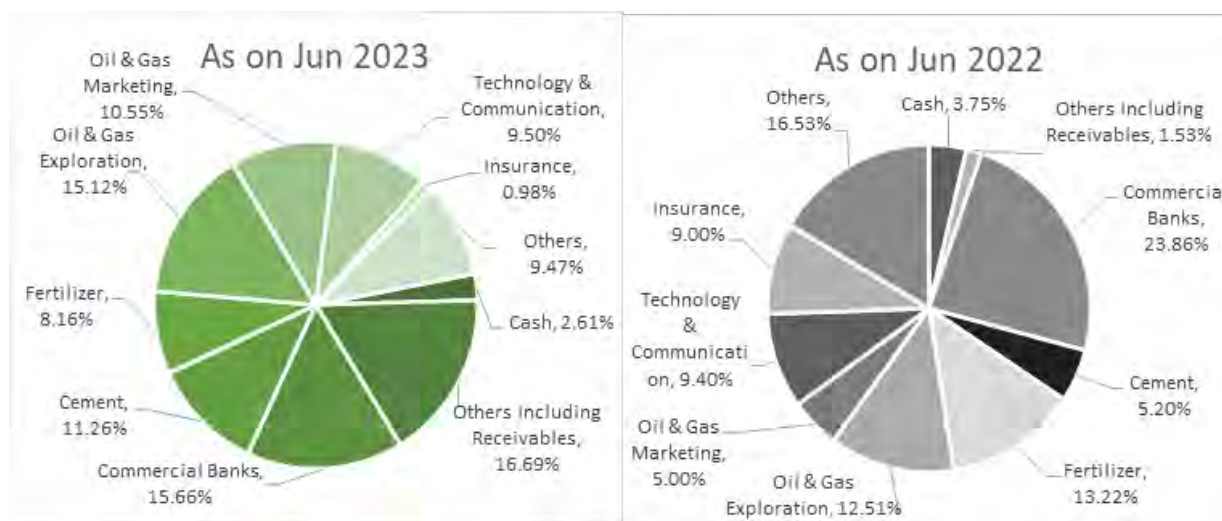
Month	Return of Fund	
	HBL-EQF	Benchmark
Jun-23	2.34%	0.30%
May-23	-3.22%	-0.60%
Apr-23	3.80%	3.95%
Mar-23	2.04%	-1.26%
Feb-23	-4.37%	-0.40%
Jan-23	-0.87%	0.62%
Dec-22	-3.57%	-4.55%
Nov-22	2.38%	2.63%
Oct-22	-5.19%	0.33%
Sep-22	-4.25%	-2.89%
Aug-22	5.00%	5.48%
Jul-22	-2.19%	-3.35%



## Strategies and Policies employed during the Year

During the year under review, the Fund decreased its exposure in equity from 95% of total assets as on June 30, 2022 to 81% of total assets as on June 30, 2023. Furthermore, sector-wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in oil & gas exploration, oil & gas marketing and cement was increased, while exposure in insurance, and commercial banks was decreased.

## Asset Allocation



### Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2023 and June 30, 2022:

Sector Name	As on Jun 2023	As on Jun 2022
Cash	2.61%	3.75%
Others Including Receivables	16.69%	1.53%
Commercial Banks	15.66%	23.86%
Cement	11.26%	5.20%
Fertilizer	8.16%	13.22%
Oil & Gas Exploration	15.12%	12.51%
Oil & Gas Marketing	10.55%	5.00%
Technology & Communication	9.50%	9.40%
Insurance	0.98%	9.00%
Others	9.50%	16.50%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### Fund Performance

The total and net loss of the Fund was Rs. 18.12 million and Rs. 42.60 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 70.3636 per unit as on June 30, 2023 as compared to Rs. 76.8634 per unit as on June 30, 2022, thereby giving a negative return of 8.46%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Fund was Rs. 0.32 billion as on June 30, 2023 as compared to Rs. 0.82 billion at the start of the year.

### Review of Market invested in

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

### Distribution

The Board of Directors approved nil dividend distribution to the unit holders for the year ended June 30, 2023.

### 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 (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	98	2,569
101 – 500	57	15,904
501 – 1,000	17	12,675
1,001 – 10,000	71	269,766
10,001 – 100,000	36	1,162,257
100,001 – 500,000	9	2,378,033
500,001 – 1,000,000	1	754,236
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>289</b>	<b>4,595,440</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

**PERFORMANCE TABLE –  
HBL EQUITY FUND**  
As at June 30, 2023

	2023	2022	2021	2020	2019	2018
Net assets at the period end (Rs'000)	323,350	818,077	2,270,367	422,752	245,597	294,168
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	70.3636	76.8634	139.9454	100.3410	98.3868	110.4602
Offer	71.9538	78.6005	143.1082	102.6087	100.6103	112.9566
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	83.2222	144.4751	143.1350	122.8878	117.9947	127.4485
Lowest offer price per unit	67.0553	78.4233	105.0772	78.7581	93.3239	100.9806
Highest redemption price per unit	81.3829	141.2821	139.9716	120.1719	115.3870	124.6318
Lowest redemption price per unit	65.5733	76.6901	102.7549	77.0175	91.2614	98.7489
<b>RETURN ( % )</b>						
Total return	-8.46%	-45.08%	39.47%	7.61%	-15.46%	-11.38%
Income distribution	0.00%	0.00%	0.00%	0.15%	0.00%	0.00%
Capital growth	-8.46%	-45.08%	39.47%	7.46%	-15.46%	-11.38%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	-	-	-	0.15	-	-
Date of Income Distribution	-	-	-	26-Jun-20	-	-
Total dividend distribution for the year/ period (Rs)	-	-	-	0.15	-	-
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-8.46%	-45.08%	39.47%	7.61%	-15.46%	-11.38%
Average annual return 2 year	-29.10%	-12.48%	22.51%	-4.62%	-13.44%	6.37%
Average annual return 3 year	-11.16%	-6.24%	8.26%	-6.93%	-1.47%	6.48%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	2.61%	3.75%	24.08%	6.05%	11.01%	24.06%
Stock / Equities	80.70%	94.72%	73.93%	92.91%	84.89%	41.75%
Others Including receivables	16.69%	1.53%	1.99%	1.04%	4.10%	18.88%

**Note:**

The Launch date of the Fund is September 26, 2011

**Disclaimer:**

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

## Summary of Actual Proxy voted by CIS

HBL Equity Fund	Meetings	Resolutions	For	Against
Number	3	10	10	-
(%ages)			100%	-

(h) AMC did not participate in shareholders' meetings

Scrip	AGM Meeting Dt	EOGM Meeting Dt
AGP Limited		
Attock Cement Pakistan Ltd	19-Oct-22	27-05-23
Attock Refinery Ltd	20-09-22	
Avanceon Limited		
Azgard Nine Ltd		
Bank Al-Falah Ltd	20-Mar-23	
Bank Al-Habib Limited		
BankIslami Pakistan Limited		10/10/2022; 10 MAY 2023
Cherat Cement Company Ltd.	12-Oct-22	
D G Khan Cement Co.Ltd.		20-06-23
Descon Oxychem Ltd	20-Oct-22	28-02-23
Engro Corporation Ltd	30-Mar-23	
Engro Fertilizers Limited	28-Mar-23	
Engro Polymer & Chemicals Ltd		
Fauji Cement Company Limited		
Fauji Fertilizer Co Ltd		
Faysal Bank Limited		
Ferozsons Laboratories Ltd	30-Sep-22	
Gul Ahmed Textile Mills Ltd		31/03/2023; 14 june 2023
Habib Bank Ltd	29-Mar-23	
Hub Power Company Ltd	29/09/2022 4-Oct-2022	20-02-23
Hum Network Ltd		
IGI Holdings Limited		
IGI LIFE INSURANCE LIMITED		
Interloop Limited		
International Steels Limited	29-Sep-22	
Kohat Cement Ltd		21-Feb-23
Lucky Cement Ltd		20-09-22
Maple Leaf Cement Factory Ltd		30/12/2022 20 June 2023
Mari Petroleum Company Ltd		
MCB Bank Ltd		
Meezan Bank Ltd	29-Mar-23	
Millat Tractors Ltd		29-08-22
Mughal Iron & Steel Inds Ltd	31-Oct-22	
National Refinery Ltd	19-Oct-22	
Netsol Technologies		

Scrip	AGM Meeting Dt	EOGM Meeting Dt	
Oil & Gas Development Co Ltd		30-11-22	
Pakistan Oilfields Ltd	20-09-22	12-06-23	
Pakistan Petroleum Ltd		30-11-22	
Pakistan State Oil Company Ltd			
Pioneer Cement Limited			
Standard Chartered Bank (Pakistan) Ltd	29-Mar-23		
Sui Northern Gas Pipeline Ltd	29-07-22		
Systems Limited			
Tariq Glass Industries Ltd			
The Searle Company Ltd			
TPL Insurance Limited		06/07/2022	19 Sep 2022
TPL Properties Limited			
TPL Trakker Limited	24-Oct-22		
United Bank Limited			
Unity Foods Limited			

The proxy voting policy is available on the website of HBL Asset Management Limited (the Management Company) and detailed information regarding actual proxies in respect of the Fund would be available to all the unit holders without charge upon a request to be submitted at our head office located at 7th Floor, Emerald Tower, Block-5, Clifton, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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



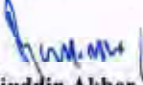
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL EQUITY FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Equity Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023







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Pakistan

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HBL EQUITY FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL Equity Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Existence and valuation of investments</p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2023, the investments held by the Fund comprise of listed equity securities which represent 90.56% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• We evaluated the design and implementation of key controls over investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li></ul>





S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange Limited as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company ("HBL Asset Management Limited") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements


Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 25 SEP 2023

UDIN: AR202310166PbTsrDdyw

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

		2023	2022
	Note	----- Rupees in '000 -----	
<b>ASSETS</b>			
Bank balances	5	9,794	31,362
Investments	6	302,957	791,276
Dividend and mark-up receivable	7	306	1,517
Receivable against sale of investments - net		13,625	5,354
Advances and deposits	8	2,915	2,915
Other receivables	9	4,934	-
<b>TOTAL ASSETS</b>		<b>334,531</b>	<b>832,424</b>
<b>LIABILITIES</b>			
Payable to the Management Company	10	1,653	7,101
Payable to the Trustee	11	153	180
Payable to Securities and Exchange Commission of Pakistan	12	98	309
Payable against redemption of units		2,647	-
Accrued expenses and other liabilities	13	6,630	6,757
<b>TOTAL LIABILITIES</b>		<b>11,181</b>	<b>14,347</b>
<b>NET ASSETS</b>		<b>323,350</b>	<b>818,077</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>323,350</b>	<b>818,077</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	14		
		-----Number of units-----	
<b>Number of units in issue</b>	15	<b>4,595,440</b>	<b>10,643,257</b>
		-----Rupees-----	
<b>Net assets value per unit</b>		<b>70.3636</b>	<b>76.8634</b>

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
<b>INCOME</b>			
Capital loss on sale of investments - net		(51,001)	(500,128)
Dividend income		36,105	57,802
Mark-up on bank deposits		3,724	4,532
Income from Government securities		71	20
		(11,101)	(437,774)
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.3	(7,015)	(366,829)
		(18,116)	(804,603)
<b>EXPENSES</b>			
Remuneration of the Management Company	10.1	9,832	30,935
Sindh Sales Tax on remuneration of the Management Company	10.2	1,278	4,022
Remuneration of Trustee	11.1	983	2,542
Sindh Sales Tax on remuneration of the trustee	11.2	128	330
Annual fee to Securities and Exchange Commission of Pakistan	12.1	98	309
Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	10.3	2,704	9,904
Selling and marketing expenses	10.4	228	17,672
Auditors' remuneration	16	513	446
Fees and subscriptions		27	195
Securities transaction costs and settlement charges		8,576	7,868
Bank charges		-	172
Printing charges		118	29
		24,485	74,424
<b>Net loss for the year from operations</b>		(42,601)	(879,027)
Reversal of provision for Sindh Workers' Welfare Fund	13.2	-	8,197
<b>Net loss for the year before taxation</b>		(42,601)	(870,830)
Taxation	17	-	-
<b>Net loss for the year after taxation</b>		(42,601)	(870,830)
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		-	-
Accounting income available for distribution:			
Relating to capital gains		-	-
Excluding capital gains		-	-
		-	-
		-	-
Earnings per unit	18		

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	2023	2022
	----- Rupees in '000 -----	
Net loss for the year after taxation	(42,601)	(870,830)
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(42,601)</u>	<u>(870,830)</u>

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL EQUITY FUND**  
**Statement of Movement in Unitholders' Fund**  
For the year ended June 30, 2023

	2023			2022		
	Capital value	Accumulated loss	Total	Capital value	Undistributed income	Total
----- Rupees in '000 -----						
Net assets at beginning of the year	1,525,280	(707,203)	818,077	2,106,739	163,627	2,270,366
Issuance of 557,962 units (2022: 6,749,605 units)						
Capital value (at net asset value per unit at the beginning of the year)	42,886	-	42,886	944,576	-	944,576
Element of loss	(2,518)	-	(2,518)	(178,516)	-	(178,516)
Total proceeds on issuance of units	40,368	-	40,368	766,060	-	766,060
Redemption of 6,605,779 units (2022: 12,329,577 units)						
Capital value (at net asset value per unit at the beginning of the year)	(507,738)	-	(507,738)	(1,725,468)	-	(1,725,468)
Income already paid on units redeemed	-	-	-	-	-	-
Element of income / (loss)	15,244	-	15,244	377,949	-	377,949
Total payments on redemption of units	(492,494)	-	(492,494)	(1,347,519)	-	(1,347,519)
Total comprehensive loss for the year	-	(42,601)	(42,601)	-	(870,830)	(870,830)
Net assets at end of the year	1,073,154	(749,804)	323,350	1,525,280	(707,203)	818,077
Accumulated undistributed income brought forward						
Realised income		(340,374)			108,165	
Unrealised (loss) / income		(366,829)			55,462	
		(707,203)			163,627	
Accounting income available for distribution						
Relating to capital gains		-			-	
Excluding capital gains		-			-	
Total comprehensive loss for the year		(42,601)			(870,830)	
Accumulated loss carried forward		(749,804)			(707,203)	
Accumulated loss carried forward						
Realised loss		(742,789)			(340,374)	
Unrealised loss		(7,015)			(366,829)	
		(749,804)			(707,203)	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			76.8634			139.9454
Net assets value per unit at end of the year			70.3636			76.8634

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	Note	2023 ----- Rupees in '000 -----	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(42,601)	(870,830)
Adjustments for:			
Capital loss on sale of investments - net		51,001	500,128
Dividend income		(36,105)	(57,802)
Mark-up on bank deposits		(3,724)	(4,532)
Income from Government securities		(71)	(20)
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net		7,015	366,829
		(24,485)	(66,227)
<b>Decrease / (increase) in assets</b>			
Investments - net		430,303	497,060
Advances and deposits		-	(110)
Other receivables		(4,934)	8,563
Receivable against sale of investments - net		(8,271)	(5,354)
		417,098	500,159
<b>(Decrease) / increase in liabilities</b>			
Payable to the Management Company		(5,448)	2,522
Payable to the Trustee		(27)	(77)
Payable to Securities and Exchange Commission of Pakistan		(211)	73
Payable against purchase of investments - net		-	(554,112)
Accrued expenses and other liabilities		(127)	(13,248)
		(5,813)	(564,842)
Cash generated from / (used in) operations		386,800	(130,910)
Dividend received		36,068	63,553
Mark-up received on bank deposits		4,972	3,369
Income received from Government securities		71	20
		41,111	66,942
Net cash used in operating activities		427,911	(63,968)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		40,368	766,060
Payment against redemption of units		(489,847)	(1,372,599)
Net cash flows (used in) financing activities		(449,479)	(606,539)
Net decrease in cash and cash equivalents during the year		(21,568)	(670,507)
Cash and cash equivalents at the beginning of the year		31,362	701,869
Cash and cash equivalents at the end of the year	5	9,794	31,362

The annexed notes from 1 to 31 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**



## **1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL Equity Fund ("the Fund") was established under a Trust Deed executed between HBL Asset Company Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. SCD/NBFC-II/PSF/249/2011 dated June 1, 2011 and the trust deed was executed on June 14, 2011.

The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on August 24, 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an open-ended mutual fund and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from September 24, 2011 to September 26, 2011. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as an equity scheme as per the criteria laid down by the SECP for categorisation of the Collective Investment Schemes (CISs).

The investment objective of the Fund is to provide investors a diversified equity portfolio with a primary objective of maximizing risk-adjusted returns over longer investment horizon through a combination of capital gains and dividend income.

Title to the assets of the Fund is held in the name of CDC as trustee of the Fund.

VIS Credit Rating Company has assigned a management quality rating of 'AM1' (Stable Outlook) to the Management Company as at December 30, 2022.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

Where the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost basis, unless otherwise stated.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees, which is the Fund's functional currency.

**2.4 Use of judgments and estimates**

The preparation of these financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

Classification and valuation of investment

For details please refer notes 4.2.1.1 and 6 to these financial statements.

Impairment of investment

For details please refer note 4.2.1.2 to these financial statements.

**3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

**3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023**

The following accounting standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Fund's operations or did not have material impact on the financial statements other than certain additional disclosures.

**Effective date  
(annual periods  
beginning on or after)**

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

### 3.2 **New accounting standards, amendments and interpretations that are not yet effective**

The following accounting standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These accounting standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have material impact on the Company's financial statements other than certain additional disclosures.

**Effective date  
(annual periods  
beginning on or after)**

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

Certain annual improvements have also been made to a number of IFRSs.

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards; and
IFRS 17	Insurance Contracts.

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less.

##### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **4.2.1 Financial assets**

##### **4.2.1.1 Classification and measurement of financial assets and financial liabilities**

On initial recognition, a financial asset is classified and measured at: amortised cost or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model on which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
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Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income and impairment are recognised in income statement.
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##### **4.2.1.2 Impairment of financial assets**

The Fund has applied the expected credit loss model that requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly advances and deposits, dividend and mark-up receivable and bank balances.

#### **4.2.1.3 Regular way purchase and sale of Financial Assets**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

#### **4.2.1.4 Derecognition**

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

#### **4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 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.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

**4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

**4.6 Issue and redemption of units**

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

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

**4.7 Element of income**

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

**4.8 Net assets value per unit**

The net assets value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

**4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income from equity securities is recognised when the right to receive the dividend is established.
- Mark up on bank deposits is recognised on a time apportionment basis using effective rate.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

**4.10 Transactions with related parties / connected persons**

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

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

**5 BANK BALANCES**

	2023	2022
Note	Rupees in '000	
In current accounts	702	704
In savings accounts	9,092	30,658
	<u>9,794</u>	<u>31,362</u>

5.1 These carry mark-up ranging from 8.65% to 22.25% (2022: 5.00% to 7.00%) per annum. This includes an amount held with Habib Bank Limited (a related party) amounting to Rs. 0.11 million (2022: Rs. 2.413 million) on which return is earned at 14.5% (2022: 10%) per annum HBL Microfinance Bank Limited (a related party) amounting to Rs. 2.44 million (2022: Rs. 0.01 million) on which returned earned is 17.00% (2022: 17.25%).

**6 INVESTMENTS**

	2023	2022
Note	Rupees in '000	
Financial assets at fair value through profit or loss		
Listed equity securities	302,957	791,276
Market treasury bills	-	-
	<u>302,957</u>	<u>791,276</u>

**6.1 Financial assets at fair value through profit or loss - Listed equity securities**

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

Name of the investee companies (Sector wise)	As at July 1, 2022	Purchases made during the year	Bonus / right issues	Sales made during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised (diminution) / appreciation on re- measurement of investments	Market value as a percentage of total investments	Market value as a percentage of net assets	Par value as a percentage of issued capital of the Investee company
	Number of shares				Rupees in 000						
<b>AUTOMOBILE ASSEMBLER</b>											
Millat Tractors Ltd	-	4,539	-	4,539	-	-	-	-	0.00%	0.00%	0.00%
	-	4,539	-	4,539	-	-	-	-	0%	0%	0.00%
<b>Cement</b>											
DG Khan Cement Limited	-	2,394,004	-	2,394,004	-	-	-	-	0.00%	0.00%	0.00%
Lucky Cement Limited	-	43,400	-	43,400	-	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Factory Limited (6.1.1)	-	5,334,455	-	4,292,955	1,041,500	29,141	29,506	365	9.74%	9.13%	0.10%
Cherat Cement Company Limited	-	517,577	-	411,577	106,000	12,548	12,750	201	4.21%	3.94%	0.05%
Attock Cement Pakistan Limited	653,800	22,500	-	676,300	-	-	-	-	0.00%	0.00%	0.00%
Fauji Cement Co. Limited	-	1,348,500	-	1,348,500	-	-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Limited	-	906,500	-	906,500	-	-	-	-	0.00%	0.00%	0.00%
Kohat Cement Limited	-	29,000	-	29,000	-	-	-	-	0.00%	0.00%	0.00%
	653,800	10,595,936	-	10,102,236	1,147,500	41,689	42,255	566	13.95%	13.07%	0.15%
<b>Chemical</b>											
Engro Polymer & Chemicals Limited	97,500	150,000	-	247,500	-	-	-	-	0.00%	0.00%	0.00%
Descon Oxychem Limited	-	310,000	-	310,000	-	-	-	-	0.00%	0.00%	0.00%
	97,500	460,000	-	557,500	-	-	-	-	0.00%	0.00%	0.00%
<b>Commercial Banks</b>											
Bank Al-Falah Limited	269,125	372,391	-	641,516	-	-	-	-	0.00%	0.00%	0.00%
Faysal Bank Limited (6.1.2)	422,440	780,500	-	1,201,500	1,440	37	29	(8)	0.01%	0.01%	0.00%
MCB Bank Limited	170,000	72,000	-	242,000	-	-	-	-	0.00%	0.00%	0.00%
United Bank Limited (6.1.1)	560,486	294,901	-	744,887	110,500	12,685	12,988	303	4.29%	4.02%	0.01%
Habib Bank Limited* (6.1.1)	439,880	1,524,800	-	1,741,180	223,500	15,986	16,367	380	5.40%	5.06%	0.02%
Standard Chartered Bank (Pakistan) Limited	2,955,500	58,500	-	3,014,000	-	-	-	-	0.00%	0.00%	0.00%
Meezan Bank Limited	-	698,363	-	698,363	-	-	-	-	0.00%	0.00%	0.00%
Bank Al-Habib Limited	-	484,000	-	484,000	-	-	-	-	0.00%	0.00%	0.00%
Bank Islami Pakistan Limited	-	1,906,000	-	250,000	1,656,000	28,090	29,411	1,320	9.71%	9.10%	0.15%
	4,817,431	6,191,455	-	9,017,446	1,991,440	56,798	58,795	1,996	19.41%	18.19%	0.17%
<b>Engineering</b>											
International Steels Limited	-	341,000	-	341,000	-	-	-	-	0.00%	0.00%	0.00%
Mughal Iron & Steel Industries Limited (6.1.1)	215,781	367,764	-	332,329	251,216	13,600	12,169	(1,431)	4.02%	3.76%	0.07%
	215,781	708,764	-	673,329	251,216	13,600	12,169	(1,431)	4.02%	3.76%	0.07%
<b>Fertilizers</b>											
Engro Corporation Limited	177,750	438,503	-	616,253	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Company Limited	547,404	370,272	-	917,676	-	-	-	-	0.00%	0.00%	0.00%
Engro Fertilizers Limited (6.1.1)	50,402	905,977	-	585,379	371,000	31,758	30,619	(1,140)	10.11%	9.47%	0.03%
	775,556	1,714,752	-	2,119,308	371,000	31,758	30,619	(1,140)	10.11%	9.47%	0.03%

# HBL EQUITY FUND

## Notes To The Financial Statements

For the year ended June 30, 2023

Name of the investee companies (Sector wise)	As at July 1, 2022	Purchases made during the year	Bonus / right issues	Sales made during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution) on re- measurement of investments	Market value as a percentage of total investments	Market value as a percentage of net assets	Par value as a percentage of issued capital of the investee company
	Number of shares				Rupees in 000						
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>											
Unity Foods Limited	636,379	1,212,463	-	1,848,842	-	-	-	-	0.00%	0.00%	0.00%
	636,379	1,212,463	-	1,848,842	-	-	-	-	0%	0%	0.00%
<b>GLASS &amp; CERAMICS</b>											
Tariq Glass Industries Limited	-	180,187	-	180,187	-	-	-	-	0.00%	0.00%	0.00%
	-	180,187	-	180,187	-	-	-	-	0%	0%	0.00%
<b>Insurance</b>											
TPL Insurance Limited	1,036,500	-	75,250	935,000	176,750	4,417	3,660	(757)	1.21%	1.13%	0.09%
IGI Holdings Limited	219,500	-	-	219,500	-	-	-	-	0.00%	0.00%	0.00%
IGI Life Insurance Limited	934,500	7,500	-	942,000	-	-	-	-	0.00%	0.00%	0.00%
	2,190,500	7,500	75,250	2,096,500	176,750	4,417	3,660	(757)	1.21%	1.13%	0.09%
<b>Oil and Gas Exploration Companies</b>											
Pakistan Oilfields Limited	31,425	51,578	-	83,003	-	-	-	-	0.00%	0.00%	0.00%
Oil & Gas Development Company Limited (6.1.1)	559,500	1,411,500	-	1,606,500	364,500	30,085	28,431	(1,654)	9.38%	8.79%	0.00%
Pakistan Petroleum Limited (6.1.1)	616,861	1,866,837	-	2,004,198	479,500	32,646	28,358	(4,288)	9.36%	8.77%	0.00%
Mari Petroleum Company Limited	3,500	6,050	-	9,550	-	-	-	-	0.00%	0.00%	0.00%
	1,211,286	3,335,965	-	3,703,251	844,000	62,731	56,789	(5,942)	19%	18%	0.00%
<b>Oil and Gas Marketing Companies</b>											
Pakistan State Oil Company Limited (6.1.1) (6.1.2)	242,846	741,104	-	756,950	227,000	25,294	25,199	(95)	8.32%	7.79%	0.05%
Sui Northern Gas pipeline Limited	-	3,256,733	-	2,890,733	366,000	15,128	14,409	(719)	4.76%	4.46%	0.06%
	242,846	3,997,837	-	3,647,683	593,000	40,422	39,608	(814)	13.08%	12.25%	0.11%
<b>Pharmaceuticals</b>											
The Searle Company Limited (6.1.2)	356	115,555	89	115,555	445	26	17	(9)	0.01%	0.01%	0.00%
Ferozsons Laboratories Limited	43,900	-	-	43,900	-	-	-	-	0.00%	0.00%	0.00%
AGP Limited	-	162,710	-	162,710	-	-	-	-	0.00%	0.00%	0.00%
	44,256	278,265	89	322,165	445	26	17	(9)	0.01%	0.01%	0.00%
<b>Power Generations and Distribution</b>											
Hub Power Company Limited (6.1.1)	-	2,061,544	-	1,725,544	336,000	23,245	23,379	134	7.72%	7.23%	0.03%
Nishat Power Limited	-	137,000	-	137,000	-	-	-	-	0.00%	0.00%	0.00%
	-	2,198,544	-	1,862,544	336,000	23,245	23,379	134	7.72%	7.23%	0.03%
<b>Property</b>											
TPL Properties Limited	612,000	2,604,493	-	3,216,493	-	-	-	-	0.00%	0.00%	0.00%
	612,000	2,604,493	-	3,216,493	-	-	-	-	0%	0%	0.00%
<b>Refinery</b>											
Attock Refinery Limited	151,400	516,737	-	668,137	-	-	-	-	0.00%	0.00%	0.00%
National Refinery Limited	129,135	60,000	-	189,135	-	-	-	-	0.00%	0.00%	0.00%
	280,535	576,737	-	857,272	-	-	-	-	0.00%	0.00%	0.23%
<b>Technology and Communication</b>											
Hum Network Limited	900,000	225,000	-	1,125,000	-	-	-	-	0.00%	0.00%	0.00%
Systems Limited (6.1.2)	5,142	150,800	-	150,800	5,142	2,416	2,074	(342)	0.68%	0.64%	0.00%
Avanceon Limited	-	684,060	-	684,060	-	-	-	-	0.00%	0.00%	0.00%
TPL Trakker Limited (6.1.1)	8,140,500	-	-	4,340,500	3,800,000	32,870	33,592	722	11.09%	10.39%	2.03%
Netsol Technologies Limited	-	581,000	-	581,000	-	-	-	-	0.00%	0.00%	0.00%
	9,045,642	1,640,860	-	6,881,360	3,805,142	35,286	35,666	380	11.77%	11.03%	2.03%
<b>Textile Composite</b>											
Gul Ahmed Textile Mills Limited	227,800	-	-	227,800	-	-	-	-	0.00%	0.00%	0.00%
Interloop Limited	91,133	-	-	91,133	-	-	-	-	0.00%	0.00%	0.00%
Azgard Nine Limited	820,500	-	-	820,500	-	-	-	-	0.00%	0.00%	0.00%
	1,139,433	-	-	1,139,433	-	-	-	-	0.00%	0.00%	0.00%
<b>As at June 30, 2023</b>	<b>21,962,945</b>	<b>35,708,297</b>	<b>75,339</b>	<b>48,230,088</b>	<b>9,516,493</b>	<b>309,972</b>	<b>302,957</b>	<b>(7,015)</b>	<b>100%</b>	<b>94%</b>	
<b>As at June 30, 2022</b>	<b>39,389,154</b>	<b>35,252,593</b>	<b>279,997</b>	<b>52,958,799</b>	<b>21,962,945</b>	<b>1,158,105</b>	<b>791,276</b>	<b>(366,829)</b>	<b>100%</b>	<b>95%</b>	

6.1.1 As at June 30, 2023 the Fund has pledged shares with the National Clearing Company of Pakistan Limited (NCCPL) as collateral for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the SECP, of following companies

- Maple Leaf Cement Factory Limited (80,000 shares having market value of Rs. 2.2664 million)
- Habib Bank Limited (10,000 shares having market value of Rs. 0.7323 million)
- The Hub Power Company Limited (7,000 shares having market value of Rs. 0.48706 million)
- United Bank Limited (85,000 shares having market value of Rs. 9.9909 million)
- Pakistan Petroleum Limited (30,000 shares having market value of Rs. 1.7742 million)
- Mughal Iron & Steel Industries Limited (14,000 shares having market value of Rs. 0.67816 million)
- Engro Fertilizers Limited (110,000 shares having market value of Rs. 9.0783 million)
- Pakistan State Oil Company Limited (15,000 shares having market value of Rs. 1.66515 million)
- TPL Trakker Limited (200,000 shares having market value of Rs. 1.768 million)
- Oil and Gas Development Company Limited (165,000 shares having market value of Rs. 12.87 million)



6.1.2 These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5% is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan (MUFAP), has filed a petition in Honorable Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Honorable Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 2.145 million at June 30, 2023 (2022: Rs. 1.806 million) and not yet deposited on CDC account of department of Income tax. The final outcome of the case is pending however, Management Company is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

These bonus shares include the following shares:

- Faysal Bank Limited (1,440 shareshaving market value of Rs. 0.029059 million)
- Pakistan State Oil Limited (222 shareshaving market value of Rs. 0.024644 million)
- The Searle Company Limited (445 shareshaving market value of Rs. 0.017052 million)
- Systems Limited (5,142 shareshaving market value of Rs. 2.073923 million)

During the year ended June 30, 2018, the Honorable Supreme Court of Pakistan passed a judgment on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50% of the tax calculated by the tax authorities is deposited with the authorities. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically.

Subsequent to the year ended June 30, 2019, the CISs have filed a fresh constitutional petition via CP4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honorable High Court of Sindh has issued notices to the relevant parties and has ordered that no 3rd party interest on bonus shares issued to the Funds in lieu of their investments be created in mean time. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitution petition will be in favor of the CISs.

Finance Act, 2018 effective from July 01, 2018 has omitted Section 236M of the Income Tax Ordinance, 2001 (the ordinance) requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold 5% of the bonus shares to be issued. Accordingly, post July 01, 2018, shares are not being withheld at the time of bonus issue.

## 6.2 Financial assets at fair value through profit or loss - Market Treasury Bills

Issue date	Tenure	Face value				Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation on re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2022	Purchases during the year	Sales / matured during the year	As at June 30, 2023					
Rupees in '000										
June 2, 2022	3 Months	-	15,000,000	15,000,000	-	-	-	-	-	-
Total - as at June 30, 2023		-	15,000,000	15,000,000	-	-	-	-	-	-
Total - as at June 30, 2022		-	-	-	-	-	-	-	-	-

		2023	2022
	Note	----- Rupees in '000 -----	
<b>6.3</b>	<b>Net unrealised diminutionre-measurement of investments classified as financial assets at ' fair value through profit or loss' - net</b>		
	Market value of investments	302,957	791,276
	Less: Carrying value of investments	309,972	1,158,105
		<u>(7,015)</u>	<u>(366,829)</u>
<b>7</b>	<b>DIVIDEND AND MARK-UP RECEIVABLE</b>		
	Dividend receivable	72	35
	Mark-up receivable on savings accounts	234	1,482
		<u>306</u>	<u>1,517</u>
<b>8</b>	<b>ADVANCES AND DEPOSITS</b>		
	Security deposits with:		
	National Clearing Company of Pakistan Limited	2,500	2,500
	Central Depository Company of Pakistan Limited	100	100
		<u>2,600</u>	<u>2,600</u>
	Advance tax	8.1 315	315
		<u>2,915</u>	<u>2,915</u>
8.1	The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause v 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.		
	The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 150 and 151 of ITO 2001. The Management Company is confident that the same shall be refunded after filing refund application.		
<b>9</b>	<b>OTHER RECEIVABLES</b>		
		2023	2022
		----- Rupees in '000 -----	
	Other receivables	<u>4,934</u>	<u>-</u>

		2023	2022
	Note	----- Rupees in '000 -----	
<b>10</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
Remuneration payable to the Management Company	10.1	534	1,572
Sindh Sales Tax Payable on Management Company's remuneration	10.2	69	204
Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	10.3	147	1,013
Selling and marketing expenses payable	10.4	903	4,312
		<u>1,653</u>	<u>7,101</u>

10.1 As per the Regulation 61 of the NBFC Regulation, the Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document. The maximum limit disclosed in the offering document is 3% per annum of average annual net assets. During the year, the fee is being charged at the rate of 2% of the average annual net assets. The fee is payable monthly in arrears.

10.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13 %) on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.

10.3 As per Regulation 60(3)(s) of the NBFC Regulations, fee and expenses related to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee is being charged at the rate of 0.55% of the average annual net assets.

10.4 As per Regulation 60(3)(v) of the NBFC Regulations, selling and marketing expense maybe charged for all categories of funds, except fund of funds. During the year, the fee is being charged at the rate of 0.05% of the average annual net assets accordingly.

## **11 PAYABLE TO THE TRUSTEE**

Trustee fee payable	11.1	53	156
Sindh Sales Tax payable on Trustee Fee	11.2	7	20
CDS charges payable		93	4
		<u>153</u>	<u>180</u>

11.1 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 therein, based on the average net assets of the Fund. The fee is paid to the Trustee on monthly basis in arrears.

Based on the Trust deed, Trustee fee has been charged based on the following tariff structure applicable to the Fund:

Average Net asset Value	Tariff per annum
Upto Rs. 1 billion	0.20% per annum of net assets value whichever is higher
Over Rs. 1 billion	Rs. 2.0 million plus 0.10% per annum of net assets value exceeding Rs. 1,000 million

CDC vide notification CDC/CEO/L-112/02/2019, dated June 27, 2019, has revised the rates of the Trustee fee, with effect from July 1, 2019, according to which, Trustee fee shall be charged by permanently eliminating the minimum fee component as mentioned in the offering document. During the year, Management Company has charged the Trustee fee accordingly.

- 11.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

		2023	2022
	Note	----- Rupees in '000 -----	
<b>12 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable	12.1	98	309

- 12.1 As per Regulation 62 of the NBFC Regulations, an Asset Management Company managing a CIS, shall pay SECP an annual fee of 0.02% of the average annual net assets. The fee is payable annually in arrears.

**13 ACCRUED EXPENSES AND OTHER LIABILITIES**

Provision for Federal Excise Duty (FED)	13.1	5,685	5,685
Withholding tax payable		169	325
Auditors' remuneration		192	125
Printing and other charges		23	9
Brokerage payable		376	489
Other payables		185	124
		<u>6,630</u>	<u>6,757</u>

- 13.1 The legal status of applicability of Federal Excise Duty is the same as earlier disclosed in June 30, 2020. However, since the appeal filed by the tax authorities is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained a provision for FED on remuneration of Management Company, aggregating to Rs. 5.685 million (2022: Rs. 5.685 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2023 would have been higher by Rs. 1.2371 per unit (2022: Rs. 0.5341 per unit).

**14 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2023 (2022: Nil) other than those already disclosed in the financial statements.

	2023	2022
	-----Number of units-----	
<b>15 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	10,643,257	16,223,229
Add: Units issued during the year	557,962	6,749,605
Less: Units redeemed during the year	(6,605,779)	(12,329,577)
Total units in issue at the end of the year	<u>4,595,440</u>	<u>10,643,257</u>

**16 AUDITORS' REMUNERATION**

	-----Rupees in '000-----	
Annual audit fee	276	240
Fee for half yearly review	155	135
Other certifications and out of pocket expenses	81	71
	<u>512</u>	<u>446</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 its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current year as a result of loss incurred during the year.

## 18 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed in these financial statements as in the opinion of the Management Company the determination of cumulative weighted average number of outstanding units is not practicable.

## 19 FINANCIAL INSTRUMENTS BY CATEGORY

Particulars	As at June 30, 2023		
	At Fair value through profit or loss	Amortised cost	Total
Rupees in '000			
<b>Financial assets</b>			
Bank balances	-	9,794	9,794
Investments	302,957	-	302,957
Dividend and mark-up receivable	-	306	306
Deposits	-	2,600	2,600
Receivable against sale of investments - net	-	13,625	13,625
	<u>302,957</u>	<u>26,325</u>	<u>329,282</u>
<b>Financial liabilities</b>			
Payable to the Management Company	-	1,584	1,584
Payable to the Trustee	-	146	146
Accrued expenses and other liabilities	-	722	722
Payable against redemption of units	-	2,647	2,647
	<u>-</u>	<u>5,099</u>	<u>5,099</u>

Particulars	As at June 30, 2022		
	At Fair value through profit or loss	Amortised cost	Total
Rupees in '000			
<b>Financial assets</b>			
Bank balances	-	31,362	31,362
Investments	791,276	-	791,276
Dividend and mark-up receivable	-	1,517	1,517
Deposits	-	2,600	2,600
Advance for purchase of investments	-	5,354	5,354
	<u>791,276</u>	<u>40,833</u>	<u>832,109</u>
<b>Financial liabilities</b>			
Payable to the Management Company	-	6,897	6,897
Payable to the Trustee	-	160	160
Accrued expenses and other liabilities	-	682	682
	<u>-</u>	<u>7,739</u>	<u>7,739</u>

## 20 TRANSACTIONS AND BALANCES WITH 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, directors and officers of the management company of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

Transactions and balances with related parties who were connected persons due to holding 10% or more units in the comparative year and not in the current year are not disclosed in the comparative year.

Details of the transactions with connected persons and balances with them are as follows:

	2023	2022
	----- Rupees in '000 -----	
<b>20.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	9,832	30,935
Sindh Sales Tax on remuneration of the Management Company	1,278	4,022
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,704	9,904
Sales load paid	72	922
Selling and marketing expenses	228	17,672
Issue Nil units (2022: Nil) units	6,000	-
Redemption 85,696 of units (2022: 345,975) units	5,866	36,666
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	983	2,542
Sindh Sales Tax on remuneration of the Trustee	128	330
Central Depository service charges	258	249
<b>Habib Bank Limited - Sponsor</b>		
Dividend income	1,209	-
Bank charges	-	172
Mark-up on bank deposits	309	510
Issue Nil units (2022: 1,413,425) units	-	150,000
Redemption of 2,990,876 units (2022: 2,017,356) units	229,297	160,000
<b>HBL Microfinance Bank - Associate</b>		
Profit / mark-up	317	-

	2023	2022
	----- Rupees in '000 -----	
<b>Directors and Executives of the Management Company</b>		
Issue of 2,534 units (2022: 35,763) units	200	4,229
Redemption of 2,534 units (2022: 55,869) units	191	6,780
<b>CDC TRUSTEE - PUNJAB PENSION FUND TRUST</b>		
<b>Connected Person due to holding more than 10% units</b>		
Issuance of Nil units (2022: 271,771 units)	-	32,300
Redemption of 1,692,360 units (2022: Nil)	124,463	-
<b>DCCL Trustee HBL Financial Planning Fund Active</b>		
<b>Allocation Plan - Under Common Management</b>		
Issue of Nil units (2022: 22,814 units)	-	2,404
Redemption of 256,101 units (2022: 97,650 units)	19,116	12,592
<b>DCCL Trustee HBL Financial Planning Fund Conservative</b>		
<b>Allocation Plan - Under Common Management</b>		
Issue of Nil units (2022: 64,571 units)	-	7,227
Redemption of 60,518 units (2022: 78,452 units)	4,463	7,678
<b>CDC TRUSTEE HBL Cash Fund - Under Common Management</b>		
Sale of T-Bill	14,827	-
<b>CDC TRUSTEE HBL Stock Fund - Under Common Management</b>		
Purchase of Equity Securities - NRSL	-	4,770
Purchase of Equity Securities - SCBPL	-	10,238
Purchase of Equity Securities - IGIHL	-	18,753
Purchase of Equity Securities - IGIL	-	3,597
Purchase of Equity Securities - MARI	-	11,620
Purchase of Equity Securities - TPLI	-	8,282
<b>20.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration payable to the Management Company	534	1,572
Sindh Sales Tax on remuneration of the Management Company	69	204
Allocation of expenses related to registrar services, accounting, operation and valuation services	147	1,013
Selling and marketing expense payable	903	4,312
Units held: Nil units (2022: Nil) units	-	48,418
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	60	176
Security deposit	100	100
CDS charges payable	93	4
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	612	2,916
Units held: Nil units (2022: 2,990,876) Units	-	229,889
<b>HBL Microfinance Bank - Associate</b>		
Bank balances	2,449	10
Profit / mark-up receivable	77	-

	2023	2022
	----- Rupees in '000 -----	
<b>Directors and Executives of the Management Company</b>		
Units held: 894 units (2022: 1,786 units)	63	137
<b>CDC TRUSTEE - PUNJAB PENSION FUND TRUST</b>		
Units held: Nil units (2022: 1,692,360 units)	-	130,081
<b>DCCL Trustee HBL Financial Planning Fund Active Allocation Plan - Under Common Management</b>		
Unit Held: Nil units (2022: 256,101) Units	-	19,685
<b>DCCL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Under Common Management</b>		
Unit Held: Nil units (2022: 60,518) Units	-	4,652

## 21 FINANCIAL RISK MANAGEMENT

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

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The fund preliminarily invest in a portfolio of equity securities. These Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 21.1 Market risk

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

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

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

#### 21.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk.

#### 21.1.2 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) Cash flow interest rate risk

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 8.65% to 22.25% (2022: 5.00% to 7.00%) per annum.

The Fund's interest rate risk arises from the balances in savings accounts. In case of 100 basis points increase / decrease in interest rates on June 30, 2023 with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 0.03724 million (2022: Rs 0.04532 million).

##### b) Fair value interest rate risk

The Fund currently does not have any fixed rate instruments and therefore, it is not exposed to fair value interest rate risk.



As at June 30, 2023						
Particulars	Effective yield interest rate	Exposed to yield / interest rate risk			Not exposed to yield/ interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
On-balance sheet financial instruments						
Financial assets						
Balances with banks	8.65-22.25	9,092	-	-	702	9,794
Investments						
Listed equity securities		-	-	-	302,957	302,957
Dividend and mark-up receivable		-	-	-	306	306
Deposits		-	-	-	2,600	2,600
Receivable against sale of investments - net		-	-	-	13,625	13,625
Sub total		9,092	-	-	320,190	329,282
Financial liabilities						
Payable to the Management Company		-	-	-	1,584	1,584
Payable to the Trustee		-	-	-	146	146
Accrued expenses and other liabilities		-	-	-	722	722
Payable against redemption of units		-	-	-	2,647	2,647
Sub total		-	-	-	5,099	5,099
On-balance sheet gap (a)		9,092	-	-	315,091	324,183
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)						
		9,092	-	-	-	-
Cumulative interest rate sensitivity gap		9,092	-	-		
As at June 30, 2022						
Particulars	Effective yield interest rate	Exposed to yield / interest rate risk			Not exposed to yield/ interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
On-balance sheet financial instruments						
Financial assets						
Balances with banks	5.00-17.00	30,658	-	-	704	31,362
Investments						
Listed equity securities		-	-	-	791,276	791,276
Dividend and mark-up receivable		-	-	-	1,517	1,517
Advance for purchase of investments		-	-	-	2,600	2,600
Deposits		-	-	-	5,354	5,354
Sub total		30,658	-	-	801,451	832,109
Financial liabilities						
Payable to the Management Company		-	-	-	6,897	6,897
Payable to the Trustee		-	-	-	160	160
Accrued expenses and other liabilities		-	-	-	682	682
Sub total		-	-	-	7,739	7,739
On-balance sheet gap (a)		30,658	-	-	793,712	824,370
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)						
		30,658	-	-	-	-
Cumulative interest rate sensitivity gap		30,658	-	-		

### 21.1.3 Other 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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified as Financial Asset at 'fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document and NBFC Regulations also limit investment in individual equity securities of not more than 10% of net assets of the Fund or issued capital of the investee company.

In case of 5% increase / (decrease) in price of all shares held by Fund at the year end, net loss for the year would decrease / increase by Rs 15.15 million (2022: Rs 39.56 million) and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities at fair value through profit or loss.

### 21.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk preliminary attributable to bank balances and credit exposure arising as a result of dividend receivable on equity securities.

#### Management of credit risk

For banks the Fund keeps deposits with reputed institutions. Credit risk on account of dividend receivable is minimal due to the statutory protections. All transactions in listed securities are settled / paid for delivery using the system of National Clearing Company of Pakistan Limited. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

21.2.1 The analysis below summarises the credit quality of the funds' bank balances as at June 30, 2023 and June 30, 2022.

Name of the bank	Balance as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
Rupees in '000			
<b>Balances with banks by rating category:</b>			
Habib Bank Limited	612	A-1+	VIS
MCB Bank Limited	236	A-1+	PACRA
Soneri Bank Limited	6,403	A-1+	PACRA
Khushhali Microfinance Bank Limited	18	A-2	VIS
JS Bank Limited	24	A-1+	PACRA
Habib Metropolitan Bank Limited	18	A-1+	PACRA
Mobilink Microfinance	10	A-1	PACRA
National Bank of Pakistan	10	A-1+	PACRA
Zarai Taraqati Bank Limited	11	A-1+	VIS
Allied Bank Limited	4	A-1+	PACRA
HBL Microfinance Bank	2,449	A-1	PACRA
	<u>9,794</u>		

Name of the bank	Balance as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating agency
Rupees in '000			
<b>Balances with banks by rating category:</b>			
Habib Bank Limited	2,916	A-1+	VIS
MCB Bank Limited	236	A-1+	PACRA
Soneri Bank Limited	4,173	A-1+	PACRA
Khushhali Microfinance Bank Limited	23,896	A-1	VIS
JS Bank Limited	82	A-1+	PACRA
Habib Metropolitan Bank Limited	10	A-1+	PACRA
Mobilink Microfinance	9	A-1	PACRA
National Bank of Pakistan	10	A-1+	PACRA
Zarai Taraqati Bank Limited	10	A-1+	VIS
Allied Bank Limited	10	A-1+	PACRA
HBL Microfinance Bank	10	A-1	PACRA
	31,362		

The maximum exposure to credit risk as at June 30, 2023 and June 30, 2022 is the carrying amount of the financial assets other than investments in equity securities.

21.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

	2023	2022
	----- (Percentage) -----	
<b>Rating by rating category</b>		
A-1+	74.71	23.75
A-1	25.11	76.25
A-2	0.18	-

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the Government.

#### 21.3 Liquidity risk

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

The Fund is exposed to daily cash redemption, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation. It's policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowing was availed by the Fund (2022: None).

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

Particulars	As at June 30, 2023			
	Up to three months	Over three months and up to one year	Over one year	Total
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	1,584	-	-	1,584
Payable to the Trustee	146	-	-	146
Accrued expenses and other liabilities	699	23	-	722
Payable against redemption of units	2,647	-	-	2,647
	<u>5,076</u>	<u>23</u>	<u>-</u>	<u>5,099</u>

Particulars	As at June 30, 2022			
	Up to three months	Over three months and up to one year	Over one year	Total
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	6,897	-	-	6,897
Payable to the Trustee	160	-	-	160
Accrued expenses and other liabilities	673	9	-	682
	<u>7,730</u>	<u>9</u>	<u>-</u>	<u>7,739</u>

## 22 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund 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 the unit holders' fund. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the reporting 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.

As per the requirements of IFRS 13 ( Fair Value Measurement), the Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level - 1)
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level - 2) and,
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. 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.

		June 30, 2023							
		Carrying amount			Fair Value				
		Fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total	
		Note	Rupees in '000						
Financial assets measured at fair value		23.1							
Listed equity securities			302,957	-	302,957	302,957	-	-	302,957
			302,957	-	302,957	302,957	-	-	302,957
Financial assets not measured at fair value		23.2							
Bank balances			-	9,794	9,794				
Dividend and mark-up receivable			-	306	306				
Deposits			-	2,600	2,600				
Receivable against sale of investments - net			-	13,625	13,625				
			-	26,325	26,325				
Financial liabilities not measured at fair value		23.2							
Payable to the Management Company			-	1,584	1,584				
Payable to the Trustee			-	146	146				
Accrued expenses and other liabilities			-	722	722				
Payable against redemption of units			-	2,647	2,647				
			-	5,099	5,099				

Particulars	Note	June 30, 2022					
		Carrying amount			Fair Value		
		Fair value through profit and loss	At amortised cost	Total	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>	23.1						
Listed equity securities		791,276	-	791,276	791,276	-	-
		791,276	-	791,276	791,276	-	-
<b>Financial assets not measured at fair value</b>	23.2						
Bank balances		-	31,362	31,362			
Dividend and mark-up receivable		-	1,517	1,517			
Deposits		-	2,600	2,600			
Receivable against sale of investments - net		-	5,354	5,354			
		-	40,833	40,833			
<b>Financial liabilities not measured at fair value</b>	23.2						
Payable to the Management Company		-	6,897	6,897			
Payable to the Trustee		-	160	160			
Accrued expenses and other liabilities		-	682	682			
		-	7,739	7,739			

### 23.1 Valuation techniques

For level 1 investments at fair value through profit or loss - 'Investment in respect of equity securities, the Fund uses daily quotation rates which are taken from Pakistan Stock Exchange Limited at the reporting date.

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

### 23.3 Transfers during the year

No transfers were made between various levels of fair value hierarchy during the year.

## 24 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

Top ten brokers during the year ended June 30, 2023

- 1 Intermarket Securities Ltd.
- 2 IGI Finex Securities Limited
- 3 WE Financial Services Ltd
- 4 BIPL Securities Ltd
- 5 AKD Securities Limited
- 6 Multiline Securities Limited
- 7 Taurus Securities Ltd.
- 8 Arif Habib Ltd
- 9 Topline Securities (Private) Ltd.
- 10 Spectrum Securities (Pvt) Ltd

Top ten brokers during the year ended June 30, 2022

- 1 Intermarket Securities Limited
- 2 IGI Finex Securities Limited
- 3 WE Financial Services Limited
- 4 BIPL Securities Limited
- 5 AKD Securities Limited
- 6 Multiline Securities Limited
- 7 Taurus Securities Limited
- 8 Arif Habib Limited
- 9 Topline Securities (Private) Limited
- 10 Spectrum Securities (Private) Limited

## 25 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S.No.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	24+
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27+
3	Wamiq Sakrani	Head of Fixed Income	MBA	13+
4	Imad Ansari	Head of Risk	MBA	17+
5	Umair Naseer	Head of Research	MBA	11+
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7	Raza Abbas	Senior Fund Manager	M.Com	20
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7+

## 26 PATTERN OF UNIT HOLDING

Pattern of unit holding as at June 30, 2023 is as follows:

Category	----- As at June 30, 2023 -----			
	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
Individuals	489	1,935,076	136,159	42.00%
Associated Company and Director	-	-	-	0.00%
Retirement Funds	1	217,591	15,310	5.00%
Insurance Companies	2	841,580	59,217	18.00%
Trust	3	1,418,943	99,842	31.00%
Foreign investors	3	182,251	12,824	4.00%
Other Corporate	-	-	-	0.00%
Total	498	4,595,441	323,352	100.00%

Pattern of unit holding as at June 30, 2022 was as follows:

Category	----- As at June 30, 2022 -----			
	Number of unitholders	Number of units held	Investment amount	Percentage
Rupees in '000				
Individuals	329	2,819,974	216,753	18.03%
Associated Company and Director	1	2,990,876	229,889	20.45%
Retirement Funds	5	2,246,400	172,666	15.36%
Insurance Companies	2	841,580	64,687	5.75%
Trust	5	1,735,563	133,401	40.40%
Other Corporate	1	8,864	681	0.00%
Total	343	10,643,257	818,077	100.00%

**27 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
1 Mr. Shahid Ghaffar	6	6	-	-
2 Ms. Ava A. Cowasjee	6	6	-	-
3 Mr. Rayomond H. Kotwal	6	6	-	-
4 Mr. Abrar Ahmed Mir	6	2	4	August 29 ,2022 January 16 2023 January 23, 2023 February 13,2023
5 Mr. Tariq Masaud	6	6	-	-
6 Mr. Abid Sattar	6	6	-	-
7 Mr. Khalid Malik	6	5	1	October 19, 2022

**28 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the HBL Equity Fund for the year ended June 30, 2023 is 4.98% (2022: 4.49%) which includes 0.48% (2022: 0.32%) representing Government levy and SECP fee.

**29 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

**30 CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**31 GENERAL**

31.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director





**HBL** Government Securities Fund

## FUND INFORMATION

NAME OF FUND	HBL Government Securities Fund
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	BDO Ebrahim & Co. Chartered Accountants.
NAME OF BANKERS	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Allied Bank Limited JS Bank Limited Samba Bank Limited Zarai Taraqati Bank Limited MCB Bank Limited Soneri Bank Limited U Microfinance Bank Sindh Bank limited HBL Microfinance Bank Limited National Bank Limited Khushali Microfinance Bank Mobilink Microfinance Bank Faysal Bank Limited Dubai Islamic Bank
FUND RATING	AA- (f)

## Type and Category of Fund

Open end Sovereign Income Fund

## Investment Objective and Accomplishment of Objective

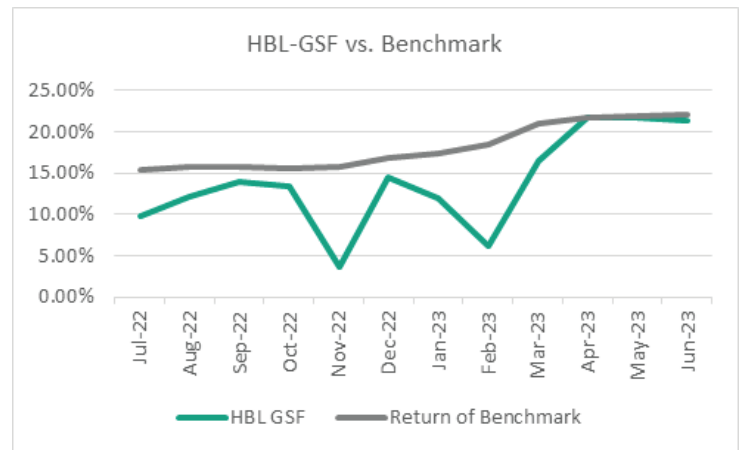
The investment objective of the Fund is to provide consistent returns to its investors through active investments in a blend of short, medium and long term securities issued and / or guaranteed by Government of Pakistan. The Fund will aim to provide superior risk adjusted returns through active duration and liquidity management tools. The investment objective is achieved.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is average Six (6) month PKRV Rates.

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

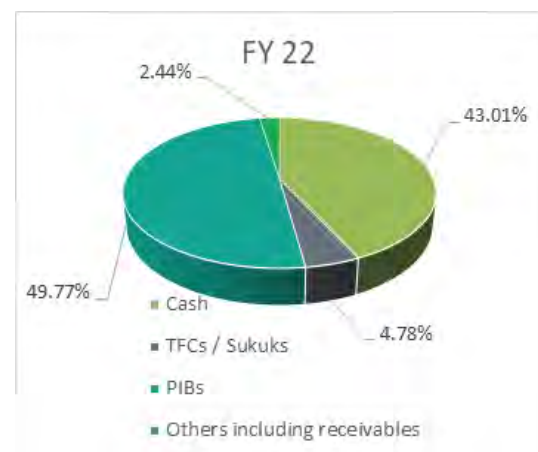
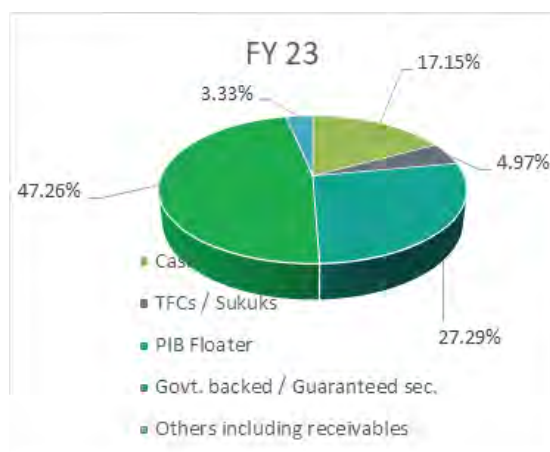
Month	HBL-GSF	Benchmark
Jun-23	21.38%	22.07%
May-23	21.78%	21.89%
Apr-23	21.81%	21.71%
Mar-23	16.49%	20.92%
Feb-23	6.25%	18.55%
Jan-23	11.98%	17.34%
Dec-22	14.41%	16.90%
Nov-22	3.65%	15.83%
Oct-22	13.46%	15.64%
Sep-22	13.93%	15.84%
Aug-22	12.12%	15.78%
Jul-22	9.72%	15.40%



## Strategies and Policies employed during the Year

During the year, the fund was majorly invested in Government Securities (T-Bills, PIBs Floater and GoP Ijarah Sukuk) of various tenors. HBL Government Securities Fund posted an annualized return (YTD) of 14.88% against the benchmark return of 18.14% in FY23. During the year, the fund held its exposure in floating rate PIBs and other assets to generate market competitive rates. During the period under review, due to political turmoil, overheating of the economy, sky rocketing inflation, drain of the Forex reserves and non-availability of the IMF tranches for major part of the year forced the SBP to adopt an extremely hawkish interest rate view, wherein the rates were hiked by 8.25% in a single year. As per the policy, HBL GSF maintained more than 70% (monthly average) exposure in government securities and remaining exposure in Cash at banks and TFCs. Further, bank deposits were maintained only with the high rated banks.

## Asset Allocation



## Significant Changes in Asset Allocation during the Year

During the year under review, HBL Government Securities Fund maintained minimum exposure of 70% on a monthly basis in T-bills and PIBs as per the regulatory requirement.

## Fund Performance

The total income and net income of the Fund was Rs. 87.91 million and Rs. 74.92 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 112.9464 per unit as on June 30, 2023 as compared to Rs. 112.4774 per unit as on June 30, 2022, after incorporating dividend of Rs. 16.20 per unit, thereby giving an annualized return of 14.88%. During the same year the benchmark (6 Month PKRV Rates) return was 18.14%. The size of Fund was Rs. 0.78 billion as on June 30, 2023 as compared to Rs. 0.63 billion at the start of the year.

## Money Market Review

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

## Distribution

The Fund has distributed cash dividend up-to Rs. 16.20 per unit for the year ended June 30, 2023.

## Significant Changes in the State of Affairs

There were no significant changes in state of affairs of the Fund.

### Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	281	7,174
101 – 500	93	19,951
501 – 1,000	29	19,885
1,001 – 10,000	114	489,619
10,001 – 100,000	63	1,712,851
100,001 – 500,000	9	1,425,117
500,001 – 1,000,000	1	618,612
1,000,001 – 5,000,000	1	2,581,225
5,000,001 and above	-	-
<b>Total</b>	<b>591</b>	<b>6,874,434</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE – HBL GOVERNMENT SECURITIES FUND

As at June 30, 2023

	2023	2022	2021	2020	2019	2018
Net assets at the period end(Rs'000)	776,440	630,583	1,071,015	3,508,887	2,116,284	313,637
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
<b>Class C Units</b>						
Redemption	112.9460	112.4774	112.5377	112.2745	105.8419	110.4244
Offer - Class C	115.4986	112.4774	112.5377	112.2745	105.8419	110.4244
Offer - Class D	115.4986	115.0194	112.5377	114.8119	108.2339	112.2961
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit - Class C	128.6022	121.4710	117.7051	123.1555	115.393	110.4244
Lowest offer price per unit - Class C	112.4855	112.4774	112.1511	105.9108	105.7493	105.4759
Highest offer price per unit - Class D	131.5086	124.2162	120.3652	125.9388	117.9627	112.2482
Lowest offer price per unit - Class D	115.0277	102.6678	114.1581	108.3044	107.5855	107.2637
Highest redemption price per unit	128.6022	121.4710	117.7051	123.1555	115.3557	110.4244
Lowest redemption price per unit	112.4855	112.4774	112.1511	105.9108	105.7219	105.4759
<b>RETURN ( % )</b>						
Total return	14.88%	7.89%	5.10%	16.02%	9.35%	4.74%
Income distribution	14.40%	7.95%	5.45%	10.60%	9.70%	4.75%
Capital growth	0.48%	-0.06%	-0.35%	5.42%	-0.35%	-0.01%
<b>DISTRIBUTION</b>						
First Interim dividend distribution (Rs)	-	-	-	-	-	-
Date of Income Distribution						
Second Interim dividend distribution (Rs)	-	-	-	-	-	-
Date of Income Distribution						
Third Interim dividend distribution (Rs)	-	-	-	-	-	-
Date of Income Distribution						
Fourth Interim dividend distribution (Rs)	-	-	-	-	-	-
Date of Income Distribution						
Final dividend distribution (Rs)	16.2	8.95	5.45	10.60	9.70	4.75
Date of Income Distribution	23-Jun-23	24-Jun-22	18-Jun-21	26-Jun-19	25-Jun-19	04-Jul-18
Total dividend distribution for the year/ period (Rs)	16.20	8.95	5.45	10.60	9.70	4.75
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	14.88%	7.89%	5.10%	16.02%	9.35%	4.74%
Average annual return 2 year	11.33%	6.49%	10.43%	12.64%	7.02%	5.14%
Average annual return 3 year	9.21%	9.57%	10.07%	9.94%	6.52%	6.04%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	17.15%	43.01%	23.17%	14.53%	63.60%	98.68%
T-Bills	0.00%	0.00%	0.00%	16.12%	31.09%	0.00%
Placement with Banks and DFIs	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
PIBs	27.29%	49.77%	70.05%	64.70%	0.00%	0.00%
Gov. Backed/Guaranteed Sec.	47.26%	0.00%	0.00%	0.00%	0.00%	0.00%
Commercial Papers	0.00%	0.00%	0.00%	0.00%	3.14%	0.00%
Corporate Sukuks / TFCs	4.97%	4.78%	4.50%	2.27%	1.36%	0.00%
MTS / Spread Transactions	0.00%	0.00%	0.00%	0.00%	0.00%	0.02%
Others Including receivables	3.33%	2.44%	2.28%	2.38%	0.81%	1.30%
Weighted average portfolio during (No. of days)	464	1,953	1,509	1,337	1	1

## Note:

The Launch date of the Fund is July 25, 2010

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

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



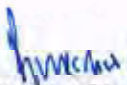
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL GOVERNMENT SECURITIES FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Government Securities Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023







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Karachi-74200  
Pakistan

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HBL GOVERNMENT SECURITIES FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL Government Securities Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the year ended June 30, 2023, in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p><b>Existence and valuation of investments</b></p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2023 the investments held by the Fund comprised of debt instruments which represent 79.50% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>We evaluated the design and implementation of key controls over investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li></ul>

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S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices at the Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company ("HBL Asset Management Limited") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

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The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

#### **BDO Ebrahim & Co. Chartered Accountants**

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From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 25 SEP 2023

UDIN: AR202310166nfNle4Kap

*BDO Ebrahim & Co.*  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

# HBL Government Securities Fund

## Statement of Assets and Liabilities

As at June 30, 2023

	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
<b>ASSETS</b>			
Bank balances	5	138,067	451,031
Investments	6	639,911	572,021
Profit / mark-up receivable	7	26,006	23,848
Advances, deposits, prepayments and other receivables	8	970	1,769
<b>TOTAL ASSETS</b>		<b>804,954</b>	<b>1,048,669</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	1,245	1,714
Payable to the Trustee	10	50	35
Payable to Securities and Exchange Commission of Pakistan	11	107	181
Accrued expenses and other liabilities	12	27,109	25,418
Payable against investment		-	390,738
<b>TOTAL LIABILITIES</b>		<b>28,511</b>	<b>418,086</b>
<b>NET ASSETS</b>		<b>776,443</b>	<b>630,583</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>776,443</b>	<b>630,583</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		-----Number of units-----	
Number of units in issue	14	6,874,434	5,606,306
		-----Rupees-----	
Net assets value per unit		112.9464	112.4774

The annexed notes from 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

	Note	2023 ----- Rupees in '000 -----	2022
<b>Income</b>			
Capital loss on sale of investments - net		(9,568)	(10,218)
Income from Government securities		52,728	50,189
Income from term finance certificates		22,033	5,292
Income from commercial papers		-	2,277
Profit / mark-up on bank deposits		22,359	27,119
		87,552	74,659
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.3	361	(2,184)
		87,913	72,475
<b>Expenses</b>			
Remuneration of the Management Company	9.1	6,678	11,294
Sindh Sales Tax on remuneration of the Management Company	9.2	868	1,468
Remuneration of the Trustee	10.1	296	524
Sindh Sales Tax on remuneration of the Trustee	10.2	38	68
Annual fee to Securities and Exchange Commission of Pakistan	11.1	107	181
Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	9.3	1,311	2,395
Selling and marketing expense	9.4	2,049	4,004
Printing charges		105	-
Auditors' remuneration	15	512	446
Fee and subscription		314	435
Securities transaction costs and settlement charges		470	355
Bank charges		249	245
		12,997	21,415
Net income for the year from operations		74,916	51,060
Reversal of provision for Sindh Workers' Welfare Fund		-	19,958
Net income for the year before taxation		74,916	71,018
Taxation	16	-	-
Net income for the year after taxation		74,916	71,018
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		19,155	28,504
Accounting income available for distribution:			
Relating to capital gain		-	-
Excluding capital gain		55,761	42,514
		55,761	42,514
		74,916	71,018
Earnings per unit	17		

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	2023	2022
	----- Rupees in '000 -----	
Net income for the year	74,916	71,018
Other comprehensive income	-	-
Total comprehensive income for the year	<u>74,916</u>	<u>71,018</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

# HBL Government Securities Fund

## Statement of Movement In Unit Holders' Fund

For the year ended June 30, 2023

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	Rupees in '000					
Net assets at beginning of the year	436,529	194,054	630,583	876,537	194,478	1,071,015
Issuance of 13,534,613 units (2022: 6,755,024 units)						
Capital value (at net asset value per unit at the beginning of the year)	1,522,342	-	1,522,342	760,195	-	760,195
Element of income	121,991	-	121,991	24,427	-	24,427
Total proceeds on issuance of units	1,644,333	-	1,644,333	784,622	-	784,622
Redemption of 12,266,485 units (2022: 10,665,667 units)						
Capital value (at net asset value per unit at the beginning of the year)	(1,379,702)	-	(1,379,702)	(1,200,290)	-	(1,200,290)
Income already paid on redemption of units	-	(19,156)	(19,156)	-	(28,504)	(28,504)
Element of loss	(77,820)	-	(77,820)	(19,347)	-	(19,347)
Total payments on redemption of units	(1,457,522)	(19,156)	(1,476,678)	(1,219,637)	(28,504)	(1,248,141)
Total comprehensive income for the year	-	74,916	74,916	-	71,018	71,018
Interim distribution						
Rs 16.2 per unit declared on June 23, 2023 as cash dividend						
Refund of capital	(44,116)	-	(44,116)	-	-	-
Distribution during the year		(52,595)	(52,595)	-	-	-
Rs 8.95 per unit declared on June 24, 2022 as cash dividend						
Refund of capital	-	-	-	(4,993)	-	(4,993)
Distribution during the year	-	-	-		(42,938)	(42,938)
	(44,116)	22,321	(21,795)	(4,993)	28,080	23,087
Net assets at end of the year	579,224	197,219	776,443	436,529	194,054	630,583
Undistributed income brought forward						
Realised income		196,238			192,733	
Unrealised (loss) / income		(2,184)			1,745	
		194,054			194,478	
Accounting income available for distribution						
Relating to capital gain		-			-	
Excluding capital gain		55,761			42,514	
		55,761			42,514	
Distributions during the year:						
Interim distribution of Rs 16.20 per unit declared on June 23, 2023 as cash dividend		(52,595)			-	
Interim distribution of Rs 8.95 per unit declared on June 24, 2022 as cash dividend		-			(42,938)	
		(52,595)			(42,938)	
Undistributed income carried forward		197,220			194,054	
Undistributed income carried forward						
Realised income		196,859			196,238	
Unrealised (loss) / income		361			(2,184)	
		197,220			194,054	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		112.4774			112.2745	
Net assets value per unit at end of the year		112.9464			112.5377	

The annexed notes from 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

	2023	2022
Note	-----Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	74,916	71,018
Adjustments for:		
Capital loss on sale of investments - net	9,568	10,218
Income from Government securities	(52,728)	(50,189)
Income from term finance certificates and corporate sukuk bonds	(22,033)	(5,292)
Income from commercial papers	-	(2,277)
Profit / mark-up on bank deposits	(22,359)	(27,119)
Unrealised (appreciation) / diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	(361)	2,184
	(12,997)	(1,457)
<b>(Increase) / Decrease in assets</b>		
Investments - net	(467,835)	647,761
Advances, deposits, prepayments and other receivables	799	-
	(467,036)	647,761
<b>Increase / (Decrease) in liabilities</b>		
Payable to the Management Company	(469)	(1,526)
Payable to the Trustee	15	(37)
Payable to Securities and Exchange Commission of Pakistan	(74)	(209)
Accrued expenses and other liabilities	1,691	(20,874)
	1,163	(22,646)
Cash generated from operations	(478,870)	623,658
Income received from Government securities	50,034	49,431
Income received from term finance certificates and corporate sukuk bonds	21,221	5,207
Profit / mark-up received on bank deposits	23,707	24,415
	94,962	79,053
Net cashflows from operating activities	(383,908)	702,711
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	1,644,335	784,622
Payment against redemption of units	(1,476,678)	(1,248,141)
Dividend paid	(96,710)	(47,931)
Net cash generated from financing activities	70,947	(511,450)
Net (decrease) / increase in cash and cash equivalents	(312,961)	191,261
Cash and cash equivalents at the beginning of the year	451,031	259,770
Cash and cash equivalents at end of the year	5 138,070	451,031

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**



## **1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL Government Securities Fund ("the Fund") was established under a Trust Deed executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. NBFC-II/DD/PICICIF/199 dated March 10, 2010 and the Trust Deed was executed on March 17, 2010.

The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on August 24, 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the HBL Asset Management Limited is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an open-ended sovereign income scheme and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from December 11, 2010 to December 13, 2010. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as a sovereign income scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.

VIS Credit Rating company has assigned a management quality rating of 'AM1' (Positive outlook) to the HBL Asset Management Company Limited and assigned stability rating of AA-(f) to the Fund as at December 30, 2022 respectively.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

Where the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

## 2.2 Basis of measurement

These financial statements have been prepared under the historical cost basis, unless otherwise stated.

## 2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Fund's functional currency.

## 2.4 Use of judgments and estimates

The preparation of these financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

Classification and valuation of investment

For details please refer notes 4.2.1.1 and 6 to these financial statements.

### Impairment of investment

For details please refer note 4.2.1.2 to these financial statements.

## 3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

### 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

### 3.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards; and
IFRS 17	Insurance Contracts.

## 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.

#### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less.

#### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **4.2.1 Financial assets**

##### **4.2.1.1 Classification and measurement of financial assets and financial liabilities**

On initial recognition, a financial asset is classified and measured at: amortised cost or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income, foreign exchange gains and losses and impairment are recognised in income statement.

##### **4.2.1.2 Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly investments, deposits, other receivables, profit/mark-up receivable and bank balances.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012 dated October 24, 2012 in relation to impairment of debt securities.

#### **4.2.1.3 Purchase and sale of financial assets**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

#### **4.2.1.4 Derecognition**

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

#### **4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 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.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income**

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

#### **4.8 Net assets value per unit**

The net assets value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

#### **4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Mark-up / profit / return on Government securities, bank profits and investment in debt securities are recognized using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

#### **4.10 Transactions with related parties / connected persons**

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

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

2023                      2022  
Note       ----- Rupees in '000 -----

## 5 BANK BALANCES

In savings accounts 5.1       138,067       451,031

5.1 These bank accounts carries mark-up at rates ranging between 19% to 22.65% (2022: 5.6% to 7.85%) per annum. This includes an amount held by a related parties, (Habib Bank Limited) amounting to Rs. 446.371 million (2022: Rs. 255.116 million) on which return is earned at rate ranging between 13.50% to 19.51% (2022: 5.75% to 7.85%) per annum and HBL Microfinance Bank Limited (formerly The First Microfinance Bank Limited) amounting to Rs. 0.624 million (2022: Rs. Nil) on which return is earned at rate ranging between 10.25% to 17.25% (2022: Nil) per annum.

## 6 INVESTMENTS

Financial assets

At fair value through profit or loss 6.1       639,911       572,022  
639,911       572,022

### 6.1 Financial assets at fair value through profit or loss

Government securities

Market Treasury Bills 6.1.1       -       -

Pakistan Investment Bonds 6.1.2       219,655       521,932

GOP Ijarah Sukuk Certificates 6.1.3       380,253       -

599,908       521,932

Term Finance Certificates 6.1.4       40,003       50,090

639,911       572,022

### 6.1.1 Financial assets at fair value through profit or loss - Market Treasury Bills

Issue date	Tenure	Face value				Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation on re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2022	Purchases during the year	Sales / matured during the year	As at June 30, 2023					
-----Rupees in '000-----										
June 16, 2022	3 Months	-	16,000	16,000	-	-	-	-	0.00%	0.00%
August 25, 2022	12 Months	-	67,945	67,945	-	-	-	-	0.00%	0.00%
September 8, 2022	3 Months	-	350,000	350,000	-	-	-	-	0.00%	0.00%
September 22, 2022	3 Months	-	292,000	292,000	-	-	-	-	0.00%	0.00%
October 6, 2022	12 Months	-	1,040,000	1,040,000	-	-	-	-	0.00%	0.00%
October 6, 2022	3 Months	-	760,000	760,000	-	-	-	-	0.00%	0.00%
November 17, 2022	3 Months	-	855,000	855,000	-	-	-	-	0.00%	0.00%
January 26, 2023	3 Months	-	100,000	100,000	-	-	-	-	0.00%	0.00%
February 9, 2023	3 Months	-	100,000	100,000	-	-	-	-	0.00%	0.00%
April 6, 2023	3 Months	-	260,000	260,000	-	-	-	-	0.00%	0.00%
Total - as at June 30, 2023		-	3,840,945	3,840,945	-	-	-	-	0.00%	0.00%
Total - as at June 30, 2022		-	6,305,150	6,305,150	-	-	-	-	0.00% 0	0.00%

**6.1.2 Financial assets at fair value through profit or loss**  
**- Pakistan Investment Bonds (Non-Floating)**

Issue date	Tenure	Face value				Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised diminution on re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2022	Purchases during the year	Sales during the year	As at June 30, 2023					
-----Rupees in '000-----										
August 20, 2020	3 Years	106,000	-	106,000	-	-	-	-	0.00%	0.00%
April 29, 2022	5 Years	-	25,000	25,000	-	-	-	-	0.00%	0.00%
August 4, 2022	3 Years	-	1,500,000	1,500,000	-	-	-	-	0.00%	0.00%
October 13, 2022	5 Years	-	750,000	750,000	-	-	-	-	0.00%	0.00%
Total - as at June 30, 2023		106,000	2,275,000	2,381,000	-	-	-	-	0%	0.00%
Total - as at June 30, 2022		425,000	1,727,000	2,046,000	106,000	98,975	97,277	(1,698)	15.00%	17.00%

**- Pakistan Investment Bonds (Floating)**

Issue date	Tenure	Face value				Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised diminution on re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2022	Purchases during the year	Sales during the year	As at June 30, 2023					
-----Rupees in '000-----										
August 22, 2019	10 Years	375,000	375,000	750,000	-	-	-	-	0.00%	0.00%
August 26, 2021	2 Years	50,000	200,000	250,000	-	-	-	-	0.00%	0.00%
June 18, 2020	3 Years	-	250,000	250,000	-	-	-	-	0.00%	0.00%
May 6, 2021	5 Years	-	125,000	125,000	-	-	-	-	0.00%	0.00%
September 8, 2022	3 Years	-	175,000	175,000	-	-	-	-	0.00%	0.00%
February 9, 2023	2 Years	-	160,000	160,000	-	-	-	-	0.00%	0.00%
September 8, 2022	3 Years	-	50,000	50,000	-	-	-	-	0.00%	0.00%
April 6, 2023	2 Years	-	223,000	-	223,000	219,642	219,655	13	28.29%	34.33%
Total - as at June 30, 2023		425,000	1,558,000	1,760,000	223,000	219,642	219,655	13	28%	34%
Total - as at June 30, 2022		375,000	5,925,000	5,875,000	425,000	424,841	424,655	(186)	67.34%	74.24%

6.1.2.2 As at June 30, 2023, Pakistan Investment Bonds (PIBs) had a face value of Rs. 223 million (2022: Rs. 425 million) carrying effective yield ranging between 21.99% (2022: 10.89% to 11.36%) per annum.

**6.1.3 Financial assets at fair value through profit or loss**  
**- GOP Ijarah Sukuk Certificates**

Issue date	Tenure	Face value				Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation on re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2022	Purchases during the year	Sales during the year	As at June 30, 2023					
-----Rupees in '000-----										
October 26, 2022	5 Years	-	175,000	175,000	-	-	-	-	0.00%	0.00%
April 17, 2023	1 Year	-	702,000	702,000	-	-	-	-	0.00%	0.00%
May 22, 2023	1 Year	-	380,000	-	380,000	379,908	380,253	345	48.97%	59.42%
Total - as at June 30, 2023		-	1,257,000	877,000	380,000	379,908	380,253	345	48.97%	59.42%
Total - as at June 30, 2022		-	62,500	62,500	-	-	-	-	0.00%	0.00%

**6.1.4 Financial assets at fair value through profit or loss**  
**- Term Finance Certificates and Sukuks**

Name of the investee company	As at July 1, 2022	Purchases during the year	Sales during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised diminution on re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments



6.1.4.1 These Term Finance Certificates and Sukuks carries mark-up at the rate ranging between 16.44% to 20.68% (2022: 8.69% to 16.44%), per annum.

6.1.4.2 Significant terms and conditions of Term Finance Certificates as at June 30, 2023 are as follows:

Name of the investee company	Remaining principal (per certificate)	Mark-up rate (per annum)	Issue date
<b>Term Finance Certificates - listed</b>			
K Electric	5,000	3 months KIBOR + 1.70%	November 23, 2022

**2023**                      **2022**  
**Note**                      ----- Rupees in '000 -----

**6.3 Net unrealized appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss'**

Market value of investments	639,911	572,021
Less: Carrying value of investments	(639,550)	(574,205)
	<u>361</u>	<u>(2,184)</u>

**7 PROFIT / MARK-UP RECEIVABLE**

Profit / mark-up receivable on:

Bank deposits	7.1	4,068	5,416
Pakistan Investment Bonds		11,507	18,252
GOP Ijara sukuk		9,439	-
Term Finance Certificates		992	180
		<u>26,006</u>	<u>23,848</u>

7.1 This includes Rs. 0.6 million (2022: Rs. 1.462 million) receivable from Habib Bank Limited and Rs. 2.99 million (2022: Rs. 0.767 million) receivable from HBL Microfinance Bank (formerly The First Microfinance Bank Limited, both are related parties.

**8 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES**

Security deposits with:

Central Depository Company of Pakistan Limited		100	100
National Clearing Company of Pakistan limited		250	250
		<u>350</u>	<u>350</u>
Prepaid expenses	8.1	229	216
Advance tax	8.2	391	391
Receivable against conversion in of units		-	812
		<u>970</u>	<u>1,769</u>

8.1 This includes prepaid expenses recognized in respect of rating fee.

8.2 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 151 and 233 of ITO 2001.

The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 151 of ITO 2001. The Management Company is confident that the same shall be refunded after filing refund application.

		2023	2022
	Note	----- Rupees in '000 -----	
<b>9</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
Remuneration payable to the Management Company	9.1	452	680
Sindh Sales Tax on Management Company's remuneration	9.2	59	88
Sales load payable		329	12
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	93	148
Selling and marketing expense payable	9.4	312	786
		<u>1,245</u>	<u>1,714</u>
9.1	As per the Regulation 61 of the NBFC Regulations, Asset Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the Offering Document. The maximum limit disclosed in the Offering Document is 1.5% per annum of average annual net assets. During the year, the fee is being charged at the rate ranging between 0.5% - 1.4% of the average annual net assets. The fee is payable monthly in arrears.		
9.2	The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.		
9.3	As per Regulation 60(3)(s) of NBFC Regulations, fees and expenses related to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee is being charged at the rate ranging between 0.15% to 0.27% of the average annual net assets.		
9.4	As per Regulation 60(3)(v) of NBFC Regulations, selling and marketing expense may be charged for all categories of funds except fund of funds. During the year, the fee is being charged at the rate ranging between 0.15% to 0.45% of the average annual net assets.		

		2023	2022
	Note	----- Rupees in '000 -----	
<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>		
Trustee fee payable	10.1	34	30
Sindh Sales Tax on remuneration of the Trustee	10.2	4	4
CDS charges payable		<u>12</u>	<u>1</u>
		<u>50</u>	<u>35</u>

10.1 The CDC vide notification CDC/CEO/L-112/02/2019, dated June 27, 2019, had revised the rates of the Trustee fee, with effect from July 1, 2019, according to which, Trustee fee shall be charged at the rate of 0.065% of the average annual net assets of the Fund. However, CDC vide notification CDC/CEO/L-259/01/2021, dated October 11, 2021, has further revised the rates of the Trustee fee for Government securities schemes, with effect from October 1, 2021, according to which, Trustee fee shall be charged at the rate of 0.055% of the average annual net assets of the Fund.

10.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

		2023	2022
	Note	----- Rupees in '000 -----	
<b>11</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		

Annual fee payable	11.1	107	181
--------------------	------	-----	-----

11.1 As per Regulation 62 of NBFC Regulations, An Asset Management Company managing a CIS shall pay SECP an annual fee of 0.02% of the average annual nets assets. The fee is payable annually in arrears.

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

Provision for Federal Excise Duty	12.1	15,531	15,531
Withholding tax payable		10,668	9,144
Auditors' remuneration		268	201
Printing charges		-	13
Brokerage payable		69	13
Zakat payable		452	452
Others		121	64
		<u>27,109</u>	<u>25,418</u>

12.1 The legal status of applicability of Federal Excise Duty is the same as disclosed in note 12.1 to the annual audited financial statements of the Fund for the year ended June 30, 2021. However, since the appeal filed by the tax authorities is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained a provision for FED on remuneration of Management Company, aggregating to Rs. 15.531 million (2022: Rs. 15.531 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2023 would have been higher by Rs. 2.2592 per unit (2022: Rs. 2.7703 per unit).

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2023 (2022: Nil).

**2023**                      **2022**  
----Number of Units-----

**14 NUMBER OF UNITS IN ISSUE**

Total units in issue at the beginning of the year	5,606,306	9,516,949
Add: Units issued	13,534,613	6,755,024
Less: Units redeemed	(12,266,485)	(10,665,667)
Total units in issue at the end of the year	<u>6,874,434</u>	<u>5,606,306</u>

**15 AUDITORS' REMUNERATION**

Annual audit fee	276	240
Fee for half yearly review	155	135
Other certifications and out of pocket expenses	81	71
	<u>513</u>	<u>446</u>

**16 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 its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current year, as the Management Company has distributed at least 90% of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) to its unit holders.

**17 EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed in these financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

**18 FINANCIAL INSTRUMENTS BY CATEGORY**

Particulars	----- As at June 30, 2023 -----		
	Fair value through profit or loss	Amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial assets</b>			
Bank balances	-	138,067	138,067
Investments			
Pakistan Investment Bonds	219,655	-	219,655
Term Finance Certificates	40,003	-	40,003
GOP Ijarah Sukuk	380,253	-	380,253
Profit / mark-up receivable	-	26,006	26,006
Deposits and other receivables	-	970	970
	<u>639,911</u>	<u>165,043</u>	<u>804,954</u>

Particulars	----- As at June 30, 2023 -----		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	1,186	1,186
Payable to the Trustee	-	46	46
Accrued expenses and other liabilities	-	443	443
	-	1,675	1,675

Particulars	----- As at June 30, 2022 -----		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	-	451,031	451,031
Investments			
Pakistan Investment Bonds	521,931	-	521,931
Term Finance Certificates	50,090	-	50,090
Profit / mark-up receivable	-	23,848	23,848
Deposits and other receivables	-	1,162	1,162
	572,021	476,041	1,048,062

Particulars	----- As at June 30, 2022 -----		
	Fair value through profit or loss	Amortised cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	1,626	1,626
Payable to the Trustee	-	31	31
Accrued expenses and other liabilities	-	290	290
	-	1,947	1,947

## 19 TRANSACTIONS AND BALANCES WITH RELATED / CONNECTED PARTIES

Related parties are the 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, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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.

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative year and not in the current year are not disclosed in the comparative year.

Details of the transactions with connected persons and balances with them are as follows:

	2023	2022
	----- Rupees in '000 -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of Management Company	6,678	11,294
Sindh Sales Tax on remuneration of the Management Company	868	1,468
Sales load	2,815	2,815
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,311	2,395
Selling and marketing expense	2,049	4,004
Issue of 2,263,611 units (June 2022: Nil units)	285,000	-
Dividend Reinvestment 47,536 units (June 2022: Nil units)	5,347	-
Refund of Capital 270,077 units (June 2022: Nil units)	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	296	524
Sindh Sales Tax on remuneration of the Trustee	38	68
CDC service charges	33	9
	2023	2022
	----- Rupees in '000 -----	
<b>Habib Bank Limited - Sponsor</b>		
Bank charges paid	242	227
Profit / mark-up on deposits accounts	2,095	8,385
Sale of Treasury Bill	773,906	-
<b>DCCL HBL Financial Planning Fund - Active Allocation Plan</b>		
<b>'- Fund under common Management</b>		
Issue of 540,736 units (June 2022: Nil units)	68,400	-
Dividend Reinvestment 10,528 units (June 2022: Nil units)	1,184	-
Refund of Capital 67,348 units (June 2022: Nil units)	-	-
<b>HBL Microfinance Bank Limited (Formerly: First Microfinance Bank Limited)</b>		
Profit / mark-up on deposits accounts	7,875	3,203
Sale of Pakistan Investment Bond	140,026	-
<b>Director and Executives of the Management Company</b>		
Issue of 214 (2022: 9) units	510	1
Redemption of 3,996 (2022: 0) units	511	0
Dividend Paid	5	-
<b>Qadeer Baig Connected Party More Than 10%</b>		
Dividend Reinvestment 2,816 units (June 2022: Nil units)	317	-

	2023	2022
	----- Rupees in '000 -----	
<b>Saleem Majidulla Connected Party More Than 10%</b>		
Dividend Reinvestment 3,126 units (June 2022: Nil units)	352	-
<b>Taavun (Pvt) Limited Connected Party More Than 10%</b>		
Redemption of 440,875 (2022: Nil) units	53,403	-
<b>CDC Trustee HBL Cash Fund - Connected Party</b>		
Sale of Pakistan Investment Bond	199,846	-
<b>CDC Trustee HBL Financial Sector Income Fund Plan I</b>		
<b>Connected Party</b>		
Sale of Bank of Punjab TFC	49,890	-
Sale of Pakistan Investment Bond	326,908	-
Purchase of GOP Ijara Sukuk	102,037	-
<b>CDC Trustee HBL Income Fund - Connected Party</b>		
Sale of Pakistan Investment Bond	102,956	-
<b>CDC Trustee HBL Islamic Income Fund - Connected Party</b>		
Purchase of GOP Ijara Sukuk	499,463	-
Sale of GOP Ijara Sukuk	407,655	-
<b>19.2 Balance outstanding as at the year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration payable to the Management Company	452	680
Sindh Sales Tax payable on Management Company's remuneration	59	88
Sales load payable	329	12
Allocation of expenses related to registrar services, accounting, operation and valuation services	93	148
Selling and marketing expense payable	312	786
Units held 2,581,225 units (June 2022: Nil units)	291,540	
	2023	2022
	----- Rupees in '000 -----	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	34	30
Sindh Sales Tax payable on Trustee Remuneration	4	4
CDC charges payable	12	1
Security deposit held	100	100
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	28,311	446,371
Profit / mark-up receivable	58	1,462
<b>HBL Microfinance Bank Limited (Formerly: First Microfinance Bank Limited)</b>		
Bank balances	107,714	624
Profit / mark-up receivable	2,991	768
<b>Director and Executives of the Management Company</b>		
Units held: Nil (2022: 9)	-	1
<b>Qadeer Baig Connected Party More Than 10%</b>		
Units held: 25,818 (2022: 9)	2,916	2,587
<b>Saleem Majidulla Connected Party More Than 10%</b>		
Units held: 34,139 (2022: 9)	3,856	3,488

## **20 FINANCIAL RISK MANAGEMENT**

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

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of investments such as Government securities, spread transactions and in other money market instruments. These activities expose the Fund to a variety of financial risks, such as market risk, credit risk and liquidity risk.

### **20.1 Market risk**

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

The Management Company manages 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.

#### **20.1.1 Currency risk**

Currency risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk.

#### **20.1.2 Interest rate risk**

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

##### **a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 11.75% to 22.16% per annum, and against investments in Pakistan Investment Bonds, Term Finance Certificates and Sukuks, the interest rate on which range between 21.99% and 17.47% to 20.68% respectively.

In case of 100 basis points increase / decrease in interest rates on June 30, 2023, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 3.661 million (2022: Rs. 10.319 million).

##### **b) Fair value interest rate risk**

The Fund's investment in Market Treasury Bills, Pakistan Investment Bonds, GOP Ijara Sukuk and Term Finance Certificates exposes it to fair value interest rate risk.

In case of 100 basis points increase / decrease in interest rates on June 30, 2023, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 6.399 million.. (2022: 5.720 million).



The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

Particulars	As at June 30, 2023					Total
	Effective yield / interest rate	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				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	19 - 22.65	138,067	-	-	-	138,067
Investments						
Pakistan Investment Bonds - Floating	21.99	-	-	219,655	-	219,655
Pakistan Investment Bonds - Non-floating		-	-	-	-	-
Term Finance Certificate	17.47 - 20.68	-	-	40,003	-	40,003
GOP Ijarah Sukuk	22.67	-	-	380,253	-	380,253
Profit / mark-up receivable		-	-	-	26,006	26,006
Deposits and other receivables		-	-	-	970	970
<b>Sub total</b>		138,067	-	639,911	26,976	804,954
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	1,186	1,186
Payable to the Trustee		-	-	-	46	46
Accrued expenses and other liabilities		-	-	-	443	443
<b>Sub total</b>		-	-	-	1,675	1,675
<b>On-balance sheet gap (a)</b>		138,067	-	639,911	25,301	803,279
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		138,067	-	639,911	25,301	803,279
<b>Cumulative interest rate sensitivity gap</b>		138,067	-	639,911		

Particulars	As at June 30, 2022					Total
	Effective yield / interest rate	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	5.5 - 17.56	451,031	-	-	-	451,031
Investments						
Pakistan Investment Bonds - floating	10.89 - 11.36	-	-	424,655	-	424,655
Pakistan Investment Bonds - non- floating	12.33			97,277		97,277
Term Finance Certificates	8.69 - 16.44	-	-	50,089	-	50,089
Profit / mark-up receivable		-	-	-	23,848	23,848
Deposits and other receivables		-	-	-	1,162	1,162
Sub total		451,031	-	572,021	25,010	1,048,062
Financial liabilities						
Payable to the Management Company		-	-	-	1,626	1,626
Payable to the Trustee		-	-	-	31	31
Accrued expenses and other liabilities		-	-	-	290	290
Sub total		-	-	-	1,947	1,947
On-balance sheet gap (a)		451,031	-	572,021	23,063	1,046,115
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		451,031	-	572,021	23,063	1,046,115
Cumulative interest rate sensitivity gap		451,031	-	572,021		

### 20.1.3 Other price risk

Price risk is a 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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

## 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to investment in debt securities such as Term finance certificates, Sukuks and Bank balances. Bank balances are maintained with balance with a reasonably high credit rating. The risk of default is considered minimal due to inherent systematic measures taken therein.

20.2.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2023 and June 30, 2022:

Name of Banks	Balances held as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
<b>Rupees in '000</b>			
<b>Balances with banks by rating category</b>			
Allied Bank Limited	11	A-1+	PACRA
Bank Al Falah Limited	106	A-1+	PACRA
Habib Metro Bank Limited	12	A-1+	VIS
JS Bank Limited	311	A-1+	PACRA
Zarai Taraqati Bank Limited	0	A-1+	VIS
Samba Bank Limited	14	A-1	VIS
Sindh Bank Limited	1	A-1	VIS
Soneri Bank Limited	839	A-1+	PACRA
MCB Bank Limited	86	A-1+	VIS
Habib Bank Limited	28,310	A-1+	VIS
Faysal Bank limited	121	A-1+	VIS
Dubai Islamic Bank limited	9	A-1+	VIS
National Bank of Pakistan	10	A-1+	VIS
HBL Microfinance Bank Limited	107,714	A-1	VIS
Khushhali Microfinance Bank Limited	9	A-2	VIS
U Microfinance Bank	514	A-1	VIS
Mobilink Microfinance Bank Limited	10	A-1	PACRA
	138,076		
<b>Investments by rating category</b>			
Term finance certificates - unlisted			
K Electric	40,003	AA	PACRA
<b>Total</b>	178,079		

Name of Banks	Balances held by the Fund as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating agency
-----Rupees in '000-----			
<b>Balances with banks by rating category</b>			
Allied Bank Limited	12	A-1+	PACRA
Bank Al Falah Limited	295	A-1+	PACRA
Habib Metro Bank Limited	11	A-1+	VIS
JS Bank Limited	412	A-1+	PACRA
Zarai Taraqati Bank Limited	-	A-1+	VIS
Samba Bank Limited	13	A-1	VIS
Sindh Bank Limited	-	A-1	VIS
Soneri Bank Limited	695	A-1+	PACRA
MCB Bank Limited	2,341	A-1+	VIS
Habib Bank Limited	446,370	A-1	VIS
Faysal Bank limited	61	A-1+	VIS
Dubai Islamic Bank limited	9	A-1+	VIS
HBL Microfinance Bank Limited	624	A-1	VIS
Khushali Bank Limited	12	A-1	VIS
U Microfinance Bank Limited	167	A-1	VIS
Mobilink Microfinance Bank Limited	9	A-1	PACRA
	451,031		
<b>Investments by rating category</b>			
Term finance certificates - unlisted			
Bank of Punjab	50,089	AA	PACRA
	501,120		

**20.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure:**

	2023	2022
<b>Rating by rating category</b>	----- (Percentage) -----	
A-1+	21.59	0.85
A-1	78.40	98.97

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in Government securities and bank balances, while the remaining transactions are entered into with diverse credit-worthy counterparties, thereby mitigating any significant concentration of credit risk to counterparties.

## 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year, no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instances were witnessed by the Fund during the current year (2021: None).

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

Particulars	As at June 30, 2023			
	Upto three months	More than three months and upto one year	More than one year	Total
Rupees in '000				
<b>Financial liabilities</b>				
Payable to the Management Company	1,186	-	-	1,186
Payable to the Trustee	46	-	-	46
Accrued expenses and other liabilities	443	-	-	443
	1,675	-	-	1,675

Particulars	----- As at June 30, 2022 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	1,626	-	-	1,626
Payable to the Trustee	31	-	-	31
Accrued expenses and other liabilities	290	-	-	290
	<u>1,947</u>	<u>-</u>	<u>-</u>	<u>1,947</u>

## 21 UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund 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. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the reporting 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.

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. 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.

Particulars		June 30, 2023						
		Carrying amount			Fair value			
		Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	Note	-----Rupees in '000-----						
On-balance sheet financial instruments								
Financial assets measured at fair value	22.1							
Pakistan Investment Bonds		219,655	-	219,655	-	219,655	-	219,655
Term Finance Certificates		40,003	-	40,003	-	40,003	-	40,003
GOP Ijarah Sukuks		380,253	-	380,253	-	380,253	-	380,253
		639,911	-	639,911	-	639,911	-	639,911

Particulars		June 30, 2022						
		Carrying amount			Fair value			
		Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	Note	-----Rupees in '000-----						
On-balance sheet financial instruments								
Financial assets measured at fair value	22.1							
Pakistan Investment Bonds		521,931	-	521,931	-	521,931	-	521,931
Term Finance Certificates		50,090	-	50,090	-	50,090	-	50,090
		572,021	-	572,021	-	572,021	-	572,021

## 22.1 Valuation techniques

For level 2 investments at fair value through profit or loss - investment in respect of Treasury Bills, Pakistan Investment Bonds and GOP Ijarah Sukuks, Fund uses the rates which are derived from PKRV, PKFRV and PKISRV rates at reporting date per certificate multiplied by the number of certificates held as at year end and for investment in respect of Term Finance Certificates, Fund uses the rates prescribed by MUFAP.

22.2 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 periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 22.3 Transfers during the year

No transfers were made between various levels of fair value hierarchy during the year.

## 23 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

Top ten brokers during the year ended June 30, 2023

1	Continental Exchange (Pvt) Ltd
2	C & M Management (Pvt.) Ltd
3	Al Falah CLSA Securities (Pvt) Ltd
4	Summit Capital (Pvt) Limited
5	JS Global Capital Limited
6	Pearl Securities Limited
7	Icon Securities (Pvt.) Ltd
8	Next Capital Limited
9	BIPL Securities Limited
10	BMA Capital Management Ltd

Top ten brokers during the year ended June 30, 2022

1	Optimus Markets (Private) Limited
2	Arif Habib Limited
3	Pearl Securities Limited
4	Invest One Markets Limited
5	Vector Capital (Private) Limited
6	Icon Securities (Private) Limited
7	BIPL Securities Limited

## 24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. no.	Name	Designation	Qualifications	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	23+
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	26+
3	Wamiq Sakrani	Head of Fixed Income	MBA	12+
4	Imad Ansari	Head of Risk	MBA	16+
5	Umair Naseer	Head of Research	MBA	10+
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7	Raza Abbas	Senior Fund Manager	M.Com	20
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7+

**25 PATTERN OF UNITHOLDING**

Category	----- As at June 30, 2023 -----			
	No. of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
Individuals	1,840	3,216,140	363,251	46.78%
Associated company	1	2,581,225	291,540	37.55%
Retirement Funds	27	224,284	25,332	3.26%
Trust	11	1,209	137	0.02%
Foreign investors	6	29,462	3,328	0.43%
Other Corporate	35	822,114	92,855	11.96%
	1,920	6,874,434	776,443	100.00%

Category	----- As at June 30, 2022 -----			
	No. of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
Individuals	677	4,620,589	519,712	82.42%
Associated company	0	-	-	0.00%
Retirement Funds	7	253,616	28,526	4.52%
Trust	3	101,425	11,408	1.81%
Foreign investors	0	-	-	0.00%
Other Corporate	3	630,676	70,937	11.25%
	690	5,606,306	630,583	100.00%

**26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Six meetings of the Board of Directors were held on August 29,2022 , October 19, 2022, January 16,2023 ,January 23,2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29,2022, January 16,2023, January 23,2023, February 13,2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19,2022.



**27 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2023 is 2.42% (2022: 2.37%) which includes 0.19% (2022: 0.19%) representing Government levy and SECP fee.

**28 CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**29 GENERAL**

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

**30 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

**For HBL Asset Management Limited  
(Management Company)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



**HBL** Stock Fund

## FUND INFORMATION

NAME OF FUND	HBL Stock Fund
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited
NAME OF AUDITORS	A.F. Ferguson & Co.
NAME OF BANKERS	Habib Bank Limited Allied Bank Limited MCB Bank Limited JS Bank Limited Soneri Bank Limited Zarai Taraqati Bank Limited Habib Metropolitan Bank Limited Khushali Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited National Bank of Pakistan HBL Micro Finance Bank Limited

## Type and Category of Fund

Open end Equity Fund

## Investment Objective and Accomplishment of Objective

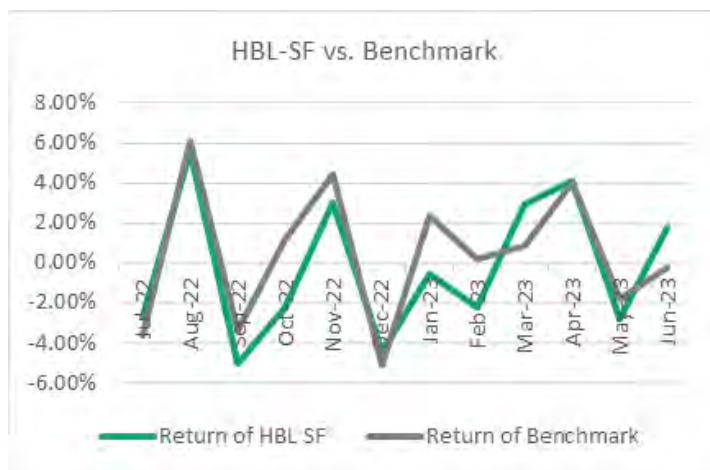
The investment objective of the Fund is to provide long term capital growth by investing primarily in a diversified pool of equities and equity related instruments. The objective of the Fund has been achieved.

## Benchmark and Performance Comparison with Benchmark

KSE30 (Total Return) Index

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

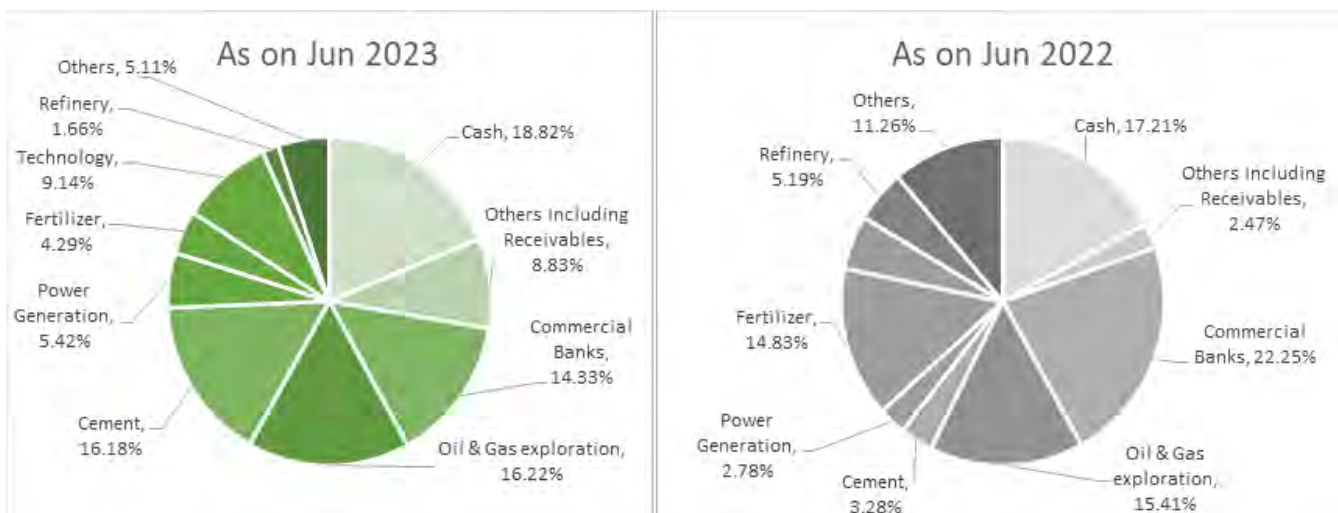
Month	Return of Fund	
	HBL-SF	Benchmark
Jun-23	1.81%	-0.25%
May-23	-2.79%	-1.84%
Apr-23	4.06%	3.99%
Mar-23	2.91%	0.89%
Feb-23	-2.24%	0.21%
Jan-23	-0.54%	2.39%
Dec-22	-4.43%	-5.09%
Nov-22	3.04%	4.45%
Oct-22	-2.19%	1.18%
Sep-22	-5.07%	-3.39%
Aug-22	5.61%	6.06%
Jul-22	-2.67%	-3.62%



## Strategies and Policies employed during the Year

During the year under review, the Fund reduced its exposure in equity from 80% of total assets as on June 30, 2022 to 72% of total assets as on June 30, 2023. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in oil & gas, cement and technology has increased, while exposure in commercial banks and fertilizer has decreased.

## Allocation



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2023 and June 30, 2022:

Sector Name	As on Jun 2023	As on Jun 2022
Cash	18.82%	17.21%
Others Including Receivables	8.83%	2.47%
Commercial Banks	14.33%	22.25%
Oil & Gas exploration	16.22%	15.41%
Cement	16.18%	3.28%
Power Generation	5.42%	2.78%
Fertilizer	4.29%	14.83%
Technology	9.14%	5.32%
Refinery	1.66%	5.19%
Others	5.10%	11.3%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The total income and net loss of the Fund was Rs. 1.56 million and Rs. 7.91 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs 69.6597 per unit as on June 30, 2023 as compared to Rs 71.9274 per unit as on June 30, 2022, thereby giving a negative return of 3.15%. During the same year the benchmark KSE 30 index yielded a return of 4.41%. The size of Fund was Rs 0.16 billion as on June 30, 2023 as compared to Rs. 0.24 billion at the start of the year.

## Market Review

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2023.

## 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 (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	112	4,664
101 – 500	55	13,695
501 – 1,000	18	14,666
1,001 – 10,000	54	209,732
10,001 – 100,000	22	548,360
100,001 – 500,000	2	240,523
500,001 – 1,000,000	2	1,268,555
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>265</b>	<b>2,300,195</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE – HBL STOCK FUND

As at June 30, 2023

	2023	2022	2021	2020	2019	2018
Net assets at the period end (Rs'000)	160,231	235,637	951,345	1,840,743	2,146,517	5,958,370
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	69.6596	112.1020	112.1020	86.3419	89.7221	107.0620
Offer	71.6275	115.2689	115.2689	88.7811	92.2567	110.0865
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	78.1552	117.5302	117.1157	116.9356	114.7399	124.9877
Lowest offer price per unit	64.4225	73.6953	90.2495	72.4474	90.1337	98.8279
Highest redemption price per unit	76.0080	114.3012	113.8981	113.7229	111.5876	121.5538
Lowest redemption price per unit	62.6526	71.6706	87.7700	70.4570	87.6574	96.1127
<b>RETURN ( % )</b>						
Total return	-3.15%	-35.84%	29.83%	-3.77%	-16.20%	-11.85%
Income distribution	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Capital growth	-3.15%	-35.84%	29.83%	-3.77%	-16.20%	-11.85%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	-	-	-	-	-	-
Date of Income Distribution	-	-	-	-	-	-
Total dividend distribution for the year/ period (Rs)	-	-	-	-	-	-
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-3.15%	-35.84%	29.83%	-3.77%	-16.20%	-11.85%
Average annual return 2 year	-21.17%	-8.73%	11.77%	-10.20%	-14.05%	4.51%
Average annual return 3 year	-6.91%	-7.11%	1.54%	-10.75%	-2.91%	3.82%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	19%	17%	7%	11%	11%	10%
Stock / Equities	72%	80%	59%	89%	88%	89%
Placement with Banks and DFIs	0%	0%	0%	0%	0%	0%
Others Including Receivables	9%	2%	35%	1%	2%	1%

## Note:

The Launch date of the Fund is August 31, 2007

## **Disclaimer:**

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

## Summary of Actual Proxy voted by CIS

HBLSF	Meetings	Resolutions	For	Against
Number	5	19	19	-
(%ages)			100%	-

(h) AMC did not participate in shareholders' meetings

Scrip	AGM Meeting Dt	EOGM Meeting Dt
Attock Cement Pakistan Ltd	19-10-22	27-05-23
Attock Refinery Ltd	20-09-22	
Bank Al-Falah Ltd	21-03-23	
Bank Al-Habib Limited	21-03-23	
BankIslami Pakistan Limited	30-03-23	10/10/2022 10-05-2023
Cherat Cement Company Ltd.	12-10-22	22-06-23
D G Khan Cement Co.Ltd.	28-10-22	20-06-23
Engro Corporation Ltd	30-03-23	26-01-23
Engro Fertilizers Limited	28-03-23	
Engro Polymer & Chemicals Ltd	27-04-23	
Fauji Fertilizer Co Ltd	28-03-23	23-06-23
Faysal Bank Limited		11-05-23
Gul Ahmed Textile Mills Ltd	27-10-23	31/03/2023 14-6-2023
Habib Bank Ltd	29-03-23	
Habib Metropolitan Bank Ltd	30-03-23	
Hub Power Company Ltd	29-09-22	20-02-23
Hum Network Ltd	25-10-22	
IGI LIFE INSURANCE LIMITED	27-04-23	23-05-23
Lucky Cement Ltd	20-09-22	28/09/2022 24-5-2023
Maple Leaf Cement Factory Ltd	27-10-22	30/12/2022 20-6-2023
Mari Petroleum Company Ltd	28-09-22	23-06-23
MCB Bank Ltd	24/10/2022 27-03-2023	
Meezan Bank Ltd	29-03-23	
Mughal Iron & Steel Inds Ltd	31-10-22	
National Refinery Ltd	19-10-22	
Oil & Gas Development Co Ltd	25-10-22	30-11-22
Pakistan Oilfields Ltd	20-09-22	12-06-23
Pakistan Petroleum Ltd		30-11-22
Pakistan State Oil Company Ltd	26-10-22	
Standard Chartered Bank (Pakistan) Ltd	29-03-23	
Sui Northern Gas Pipeline Ltd	29-07-22	
Systems Limited	23-05-23	01/07/2022 23-6-2023
Tariq Glass Industries Ltd	27-10-22	21-06-23
The Organic Meat Company Limited	28-10-22	20-06-23
The Searle Company Ltd	28-10-22	
TPL Insurance Limited	27-04-23	06/07/2022 19-9-2022 27-6-2023
TPL Trakker Limited	24-10-22	
United Bank Limited		22-06-23
Unity Foods Limited	28/10/2022 15-12-2022 15-2-2023	

The proxy voting policy is available on the website of HBL Asset Management Limited (the Management Company) and detailed information regarding actual proxies in respect of the Fund would be available to all the unit holders without charge upon a request to be submitted at our head office located at 7th Floor, Emerald Tower, Block-5, Clifton, Karachi.



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL STOCK FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Stock Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023





A.F. FERGUSON & Co.

## INDEPENDENT AUDITOR'S REPORT

To the Unit holders of HBL Stock Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Stock Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Net Asset Value</b> (Refer notes 4 and 5 to the financial statements)</p> <p>The bank balances and investments constitute the most significant component of the net asset value (NAV). The bank balances and investments of the Fund as at June 30, 2023 amounted to Rs. 38,722 million and Rs. 148,861 million respectively.</p> <p>The existence of bank balances and the existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2023 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none"> <li>tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2023 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li> <li>re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and</li> <li>obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

AFC

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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**Other Information**

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.





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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

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

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

*A.F. Ferguson & Co.*  
A. F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: September 22, 2023  
UDIN: AR202310061uHeAbQEg0

	Note	2023	2022
		----- Rupees in '000 -----	
<b>ASSETS</b>			
Bank balances	4	38,722	47,889
Investments	5	148,861	223,548
Dividend and profit receivable	6	1,370	1,442
Receivable against sale of investments		11,584	2,278
Advances and deposits	7	3,111	3,111
Receivable from HBL Asset Management Limited - Management Company	8	2,125	-
<b>Total assets</b>		205,773	278,268
<b>LIABILITIES</b>			
Payable to HBL Asset Management Limited - Management Company	9	798	2,333
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	30	65
Payable to the Securities and Exchange Commission of Pakistan	11	38	138
Payable against purchase of investments		4,482	-
Accrued expenses and other liabilities	12	40,194	40,095
<b>Total liabilities</b>		45,542	42,631
<b>NET ASSETS</b>		<u>160,231</u>	<u>235,637</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>160,231</u>	<u>235,637</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		----- Number of units -----	
<b>NUMBER OF UNITS IN ISSUE</b>	18	<u>2,300,195</u>	<u>3,276,044</u>
		----- Rupees -----	
<b>NET ASSET VALUE PER UNIT</b>	3.7	<u>69.6597</u>	<u>71.9274</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL Stock Fund**  
**Income Statement**  
For the year ended June 30, 2023

	Note	2023	2022
		----- Rupees in '000 -----	
<b>INCOME</b>			
Dividend income		16,521	32,031
Profit on savings accounts with banks		7,937	5,674
Income from government securities - Market Treasury Bills		138	331
Loss on sale of investments - net		(19,777)	(267,441)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.2	(3,258)	(68,039)
		(23,035)	(335,480)
<b>Total income / (loss)</b>		1,561	(297,444)
<b>EXPENSES</b>			
Remuneration of HBL Asset Management Limited - Management Company	9.1 & 9.2	4,327	15,509
Selling and marketing expenses	9.3	2,024	6,994
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	1,039	3,563
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1 & 10.2	433	1,570
Annual fee to the Securities and Exchange Commission of Pakistan	11	38	137
Securities transaction costs		2,014	3,503
Auditors' remuneration	14	734	701
Settlement and bank charges		594	866
Fees and subscription		394	559
Reimbursement from HBL Asset Management Limited - Management Company		(2,125)	-
<b>Total operating expenses</b>		9,472	33,402
<b>Net operating loss for the year</b>		(7,911)	(330,846)
Reversal of provision for Sindh Workers' Welfare Fund		-	44,249
<b>Net loss for the year before taxation</b>		(7,911)	(286,597)
Taxation	16	-	-
<b>Net loss for the year after taxation</b>		(7,911)	(286,597)
<b>Loss per unit</b>	17		
<b>Allocation of income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on redemption of units		-	-
		-	-
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		-	-
		-	-

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

	2023	2022
	----- Rupees in '000 -----	-----
Net loss for the year after taxation	(7,911)	(286,597)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<u><u>(7,911)</u></u>	<u><u>(286,597)</u></u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL Stock Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2023

	2023			2022		
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
	Rupees in '000					
<b>Net assets at the beginning of the year</b>	1,408,880	(1,173,243)	235,637	1,837,990	(886,646)	951,344
Issuance of 1,389,842 units (2022: 5,361,979 units)						
- Capital value (at net asset value per unit at the beginning of the year)	99,968	-	99,968	601,089	-	601,089
- Element of loss	(2,522)	-	(2,522)	(98,734)	-	(98,734)
<b>Total proceeds on issuance of units</b>	97,446	-	97,446	502,355	-	502,355
Redemption of 2,365,691 units (2022: 10,572,352 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(170,158)	-	(170,158)	(1,185,182)	-	(1,185,182)
- Element of income	5,217	-	5,217	253,717	-	253,717
<b>Total payments on redemption of units</b>	(164,941)	-	(164,941)	(931,465)	-	(931,465)
Total comprehensive loss for the year	-	(7,911)	(7,911)	-	(286,597)	(286,597)
Distribution for the year	-	-	-	-	-	-
<b>Net loss for the year less distribution</b>	-	(7,911)	(7,911)	-	(286,597)	(286,597)
<b>Net assets at the end of the year</b>	<b>1,341,385</b>	<b>(1,181,154)</b>	<b>160,231</b>	<b>1,408,880</b>	<b>(1,173,243)</b>	<b>235,637</b>
<b>Accumulated loss brought forward comprising of:</b>						
- Realised loss	(1,105,204)			(966,283)		
- Unrealised (loss) / income	(68,039)			79,637		
	(1,173,243)			(886,646)		
<b>Accounting income available for distribution:</b>						
- Relating to capital gains	-			-		
- Excluding capital gains	-			-		
	-			-		
Net loss for the year after taxation		(7,911)			(286,597)	
<b>Accumulated loss carried forward</b>		<b>(1,181,154)</b>			<b>(1,173,243)</b>	
<b>Accumulated loss carried forward comprising of:</b>						
- Realised loss	(1,177,896)			(1,105,204)		
- Unrealised loss	(3,258)			(68,039)		
	(1,181,154)			(1,173,243)		
		(Rupees)			(Rupees)	
<b>Net asset value per unit at the beginning of the year</b>		<b>71.9274</b>			<b>112.1020</b>	
<b>Net asset value per unit at the end of the year</b>		<b>69.6597</b>			<b>71.9274</b>	

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



	Note	2023	2022
		----- Rupees in '000 -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(7,911)	(286,597)
<b>Adjustments for:</b>			
Profit on savings accounts with banks		(7,937)	(5,674)
Dividend income		(16,521)	(32,031)
Income from government securities - Market Treasury Bills		(138)	(331)
Loss on sale of investments - net		19,777	267,441
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.2	3,258	68,039
Reversal of provision for Sindh Workers' Welfare Fund		-	(44,249)
		(9,472)	(33,402)
<b>Decrease / (increase) in assets</b>			
Investments - net		46,828	867,568
Receivable from HBL Asset Management Limited - Management Company		(2,125)	-
Advances and deposits		-	7,340
		44,703	874,908
<b>(Decrease) / increase in liabilities</b>			
Payable to HBL Asset Management Limited - Management Company		(1,535)	(5,322)
Payable to the Central Depository Company of Pakistan Limited - Trustee		(35)	(163)
Payable to the Securities and Exchange Commission of Pakistan		(100)	(262)
Accrued expenses and other liabilities		99	(501,545)
		(1,571)	(507,292)
		33,660	334,214
Profit received on savings accounts with banks		8,225	5,113
Dividend received		16,305	34,773
Income received from government securities - Market Treasury Bill		138	331
<b>Net cash generated from operating activities</b>		58,328	374,431
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts against issuance and conversion of units		97,446	502,355
Payment against redemption and conversion of units		(164,941)	(931,465)
<b>Net cash used in financing activities</b>		(67,495)	(429,110)
<b>Net decrease in cash and cash equivalents during the year</b>		(9,167)	(54,679)
Cash and cash equivalents at the beginning of the year		47,889	102,568
<b>Cash and cash equivalents at the end of the year</b>	4	38,722	47,889

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

## **1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 HBL Stock Fund (the Fund) is an open ended mutual fund constituted under a Trust Deed entered between HBL Asset Management Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Trust Deed was executed under the Trust Act, 1882 on August 09, 2007 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 21, 2007. During the year ended June 30, 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the "Sindh Trust Act, 2020". Accordingly, on September 8, 2021, the above-mentioned Trust Deed has been registered under the "Sindh Trust Act, 2020".
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3 The Fund has been categorised as an open ended equity scheme by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009 and is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs 10 per unit from August 29, 2007 to August 31, 2007.
- 1.4 The principal objective of the Fund is to provide long-term capital growth by investing primarily in a diversified pool of equities and equities related instruments.
- 1.5 VIS Credit Rating Company Limited (VIS) has upgraded the Management Quality Rating to AM-I (2022: AM2++) on December 30, 2022 and the outlook on the rating has been assigned as 'Stable'.
- 1.6 The title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as Trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2022. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

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

There are certain new amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on or after July 1, 2023. However, these will not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

**2.4 Critical accounting estimates and judgments**

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

The estimates and judgments that have a significant effect on the financial statements of the Fund relate to classification and valuation of financial assets (notes 3.3 and 5) and provision for Federal excise duty (note 12.1).

**2.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

**2.6 Functional and presentation currency**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### **3.2 Cash and cash equivalents**

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

### **3.3 Financial assets**

#### **3.3.1 Initial recognition and measurement**

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

#### **3.3.2 Classification and subsequent measurement**

##### **Debt instruments**

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

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

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

##### **Equity instruments**

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

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

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

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

##### **3.3.2.1 Impairment**

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

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### **3.3.2.2 Impairment loss on debt securities**

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

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, considering the specific credit and financial condition of the debt security issuer and in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company. The provisioning policy approved by the Board of Directors has also been placed on the Management Company's website as required under the SECP's circular.

#### **3.3.2.3 Regular way contracts**

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

#### **3.3.2.4 Derecognition**

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

### **3.4 Financial liabilities**

All financial liabilities are recorded at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is discharged when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

### **3.5 Offsetting of financial assets and financial liabilities**

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

### **3.6 Provisions**

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

### **3.7 Net asset value per unit**

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

### **3.8 Issue and redemption of units**

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

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

### **3.9 Distribution to the unit holders**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

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

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

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

### **3.11 Revenue recognition**

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the year in which these arise.
- Dividend income is recognised when the Fund's right to receive the same is established.
- Profit on saving accounts with bank and income from government securities are recognised on a time proportion basis using the effective yield method.

### 3.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee and annual fee to the SECP are recognised in the Income Statement on an accrual basis.

### 3.13 Taxation

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

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

### 3.14 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 17.

### 3.15 Foreign currency translation

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

## 4 BALANCES WITH BANKS

	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
Savings accounts	4.1	38,704	47,871
Current accounts		18	18
		<u>38,722</u>	<u>47,889</u>

4.1 This includes balances of Rs. 1.11 million (2022: Rs. 7.92 million) with Habib Bank Limited (a related party) that carries profit at the rate of 8% (2022: 10%) and Rs. 27.343 million (2022: Rs. 0.009 million) with HBL Microfinance Bank Limited (a related party) carrying profit at the rate of 14.9% to 21.9% (2022: 13%). Other savings accounts of the Fund carry profit at the rates of 8% to 20.3% (2022: 7.8% to 16.7%) per annum.

## 5 INVESTMENTS

	Note	2022 ----- Rupees in '000 -----	2021 ----- Rupees in '000 -----
<b>At fair value through profit or loss</b>			
- Listed equity securities	5.1	148,861	223,548
- Market treasury bills	5.3	-	-
		<u>148,861</u>	<u>223,548</u>

### 5.1 Quoted equity securities

Name of the investee company	As at July 01, 2022	Purchased during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2023	Carrying Value as at June 30, 2023	Market value as at June 30, 2023	Unrealized appreciation / (diminution) as at June 30, 2023	Market value as a percentage of		Holding as a percentage of paid-up capital of investee company
									Total market value of investments	Net assets of the Fund	
Number of shares						Rupees in '000			%		
CEMENT											
Cherat Cement Company Limited	-	99,551	-	61,051	38,500	4,582	4,631	49	3.11%	2.89%	0.02%
D.G. Khan Cement Company Limited	-	433,500	-	310,500	123,000	6,440	6,310	(130)	4.24%	3.94%	0.03%
Fauji Cement Company Limited	-	828,000	33,875	861,875	-	-	-	-	-	-	-
Kohat Cement Company Limited	-	38,500	-	38,500	-	-	-	-	-	-	-
Lucky Cement Limited	-	124,714	-	98,644	26,070	13,017	13,611	594	9.14%	8.49%	0.01%
Maple Leaf Cement Factory Limited	-	1,296,000	-	987,422	308,578	8,631	8,742	111	5.87%	5.46%	0.03%
Attock Cement Pakistan Limited	137,200	-	-	137,200	-	-	-	-	-	-	-
Pioneer Cement Limited	-	191,105	-	191,105	-	-	-	-	-	-	-
						32,670	33,294	624	22.37%	20.78%	
CHEMICAL											
Engro Polymer & Chemicals Limited	29,000	159,500	Engro	188,500	-	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	105,500	-	105,500	-	-	-	-	-	-	-
Descon Oxychem Limited	-	372,000	-	372,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
POWER GENERATION & DISTRIBUTION											
The Hub Power Company Limited (note 5.1.2)	113,558	316,600	-	270,000	160,158	11,224	11,144	(80)	7.49%	6.95%	0.01%
Nishat Power Limited	-	139,500	-	139,500	-	-	-	-	-	-	-
						11,224	11,144	(80)	7.49%	6.95%	
Balance carried forward						43,894	44,438	544			
ENGINEERING											
Mughal Iron & Steel Industries Limited (note 5.1.3)	20,889	115,500	-	115,499	20,890	1,065	1,012	(53)	0.68%	0.63%	0.01%
						1,065	1,012	(53)	0.68%	0.63%	
PHARMACEUTICALS											
AGP Limited	-	94,000	-	94,000	-	-	-	-	-	-	-
The Searle Company Limited * (note 5.1.3)	9,532	34,500	2,383	34,500	11,915	765	457	(308)	0.31%	0.29%	-
						765	457	(308)	0.31%	0.29%	
GLASS & CERAMICS											
Tariq Glass Industries Limited	-	91,500	-	53,500	38,000	2,675	2,588	(87)	1.74%	1.62%	0.02%
						2,675	2,588	(87)	1.74%	1.90%	
PROPERTIES											
TPL Properties Limited	-	220,000	-	220,000	-	-	-	-	-	-	-
						-	-	-	-	-	
MISCELLANEOUS											
Pakistan Aluminium Beverage Cans Limited	-	23,000	-	23,000	-	-	-	-	-	-	-
						-	-	-	-	-	
OIL & GAS EXPLORATION COMPANIES											
Mari Petroleum Company Limited * (note 5.1.2)	-	10,310	-	4,201	6,109	9,502	9,253	(249)	6.22%	5.77%	-
Oil & Gas Development Company Limited * (note 5.1.2)	229,055	376,000	-	457,600	147,455	12,008	11,501	(507)	7.73%	7.18%	-
Pakistan Oilfields Limited	17,231	27,650	-	44,881	-	-	-	-	-	-	-
Pakistan Petroleum Limited (note 5.1.2)	264,619	485,844	-	537,033	213,430	13,609	12,622	(987)	8.48%	7.88%	0.01%
						35,119	33,376	(1,743)	22.42%	20.83%	
OIL & GAS MARKETING COMPANIES											
Attock Petroleum Limited	-	13,459	-	13,459	-	-	-	-	-	-	-
Sui Northern Gas Pipeline Limited	-	714,000	-	559,682	154,318	6,515	6,075	(440)	4.08%	3.79%	0.02%
Shell Pakistan Limited	-	35,000	-	35,000	-	-	-	-	-	-	-
Pakistan State Oil Company Limited * (note 5.1.3)	61,341	36,900	-	94,738	3,503	430	389	(41)	0.26%	0.24%	-
						6,945	6,464	(481)	4.34%	4.03%	
REFINERY											
Attock Refinery Limited	51,500	77,000	Attock	108,610	19,890	3,315	3,414	99	2.29%	2.13%	0.02%
National Refinery Limited	21,400	9,960	-	31,360	-	-	-	-	-	-	-
						3,315	3,414	99	2.29%	2.13%	
COMMERCIAL BANKS											
Bank Alfalah Limited	172,100	742,830	-	914,930	-	-	-	-	-	-	-
Bank Al Habib Limited	5	216,782	-	67,655	149,132	6,619	6,445	(174)	4.33%	4.02%	0.01%
Banks Islami Pakistan Limited	-	308,134	-	228,134	80,000	1,313	1,421	108	0.95%	0.89%	0.01%
Faysal Bank Limited * (note 5.1.3)	104,018	80,500	-	158,500	26,018	645	525	(120)	0.35%	0.33%	-
Habib Bank Limited * (note 5.1.2)	97,158	610,500	-	655,458	52,200	3,659	3,823	164	2.57%	2.39%	-
Habib Metropolitan Bank Limited	125,000	-	-	125,000	-	-	-	-	-	-	-
Standard Chartered Bank (Pak) Ltd	677,000	-	-	677,000	-	-	-	-	-	-	-
MCB Bank Limited	56,389	41,000	-	97,389	-	-	-	-	-	-	-
Meezan Bank Limited (note 5.1.2)	42,296	158,000	3,729	108,300	95,725	8,860	8,268	(592)	5.55%	5.16%	0.01%
United Bank Limited (note 5.1.2)	137,907	384,850	-	446,228	76,529	8,769	8,995	226	6.04%	5.61%	0.01%
						29,865	29,477	(388)	19.80%	18.40%	
FERTILIZER											
Engro Corporation Limited *	64,010	119,700	-	166,410	17,300	4,929	4,496	(433)	3.02%	2.81%	-
Engro Fertilizers Limited * (note 5.1.2)	101,439	216,034	-	264,886	52,587	4,287	4,340	53	2.92%	2.71%	-
Fauji Fertilizer Company Limited	143,704	119,500	-	263,204	-	-	-	-	-	-	-
						9,216	8,836	(380)	5.94%	5.51%	
TECHNOLOGY & COMMUNICATION											
Octopus Digital Limited	-	45,000	-	45,000	-	-	-	-	-	-	-
Avanceon Limited	-	169,682	9,627	179,309	-	-	-	-	-	-	-
TRG Pakistan Limited	-	72,700	-	72,700	-	-	-	-	-	-	-
Hum Network Limited	200,000	125,000	-	325,000	-	-	-	-	-	-	-
NetSol Technologies Limited	-	106,300	-	106,300	-	-	-	-	-	-	-
Systems Limited * (note 5.1.2)	-	50,500	-	37,895	12,605	5,842	5,084	(758)	3.42%	3.17%	-
TPL Trakker Limited	1,546,500	5,000	-	-	1,551,500	13,418	13,715	297	9.21%	8.56%	0.83%
						19,260	18,799	(461)	12.63%	11.73%	
Balance carried forward						152,119	148,861	(3,258)			





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

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

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

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

As at June 30, 2023, the following bonus shares of the Fund have been withheld by certain companies at the time of declaration of bonus shares.

Name of the Company	2023		2022	
	----- Bonus shares -----			
	Number of shares withheld	Market value as at June 30, 2023	Number of shares withheld	Market value as at June 30, 2022
	Rupees in '000		Rupees in '000	
Mughal Iron & Steel Industries Limited	20,889	1,012	20,889	1,204
The Searle Company Limited	11,915	456	9,532	1,039
Pakistan State Oil Company Limited	3,503	389	3,503	602
Faysal Bank Limited	26,018	525	26,018	600
	62,325	2,382	59,942	3,445

5.2	Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	Note	2023	2022
			----- Rupees in '000 -----	
	Market value of investments	5.1	148,861	223,548
	Less: carrying value of investments	5.1	(152,119)	(291,587)
			<u>(3,258)</u>	<u>(68,039)</u>

### 5.3 Market Treasury Bills

Particulars	Issue date	Face value (Rupees in '000)				Rupees in '000			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation/ (diminution)		
-----%-----										
Market Treasury Bills - 3 Months										
Market treasury bills	June 2, 2022	-	25,000	25,000	-	-	-	-	-	-
Total as at June 30, 2023						-	-	-		
Total as at June 30, 2022						-	-	-		

### 6 DIVIDEND AND PROFIT RECEIVABLE

	Note	2023	2022
		----- Rupees in '000 -----	
Dividend receivable		635	419
Profit receivable on bank balances		735	1,023
		<u>1,370</u>	<u>1,442</u>

### 7 ADVANCES AND DEPOSITS

Security deposit with:			
- National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		100	100
Advance tax	7.3	511	511
Advance against subscription of Term Finance Certificates (TFC)	7.1	<u>25,000</u>	<u>25,000</u>
		28,111	28,111
Less: Provision in respect of advance against subscription of term finance certificates	7.2	<u>(25,000)</u>	<u>(25,000)</u>
		<u>3,111</u>	<u>3,111</u>

7.1 The Fund had subscribed towards the term finance certificates of Dewan Cement Limited as Pre-IPO investor on January 9, 2008. Under the agreement, the issuer was required to complete the public offering by October 9, 2008. However, no public offering has been carried out by the issuer till June 30, 2023. In addition, profit on the advance against subscription, due after six months from the date of subscription, has also not been received by the Fund. As at June 30, 2023, the advance against subscription has been fully provided in accordance with the provisioning policy of the Fund as approved by the Board of Directors of the Management Company.

### 7.2 Disclosure Under Circular 16 Of 2010 Issued By The Securities And Exchange Commission Of Pakistan - Categorisation Of Open End Scheme

The Securities and Exchange Commission of Pakistan vide circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorization criteria laid down in the circular. HBL Asset Management Limited (Management Company) classified HBL Stock Fund (the Fund) as 'Equity Scheme' in accordance with the said circular. As at June 30, 2023, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than the investment grade.

Name of non-complaint investment	Type of investment	Value of Investment before provision	Provision held (if any)	Value of investment after provision	% of Gross assets
----- Rupees in '000 -----					

Dewan Cement Limited	TFC	25,000	25,000	-	-
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- 7.3 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on bank deposits paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholder. The tax withheld on dividends and profit on bank deposits amounts to Rs. 0.511 million (2022: Rs. 0.511 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends and profit on bank deposits has been shown as other receivables as at June 30, 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

## 8 RECEIVABLE FROM HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per SECP's direction No. SCD/PRDD/Direction/18/2016 all AMCs are required to calculate the TER in respect of each CIS to ensure the TER is not in breach of the required maximum percentage. The AMCs are required to adjust the NAV of the CIS on the basis of TER at the end of each Quarter during the financial year for the amount of expenses in excess of the TER limit prescribed in regulation 60(5) of the NBFC Regulations.

During the year ended June 30, 2023, the Fund was in breach of the TER ratio of maximum 4.5% as prescribed under NBFC Regulations for a CIS categoriesd as equity scheme. As a result the Fund has recorded receivable from Management Company to comply with the TER.

9	PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2023	2022
			----- Rupees in '000 -----	
	Remuneration payable	9.1	262	409
	Sindh Sales Tax payable on remuneration of the Management Company	9.2	34	53
	Selling and marketing expenses payable	9.3	430	877
	Allocation of expenses related to registrar services, accounting, operation and valuation services payable	9.4	72	105
	Sales load payable		-	889
			<u>798</u>	<u>2,333</u>

- 9.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the Total Expense Ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged its remuneration at the rate of 2% (2022: 2%) per annum of the daily net assets of the Fund during the year ended June 30, 2023. The remuneration is payable to the Management Company monthly in arrears.
- 9.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.
- 9.3 In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company, based on its own discretion, has charged selling and marketing expenses at the rate of 1.05% (2022: 0.8% to 1.05%) during the year ended June 30, 2023 while keeping in view the overall return and Total Expense Ratio limit of the Fund as defined under the NBFC Regulations.
- 9.4 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

The Management Company based on its own discretion has currently charged such expenses at the rate of 0.55% (2022: 0.35% to 0.55%) of the daily net assets of the scheme for allocation of such expenses to the Fund.

	Note	2023	2022
		----- Rupees in '000 -----	
<b>10 PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Remuneration payable to the Trustee	10.1	27	58
Sindh Sales Tax payable on remuneration of the Trustee	10.2	3	7
		<u>30</u>	<u>65</u>

- 10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is payable to the Trustee according to the following tariff structure:

Tariff structure	
Net assets (Rs.)	Fee
- Up to Rs 1,000 million	0.20% p.a. of Net Assets
- From Rs 1,000 million to Rs 5,000 million	Rs. 2.0 million plus 0.10% p.a. of Net Assets, on amount exceeding Rs.1,000 million.

- 10.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2023	2022
		----- Rupees in '000 -----	
<b>11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable	11.1	<u>38</u>	<u>138</u>

- 11.1 In accordance with the NBFC Regulations, 2008, a collective investment scheme is required to pay annual fee to the SECP at the rate of 0.02% (2022: 0.02%) of the daily net assets of the Fund.

	Note	2023	2022
		----- Rupees in '000 -----	
<b>12 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Federal excise duty	12.1	37,838	37,838
Withholding tax payable		793	737
Auditors' remuneration payable		550	508
Securities transaction costs payable		268	352
Zakat payable		29	29
Other payable		716	631
		<u>40,194</u>	<u>40,095</u>

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

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 37.838 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the NAV of the Fund would have been higher by Rs 16.45 (2022: Rs 11.55) per unit.

### 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2023 and June 30, 2022.

	2023	2022
	----- Rupees in '000 -----	
<b>14 AUDITORS' REMUNERATION</b>		
Annual audit fee	436	379
Half yearly review	186	162
Out of pocket expenses	58	108
Sales tax	54	52
	<u>734</u>	<u>701</u>

### 15 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2023 is 4.95% (2022: 4.87%) which includes 0.47% (2022: 0.38%) representing government levies on the Fund such as sales taxes, annual fee to the SECP etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Equity Scheme.

**16 TAXATION**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. The Fund 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. Since the Fund has incurred net loss during the year, therefore no provision for taxation has been made in these financial statements.

**17 LOSS PER UNIT**

Loss per unit has not been disclosed as, in the opinion of the management, the determination of cumulative

18 NUMBER OF UNITS IN ISSUE	<div>2023                      2022</div> <div>----- Number of units -----</div>	
Total outstanding as of July 01	3,276,044	8,486,417
Add: issued during the year	1,389,842	5,361,979
Less: redeemed during the year	(2,365,691)	(10,572,352)
Total units in issue as of June 30	<u>2,300,195</u>	<u>3,276,044</u>

**19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties 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, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are also in the normal course of business, at contracted rates and at terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the offering document, trust deed and the NBFC regulations and hence, the transactions are considered to be on an arm's length basis.

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

Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

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

19.1	Transactions during the year	2023	2022
		----- Rupees in '000 -----	
	<b>HBL Asset Management Limited - Management Company</b>		
	Remuneration of the Management Company including Sales Tax thereon	4,327	15,509
	Selling and marketing expenses	2,024	6,994
	Allocation of expenses related to registrar services, accounting, operation and valuation services	1,039	3,563
	<b>Habib Bank Limited - Sponsor</b>		
	Bank charges	12	6
	Bank profit	872	1,260
	Redemption of nil (2022: 4,131,628) units	-	345,957
	<b>HBL Micro Finance Bank (Formerly First Micro Finance Bank) - Associate</b>		
	Bank profit	3,253	-
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Trustee remuneration including Sales Tax thereon	433	1,570
	Central Depository service charges	181	158
	<b>Bank Al Habib Limited - Connected party due to 10% units</b>		
	Redemption of nil (2022: 1,604,623) units	-	144,088
	<b>MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Associate</b>		
	Issuance of 9,404 (2022: 142,460) units	644	11,749
	Redemption of 103,540 (2022: nil) units	(7,136)	-
	<b>Jaffer Brothers (Private) Limited and Associated Companies Staff Provident Fund - Associate</b>		
	Issue of nil (2022: 715,854) units	-	53,911
	<b>HBL Equity Fund - Fund under common management</b>		
	Sale of nil (2022: 243,000) shares of Nimir Resins Limited	-	4,770
	Sale of nil (2022: 325,000) shares of Standard Chartered Bank Pakistan Limited	-	10,238
	Sale of nil (2022: 125,000) shares of IGI Holdings Limited	-	18,753
	Sale of nil (2022: 100,000) shares of IGI Life Insurance Limited	-	3,597
	Sale of nil (2022: 7,000) shares of Mari Petroleum Company Limited	-	11,620
	Sale of nil (2022: 290,000) shares of TPL Insurance Limited	-	8,282
	<b>HBL Islamic Equity Fund - Fund under common management</b>		
	Sale of nil (2022: 25,000) shares of Gul Ahmed Textile Mills Limited	-	988



	2023	2022
	----- Rupees in '000 -----	
<b>19.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration payable to the Management Company including Sales Tax thereon	296	462
Sales load payable	-	889
Selling and marketing expenses payable	430	877
Allocation of expenses related to registrar services, accounting, operation and valuation services payable	72	105
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	1,111	7,920
Profit receivable	14	34
<b>HBL Micro Finance Bank (Formerly First Micro Finance Bank) - Associate</b>		
Bank Balance	27,343	9
Profit receivable	561	-
<b>Directors and Executives of the Management Company and their relatives</b>		
Outstanding 1,579 (2022: 1,579) units	110	114
<b>MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Associate</b>		
Outstanding 48,324 (2022: 142,460) units	3,366	10,247
<b>Jaffer Brothers (Private) Limited and Associated Companies Staff Provident Fund - Associate</b>		
Outstanding 715,854 (2022: 715,854) units	49,866	51,490
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable including Sales Tax thereon	30	65
Security deposit	100	100

**20 FINANCIAL INSTRUMENTS BY CATEGORY**

-----2023-----			
	At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	38,722	-	38,722
Investments	-	148,861	148,861
Dividend and profit receivable	1,370	-	1,370
Receivable against sale of investments	11,584	-	11,584
Receivable from HBL Asset Management Limited - Management Company	2,125	-	2,125
Deposits	2,600	-	2,600
	<u>56,401</u>	<u>148,861</u>	<u>205,262</u>
<b>Financial liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	798	-	798
Payable to the Central Depository Company of Pakistan Limited - Trustee	30	-	30
Payable against purchase of investments	4,482	-	4,482
Accrued expenses and other liabilities	984	-	984
	<u>6,294</u>	<u>-</u>	<u>6,294</u>

-----2022-----			
	At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	47,889	-	47,889
Investments	-	223,548	223,548
Dividend and profit receivable	1,442	-	1,442
Receivable against sale of investments	2,278	-	2,278
Deposits	2,600	-	2,600
	<u>54,209</u>	<u>223,548</u>	<u>277,757</u>
<b>Financial liabilities</b>			
Payable to HBL Asset Management Limited - Management Company	2,333	-	2,333
Payable to the Central Depository Company of Pakistan Limited - Trustee	65	-	65
Accrued expenses and other liabilities	1,491	-	1,491
	<u>3,889</u>	<u>-</u>	<u>3,889</u>

**21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

## **21.1 Market risk**

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

The Management Company manages 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; yield / interest rate risk, currency risk and price risk.

### **(i) Yield / interest rate risk**

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2023, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds bank balances which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.39 million (2022: Rs. 0.48 million).

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

As at June 30, 2023, the Fund does not hold any fixed rate instrument that may expose the Fund to fixed interest rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2023 can be determined as follows:

2023					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		

(%)

Rupees in '000

**On-balance sheet financial instruments**

**Financial assets**

Bank balances	8% - 21.9%
Investments	
Dividend and profit receivable	
Receivable against sale of investment	
Receivable from HBL Asset Management Limited - Management Company	
Deposits	

38,704	-	-	18	38,722
-	-	-	148,861	148,861
-	-	-	1,370	1,370
-	-	-	11,584	11,584
-	-	-	2,125	2,125
-	-	-	2,600	2,600
38,704	-	-	166,558	205,262

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investments
Accrued expenses and other liabilities

-	-	-	798	798
-	-	-	30	30
-	-	-	4,482	4,482
-	-	-	984	984
-	-	-	6,294	6,294

**On-balance sheet gap (a)**

38,704	-	-	160,264	198,968
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**Off-balance sheet financial instruments**

**Off-balance sheet gap (b)**

-	-	-	-	-
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**Total interest rate sensitivity gap (a+b)**

38,704	-	-
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**Cumulative interest rate sensitivity gap**

38,704	38,704	38,704
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2022					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		

(%)

Rupees in '000

**On-balance sheet financial instruments**

**Financial assets**

Bank balances	7.8% - 16.7%
Investments	
Dividend and profit receivable	
Receivable against sale of investment	
Deposits	

47,871	-	-	18	47,889
-	-	-	223,548	223,548
-	-	-	1,442	1,442
-	-	-	2,278	2,278
-	-	-	2,600	2,600
47,871	-	-	229,886	277,757

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investments
Accrued expenses and other liabilities

-	-	-	2,333	2,333
-	-	-	65	65
-	-	-	-	-
-	-	-	1,491	1,491
-	-	-	3,918	3,918

**On-balance sheet gap (a)**

47,871	-	-	225,968	273,839
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**Off-balance sheet financial instruments**

**Off-balance sheet gap (b)**

-	-	-	-	-
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**Total interest rate sensitivity gap (a+b)**

47,871	-	-
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**Cumulative interest rate sensitivity gap**

47,871	47,871	47,871
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**(ii) Currency risk**

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

**(iii) Price risk**

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

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations, 2008 also limit individual equity securities to no more than 10% of net assets and issued capital of the investee company and sector exposure limit to 35% of the net assets.

In case of 1% increase / decrease in KSE 30 index on June 30, 2023, with all other variables held constant, the total comprehensive loss of the Fund for the year would increase / decrease by Rs 1.489 million (2022: Rs. 2.235 million) and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 1% 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 30 Index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 30 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 30 Index.

**21.2 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 to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, 2008, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. However, no borrowing was required to be obtained by the Fund during the current year.

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 requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity dates. However, liabilities that are payable on demand have been included in the maturity grouping of one month:

2023						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees						
<b>Financial assets</b>						
Bank balances	38,722	-	-	-	-	38,722
Investments	-	-	-	-	148,861	148,861
Dividend and profit receivable	1,370	-	-	-	-	1,370
Receivable against sale of investments	11,584	-	-	-	-	11,584
Receivable from HBL Asset Management Limited - Management Company	2,125	-	-	-	-	2,125
Deposits	-	-	-	-	2,600	2,600
	53,801	-	-	-	151,461	205,262
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company	798	-	-	-	-	798
Payable to the Central Depository Company of Pakistan Limited - Trustee	30	-	-	-	-	30
Payable against purchase of investments	4,482	-	-	-	-	4,482
Accrued expenses and other liabilities	984	550	-	-	-	1,534
	6,294	550	-	-	-	6,844
<b>Net financial assets / liabilities</b>	<b>47,507</b>	<b>(550)</b>	<b>-</b>	<b>-</b>	<b>151,461</b>	<b>198,418</b>

2022						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees						
<b>Financial assets</b>						
Bank balances	47,889	-	-	-	-	47,889
Investments	-	-	-	-	223,548	223,548
Dividend and profit receivable	1,442	-	-	-	-	1,442
Receivable against sale of investments	2,278	-	-	-	-	2,278
Deposits	-	-	-	-	2,600	2,600
	51,609	-	-	-	226,148	277,757
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company	2,333	-	-	-	-	2,333
Payable to the Central Depository Company of Pakistan Limited - Trustee	65	-	-	-	-	65
Accrued expenses and other liabilities	983	508	-	-	-	1,491
	3,381	508	-	-	-	3,889
<b>Net financial assets / liabilities</b>	48,228	(508)	-	-	226,148	273,868

## 21.3 Credit risk

- 21.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

	2023		2022	
	Financial assets	Maximum exposure to credit risk	Financial assets	Maximum exposure to credit risk
Rupees in '000				
Bank balances	38,722	38,722	47,889	47,889
Investments	148,861	-	223,548	-
Dividend and profit receivable	1,370	1,370	1,442	1,442
Receivable against sale of investments	11,584	11,584	2,278	2,278
Receivable from HBL Asset Management Limited - Management Company	2,125	2,125	-	-
Deposits	2,600	2,600	2,600	2,600
	205,262	56,401	277,757	54,209

The maximum exposure to credit risk before any credit enhancement as at June 30, 2023 is the carrying amount of the financial assets. The difference is because of investment in equity securities which are not exposed to credit risk.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

### 21.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon, dividend receivable and receivable against sale of units. The credit rating profile of balances with banks is as follows:

	2023	2022
Rating category	-----%	-----%
AAA	0.73%	2.98%
AA+	4.87%	0.001%
AA-	4.87%	2.31%
A+	0.00%	0.01%
A	0.73%	0.003%
A-	0.72%	12.31%
	<u>11.92%</u>	<u>17.61%</u>

### 21.3.3 Concentration of credit risk

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

All financial assets of the Fund as at June 30, 2023 are unsecured and are not impaired except for term finance certificates of Dewan Cement Limited as disclosed in note 7.2 to these financial statements.

## 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

### Fair value hierarchy

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

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

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

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

As at June 30, 2023 and June 30, 2022, the Fund held the following financial instruments measured at fair values:



	Note	-----2023-----			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at ' fair value through profit or loss'</b>		----- Rupees in '000 -----			
Quoted equity securities	5.1	148,861	-	-	148,861
		-----2022-----			
		Level 1	Level 2	Level 3	Total
<b>Financial assets at ' fair value through profit or loss'</b>		----- Rupees in '000 -----			
Quoted equity securities	5.1	223,548	-	-	223,548

## 23 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

**24 UNIT HOLDING PATTERN OF THE FUND**

UNIT HOLDING PATTERN OF THE FUND

2023				
Number of unit holders	Number of units held	Investment amount	Percentage investment	
Rupees in '000				
Associated company	2	764,178	53,233	33.23%
Retirement funds	4	811,837	56,552	35.29%
Other corporate	1	45,863	3,195	1.99%
Individuals	268	678,318	47,251	29.49%
	275	2,300,196	160,231	100%

2022				
Number of unit holders	Number of units held	Investment amount	Percentage investment	
Rupees in '000				
Associated company	2	858,314	61,736	26.20%
Retirement funds	5	1,028,945	74,009	31.41%
Other corporate	2	55,834	4,016	1.70%
Individuals	318	1,332,951	95,876	40.69%
	327	3,276,044	235,637	100%

**25 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

2023	2022
Name of broker	Name of broker
EFG Hermes Pakistan Limited	Intermarket Securities Limited
AL Falah CLSA Securities (Private) Limited	DJM Securities Limited
KTrade Securities Limited (Formerly)	Insight Securities (Private) Limited
Khadim Ali Shah B	IGI Finex Securities Limited
Intermarket Securities Limited	Topline Securities (Private) Limited
Ismail Iqbal Securities (Private) Limited	WE Financial Services Limited
Arif Habib Limited	AKD Securities Limited
DJM Securities Limited	Sherman Securities (Private) Limited
Chase Securities Pakistan (Private) Limited	Pearl Securities Limited
JS Global Capital Limited	Multiline Securities Limited
Sherman Securities (Private) Limited	

## 26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. No	Name	Designation	Qualification	Overall Experience (in years)
1	Mir Adil Rashid	Chief Executive Officer	BSc	24+ years
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27+ years
3	Wamiq Sakrani	Head of Fixed Income of Risk	MBA	13+ years
4	Imad Ansari	Head of Risk Research	MBA	16+ years
5	Umair Naseer	Head of Research	MBA	10+ years
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15 years
7	Raza Abbas	Senior Fund Manager	M.Com	20 years
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7+ years

## 27 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of director	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29, 2022, January 16, 2023, January 23, 2023 and February 13, 2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19, 2022

## 28 GENERAL

- 28.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.
- 28.2 Figures have been rounded off to the nearest thousand rupees.
- 28.3 Units have been rounded off to the nearest decimal place.

**29 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

**For HBL Asset Management Limited  
(Management Company)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



**HBL** Cash Fund

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL</b> Cash Fund
<b>NAME OF AUDITORS</b>	BDO Ebrahim & Co. Chartered Accountants.
<b>NAME OF BANKERS</b>	Habib Bank Limited Bank Al-Habib Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied Bank Limited MCB Bank Limited Samba Bank Limited Zarai Taraqiati Bank Limited Soneri Bank Limited Sindh Bank Limited Dubai Islamic Bank of Pakistan National Bank of Pakistan
<b>FUND RATING</b>	AA+(f)

## FUND MANAGER'S REPORT – HBL CASH FUND

### Type and Category of Fund

Open end Money Market Fund

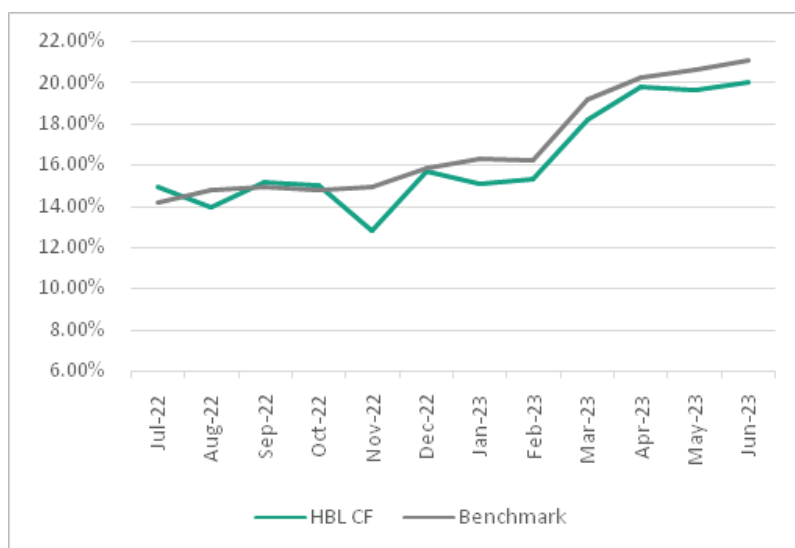
### Investment Objective and Accomplishment of Objective

The investment objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity. The Fund will aim to maximize returns through efficient utilization of investment and liquidity management tools. The investment objective is achieved.

### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is 70% (3Month PKRV) + 30% (3Month Avg. Deposit Rate of 3 AA rated Banks) as per MUFAP. The comparison of the fund return with benchmark

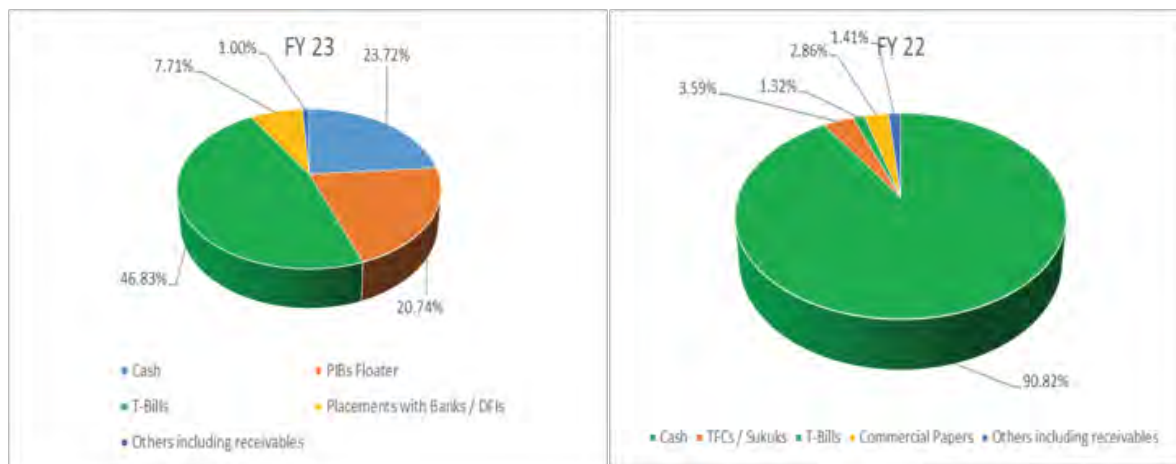
Month	HBL-CF	Benchmark
Jun-23	19.98%	21.11%
May-23	19.66%	20.64%
Apr-23	19.75%	20.26%
Mar-23	18.21%	19.17%
Feb-23	15.31%	16.24%
Jan-23	15.10%	16.28%
Dec-22	15.68%	15.87%
Nov-22	12.80%	14.95%
Oct-22	14.97%	14.77%
Sep-22	15.13%	14.92%
Aug-22	13.97%	14.75%
Jul-22	14.90%	14.18%



### Strategies and Policies employed during the Year

During the year, the fund was majorly invested in short term Government Securities, placements with DFIs while some exposures were maintained in Cash as well. HBL Cash Fund posted an annualized return (YTD) of 17.56% against the benchmark return of 16.92% in FY23. In-line with the investment policy of the Fund, the Fund continued to hold major investments in the form of short maturity T-Bills, PIBs with Fortnight reset and placements with Commercial Banks and DFIs while also maintaining cash in Daily Product Accounts and LOPs. During quarter, Calendar and Fiscal year ends, wherever better opportunities were offered in Bank Deposits the Fund Manager deployed the amount to optimize Fund returns.

### Asset Allocation



### Significant Changes in Asset Allocation during the Year

No major changes were made in asset allocation during the year due to nature of the fund. The investment in Government Securities was trimmed and the exposure was diverted towards Bank Deposits in June 2023. At the end of the year, 46.83%, 20.74% and 23.72% of the net assets were deployed in T-bills, PIB Floaters having a fortnightly reset and in the form of Cash at Bank.

### Fund Performance

The total income and net income of the Fund was Rs. 7.16 billion and Rs. 6.65 billion respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs 101.9926 per unit as on June 30, 2023 as compared to Rs 101.3611 per unit as on June 30, 2022, after incorporating dividends of Rs. 15.8878 per unit, thereby giving an annualized return of 17.56%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 16.92%. The size of Fund was Rs 50.34 billion as on June 30, 2023 as compared to Rs. 36.07 billion at the start of the year.

### Market Review

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

### Distribution

The Fund has distributed cash dividend up-to Rs. 15.8878 per unit for the year ended June 30, 2023.

### Significant Changes in the State of Affairs

There were no significant changes in state of affairs of the Fund.



### Breakdown of Unit Holding by Size

From – To (Number of units)	Number of Unit Holders	Total Number of Units Held
1 – 100	589	13,211
101 – 500	197	39,573
501 – 1,000	84	59,075
1,001 – 10,000	427	2,121,798
10,001 – 100,000	516	18,346,698
100,001 – 500,000	157	33,622,776
500,001 – 1,000,000	25	18,903,659
1,000,001 – 5,000,000	39	94,826,454
5,000001 and more	16	187,886,778
<b>Total</b>	<b>2,050</b>	<b>355,820,022</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE – HBL CASH FUND

As at June 30, 2023

	2023	2022	2021	2020	2019	2018
Net assets at the period end (Rs'000)	50,338,816	36,066,308	26,539,411	17,975,752	8,808,923	12,039,734
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	101.9926	101.3611	101.2227	101.1599	100.8886	106.0021
Offer - Class C	101.9926	101.3611	101.2227	101.1599	100.8886	106.0021
Offer - Class D	103.1451	102.5065	102.3665	102.3030	102.0286	107.1999
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit - Class C	103.1674	102.1124	102.5866	102.0921	104.3893	106.0021
Lowest offer price per unit - Class C	101.3611	101.2227	101.1599	100.8886	100.7521	100.5287
Highest offer price per unit - Class D	104.3332	103.3769	102.5866	103.2457	105.5689	107.1999
Lowest offer price per unit - Class D	102.5065	101.3227	101.1599	101.0330	101.8906	101.6647
Highest redemption price per unit	103.1674	102.1124	101.1599	102.0921	104.3893	106.0021
Lowest redemption price per unit	101.3611	101.2227	101.8332	100.8886	100.7521	100.5287
<b>RETURN ( % )</b>						
Total return	17.56%	10.97%	6.97%	12.86%	8.89%	5.49%
Income distribution	15.67%	10.44%	6.78%	12.00%	8.53%	5.25%
Capital growth	1.89%	0.53%	0.19%	0.86%	0.36%	0.24%
<b>DISTRIBUTION</b>						
Date of Income Distribution						-
Income Distribution (Rs. Per unit)						-
Date of Income Distribution	10-Aug-22	6-Aug-21	6-Aug-20	01-Aug-19		-
Income Distribution (Rs. Per unit)	1.6445	0.7771	0.7298	1.1585		-
Date of Income Distribution	05-Sep-22	03-Sep-21	03-Sep-20	02-Sep-19		-
Income Distribution (Rs. Per unit)	1.0143	0.9822	0.4954	1.0317		-
Date of Income Distribution	10-Oct-22	08-Oct-21	01-Oct-20	01-Oct-19		-
Income Distribution (Rs. Per unit)	1.4745	0.7675	0.5295	1.0471		-
Date of Income Distribution	07-Nov-22	05-Nov-21	05-Nov-20	03-Nov-19		-
Income Distribution (Re. Per unit)	1.1493	0.5907	0.6651	1.1689		-
Date of Income Distribution	05-Dec-22	03-Dec-21	03-Dec-20	02-Dec-19	28-Dec-18	-
Income Distribution (Rs. Per unit)	1.0082	0.5954	0.5039	0.9464	3.50	-
Date of Income Distribution	09-Jan-23	07-Jan-22	01-Jan-21	01-Jan-20	29-Jan-19	-
Income Distribution (Re. Per unit)	1.4979	1.1016	0.5420	1.0760	0.9751	-
Date of Income Distribution	13-Feb-23	04-Feb-22	03-Feb-21	03-Feb-20	27-Feb-19	-
Income Distribution (Re. Per unit)	1.5145	0.8326	0.6441	1.1608	0.7372	-
Date of Income Distribution	06-Mar-23	04-Mar-22	04-Mar-21	02-Mar-20	28-Mar-19	-
Income Distribution (Re. Per unit)	0.8585	0.7582	0.5084	0.9473	0.7532	-
Date of Income Distribution	10-Apr-23	08-Apr-22	01-Apr-21	02-Apr-20	29-Apr-19	-
Income Distribution (Re. Per unit)	1.8339	1.0850	0.5453	1.2980	0.8571	-
Date of Income Distribution	15-May-23	13-May-22	05-May-21	07-May-20	31-May-19	-
Income Distribution (Re. Per unit)	1.9820	1.0988	0.6281	1.2349	0.9532	-
Date of Income Distribution	19-Jun-23	03-Jun-22	03-Jun-21	04-Jun-20	27-Jun-19	-
Income Distribution (Rs. Per unit)	1.9102	0.8574	0.5590	0.6173	0.75	-
Date of Income Distribution	-	27-Jun-22	24-Jun-21	18-Jun-20		04-Jul-18
Income Distribution (Re. Per unit)	-	0.9967	0.4248	0.3172		5.25
Total dividend distribution for the year/ period (Rs)	15.8878	10.4432	6.7754	12.0041	8.5258	5.2500
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	17.56%	10.97%	6.97%	12.86%	8.89%	5.49%
Average annual return 2 year	14.22%	8.95%	9.88%	10.86%	7.17%	6.32%
Average annual return 3 year	11.75%	10.24%	9.54%	9.04%	7.17%	6.24%
<b>PORTFOLIO COMPOSITION - ( % )</b>						
Percentage of Net Assets as at 30 June:						
Bank Balances	23.72%	90.82%	99.41%	55.88%	71.60%	81.03%
T-Bills	46.83%	1.32%	0.00%	40.01%	9.98%	0.00%
Placement with Banks and DFIs	7.71%	0.00%	0.00%	0.00%	4.05%	18.61%
Commercial Paper	0.00%	2.86%	0.00%	3.88%	13.26%	0.00%
Corporate Sukuks / TFCs/PIB Floater	20.74%	3.59%	0.00%	0.00%	0.00%	0.00%
MTS / Spread Transactions	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Others Including receivables	1.00%	1.41%	0.59%	0.23%	1.11%	0.36%
Weighted average portfolio duration (No. of days)	40	8	1	60	16	6

## Note:

The Launch date of the Fund is December 13, 2010

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL CASH FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Cash Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023





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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HBL CASH FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL Cash Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p><b>Existence and valuation of investments</b></p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2023, the investments held by the Fund comprised of debt instruments which represent 75.48% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"><li>• We evaluated the design and implementation of key controls over investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li></ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices at the Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company ("HBL Asset Management Limited") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.





The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 25 SEP 2023

UDIN: AR202310166PsZ9TUQgW

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

**HBL Cash Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2023*

	Note	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
<b>ASSETS</b>			
Bank balances	5	11,991,941	33,290,444
Investments	6	38,165,975	2,850,342
Profit / mark-up receivable	7	406,849	514,489
Advances, deposits and prepayments	8	1,253	1,132
<b>TOTAL ASSETS</b>		<b>50,566,018</b>	<b>36,656,407</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	72,175	16,724
Payable to the Trustee	10	2,555	1,537
Payable to Securities and Exchange Commission of Pakistan	11	8,050	6,139
Payable against purchase of investments - net		-	484,070
Accrued expenses and other liabilities	12	144,422	81,629
<b>TOTAL LIABILITIES</b>		<b>227,202</b>	<b>590,099</b>
<b>NET ASSETS</b>		<b>50,338,816</b>	<b>36,066,308</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>50,338,816</b>	<b>36,066,308</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	----- (Number of Units) -----	
Number of units in issue	14	493,553,515	355,820,022
		----- (Rupees) -----	
<b>Net assets value per unit</b>		<b>101.9926</b>	<b>101.3611</b>

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**



		2023	2022
	Note	----- (Rupees in '000) -----	
<b>Income</b>			
Capital loss on sale of investments - net		(84,510)	(32,033)
Income from Government securities		4,762,119	897,045
Income from money market transactions and placements		757,317	304,429
Income from corporate sukuk bonds		121,676	47,779
Mark-up on bank deposits		<u>1,600,248</u>	<u>1,994,228</u>
		7,156,850	3,211,448
Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	6.3	<u>1,967</u>	<u>500</u>
		7,158,817	3,211,948
<b>Expenses</b>			
Remuneration of the Management Company	9.1	278,253	85,067
Sindh Sales Tax on remuneration of the Management Company	9.2	36,173	11,059
Remuneration of the Trustee	10	22,137	17,595
Sindh Sales Tax on remuneration of the Trustee	10	2,878	2,287
Annual fee to Securities and Exchange Commission of Pakistan	11	8,050	6,139
Allocation of fees and expenses related to registrar services, accounting, operation and valuation services	9.3	77,365	10,441
Selling and marketing expenses	9.4	77,365	10,518
Auditors' remuneration	15	509	447
Fees and subscription		224	600
Securities transaction costs and settlement charges		1,272	535
Bank charges		1,079	852
Printing charges		118	17
		<u>505,423</u>	<u>145,557</u>
<b>Net income for the year from operations</b>		6,653,394	3,066,391
Reversal of provision for Sindh Workers' Welfare Funds		-	98,533
<b>Net income for the year before taxation</b>		<u>6,653,394</u>	<u>3,164,924</u>
Taxation	16	-	-
<b>Net income for the year</b>		<u><u>6,653,394</u></u>	<u><u>3,164,924</u></u>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		851,085	317,276
Accounting income available for distribution:			
Relating to capital gains		-	-
Excluding capital gains		5,802,309	2,847,648
		<u>5,802,309</u>	<u>2,847,648</u>
		<u><u>6,653,394</u></u>	<u><u>3,164,924</u></u>
Earnings per unit	17		

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	2023 ----- (Rupees in '000) -----	2022 ----- (Rupees in '000) -----
Net income for the year	6,653,394	3,164,924
Other comprehensive income	-	-
Total comprehensive income for the year	<u>6,653,394</u>	<u>3,164,924</u>

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

# HBL Cash Fund

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2023

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
(Rupees in '000)						
Net assets at beginning of the year	35,913,953	152,355	36,066,308	26,431,839	107,572	26,539,411
Issuance of 1,523,727,312 units (2022: 1,398,078,457 units)						
Capital value (at net asset value per unit at the beginning of the year)	154,446,676	-	154,446,676	141,517,276	-	141,517,276
Element of income	1,041,580	-	1,041,580	599,457	-	599,457
Total proceeds on issuance of units	155,488,256	-	155,488,256	142,116,733	-	142,116,733
Redemption of 1,385,993,819 units (2022: 1,304,446,743 units)						
Capital value (at net asset value per unit at the beginning of the year)	(140,485,858)	-	(140,485,858)	(132,039,621)	-	(132,039,621)
Income already paid on redemption of units	-	(851,085)	(851,085)	-	(317,276)	(317,276)
Element of loss	(195,164)	-	(195,164)	(206,150)	-	(206,150)
Total payments on redemption of units	(140,681,022)	(851,085)	(141,532,108)	(132,245,771)	(317,276)	(132,563,047)
Total comprehensive income for the year	-	6,653,394	6,653,394	-	3,164,924	3,164,924
Rs. 0.7771 per unit declared on August 06, 2021 as cash dividend						
Refund of capital	-	-	-	(6,781)	-	(6,781)
Distribution during the year	-	-	-	-	(181,837)	(181,837)
Rs. 0.9822 per unit declared on September 03, 2021 as cash dividend						
Refund of capital	-	-	-	(58,263)	-	(58,263)
Distribution during the year	-	-	-	-	(245,317)	(245,317)
Rs. 0.7675 per unit declared on October 08, 2021 as cash dividend						
Refund of capital	-	-	-	(22,942)	-	(22,942)
Distribution during the year	-	-	-	-	(240,509)	(240,509)
Rs. 0.5907 per unit declared on November 05, 2021 as cash dividend						
Refund of capital	-	-	-	(8,253)	-	(8,253)
Distribution during the year	-	-	-	-	(193,781)	(193,781)
Rs. 0.5954 per unit declared on December 03, 2021 as cash dividend						
Refund of capital	-	-	-	(2,178)	-	(2,178)
Distribution during the year	-	-	-	-	(184,572)	(184,572)
Rs. 1.1016 per unit declared on January 07, 2022 as cash dividend						
Refund of capital	-	-	-	(96,848)	-	(96,848)
Distribution during the year	-	-	-	-	(359,833)	(359,833)
Rs. 0.8326 per unit declared on February 04, 2022 as cash dividend						
Refund of capital	-	-	-	(12,731)	-	(12,731)
Distribution during the year	-	-	-	-	(315,694)	(315,694)
Rs. 0.7582 per unit declared on March 04, 2022 as cash dividend						
Refund of capital	-	-	-	(3,044)	-	(3,044)
Distribution during the year	-	-	-	-	(176,363)	(176,363)
Rs. 1.0850 per unit declared on April 08, 2022 as cash dividend						
Refund of capital	-	-	-	(35,138)	-	(35,138)
Distribution during the year	-	-	-	-	(254,380)	(254,380)
Rs. 1.0988 per unit declared on May 13, 2022 as cash dividend						
Refund of capital	-	-	-	(11,742)	-	(11,742)
Distribution during the year	-	-	-	-	(220,375)	(220,375)
Rs. 0.8574 per unit declared on June 03, 2022 as cash dividend						

# HBL Cash Fund

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2023

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
(Rupees in '000)						
Refund of capital	-	-	-	(27,332)	-	(27,332)
Distribution during the year	-	-	-	-	(174,242)	(174,242)
Rs. 0.9967 per unit declared on June 27, 2022 as cash dividend						
Refund of capital	-	-	-	(103,596)	-	(103,596)
Distribution during the year	-	-	-	-	(255,962)	(255,962)
Rs. 1.6445 per unit declared on August 10, 2022 as cash dividend						
Refund of capital	(59,495)	-	(59,495)	-	-	-
Distribution during the year	-	(449,925)	(449,925)	-	-	-
Rs. 1.0143 per unit declared on September 02, 2022 as cash dividend						
Refund of capital	(21,942)	-	(21,942)	-	-	-
Distribution during the year	-	(297,321)	(297,321)	-	-	-
Rs. 1.4745 per unit declared on October 10, 2022 as cash dividend						
Refund of capital	(67,187)	-	(67,187)	-	-	-
Distribution during the year	-	(430,915)	(430,915)	-	-	-
Rs. 1.1493 per unit declared on November 07, 2022 as cash dividend						
Refund of capital	(30,901)	-	(30,901)	-	-	-
Distribution during the year	-	(362,441)	(362,441)	-	-	-
Rs. 1.0082 per unit declared on December 02, 2022 as cash dividend						
Refund of capital	(22,502)	-	(22,502)	-	-	-
Distribution during the year	-	(329,672)	(329,672)	-	-	-
Rs. 1.4979 per unit declared on January 09, 2023 as cash dividend						
Refund of capital	(125,694)	-	(125,694)	-	-	-
Distribution during the year	-	(523,117)	(523,117)	-	-	-
Rs. 1.5145 per unit declared on February 13, 2023 as cash dividend						
Refund of capital	(80,164)	-	(80,164)	-	-	-
Distribution during the year	-	(588,922)	(588,922)	-	-	-
Rs. 0.8585 per unit declared on March 06, 2023 as cash dividend						
Refund of capital	(20,380)	-	(20,380)	-	-	-
Distribution during the year	-	(265,472)	(265,472)	-	-	-
Rs. 1.8339 per unit declared on April 10, 2023 as cash dividend						
Refund of capital	(217,163)	-	(217,163)	-	-	-
Distribution during the year	-	(623,996)	(623,996)	-	-	-
Rs. 1.9820 per unit declared on May 15, 2023 as cash dividend						
Refund of capital	(113,856)	-	(113,856)	-	-	-
Distribution during the year	-	(822,127)	(822,127)	-	-	-
Rs. 1.9102 per unit declared on June 19, 2023 as cash dividend						
Refund of capital	(49,501)	-	(49,501)	-	-	-
Distribution during the year	-	(834,342)	(834,342)	-	-	-
	(808,785)	1,125,145	316,360	(388,848)	362,059	(26,789)
<b>Net assets at end of the year</b>	<b>49,912,401</b>	<b>426,415</b>	<b>50,338,816</b>	<b>35,913,953</b>	<b>152,355</b>	<b>36,066,308</b>

# HBL Cash Fund

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2023

	2023	2022
	Undistributed income	Undistributed income
	(Rupees in '000)	(Rupees in '000)
Undistributed income brought forward		
Realised income	151,855	107,572
Unrealised income	500	-
	152,355	107,572
Accounting income available for distribution		
Relating to capital (loss) / gain	-	-
Excluding capital gains	5,802,309	2,847,648
	5,802,309	2,847,648
Distributions during the year:		
Interim distribution of Rs. 0.7771 per unit declared on August 06, 2021 as cash dividend	-	(181,837)
Interim distribution of Rs. 0.9822 per unit declared on September 03, 2021 as cash dividend	-	(245,317)
Interim distribution of Rs. 0.7675 per unit declared on October 08, 2021 as cash dividend	-	(240,509)
Interim distribution of Rs. 0.5907 per unit declared on November 05, 2021 as cash dividend	-	(193,781)
Interim distribution of Rs. 0.5954 per unit declared on December 03, 2021 as cash dividend	-	(184,572)
Interim distribution of Rs. 1.1016 per unit declared on January 07, 2022 as cash dividend	-	(359,833)
Interim distribution of Rs. 0.8326 per unit declared on February 04, 2022 as cash dividend	-	(315,694)
Interim distribution of Rs. 0.7582 per unit declared on March 04, 2022 as cash dividend	-	(176,363)
Interim distribution of Rs. 1.0850 per unit declared on April 08, 2022 as cash dividend	-	(254,380)
Interim distribution of Rs. 1.0988 per unit declared on May 13, 2022 as cash dividend	-	(220,375)
Interim distribution of Rs. 0.8574 per unit declared on June 03, 2022 as cash dividend	-	(174,242)
Interim distribution of Rs. 0.9967 per unit declared on June 27, 2022 as cash dividend	-	(255,962)
Interim distribution of Rs. 1.6445 per unit declared on August 10, 2022 as cash dividend	(449,925)	-
Interim distribution of Rs. 1.0143 per unit declared on September 02, 2022 as cash dividend	(297,321)	-
Interim distribution of Rs. 1.4745 per unit declared on October 10, 2022 as cash dividend	(430,915)	-
Interim distribution of Rs. 1.1493 per unit declared on November 07, 2022 as cash dividend	(362,441)	-
Interim distribution of Rs. 1.0082 per unit declared on December 02, 2022 as cash dividend	(329,672)	-
Interim distribution of Rs. 1.4979 per unit declared on January 09, 2023 as cash dividend	(523,117)	-
Interim distribution of Rs. 1.5145 per unit declared on February 13, 2023 as cash dividend	(588,922)	-
Interim distribution of Rs. 0.8585 per unit declared on March 06, 2023 as cash dividend	(265,472)	-
Interim distribution of Rs. 1.8339 per unit declared on April 10, 2023 as cash dividend	(623,996)	-
Interim distribution of Rs. 1.9820 per unit declared on May 15, 2023 as cash dividend	(822,127)	-
Interim distribution of Rs. 1.9102 per unit declared on June 19, 2023 as cash dividend	(834,342)	-
	(5,528,249)	(2,802,865)
Undistributed income carried forward	426,415	152,355
Undistributed income carried forward		
Realised income	424,448	151,855
Unrealised income	1,967	500
	426,415	152,355
Net assets value per unit at beginning of the year	101.3611	101.2227
Net assets value per unit at end of the year	101.9926	101.3611

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	2023	2022
Note ----- (Rupees in '000) -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	6,653,394	3,164,924
Adjustments for:		
Capital loss on sale of investment - net	84,510	32,033
Income from Government securities	(4,762,119)	(897,045)
Income from money market transactions and placements	(757,317)	(304,429)
Income from corporate sukuk bonds	(121,676)	(47,779)
Mark-up on bank deposits	(1,600,248)	(1,994,228)
Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	(1,967)	(500)
	(505,423)	(47,024)
<b>(Increase) / decrease in assets</b>		
Investments - net	(35,882,246)	(2,398,455)
Advances, deposits and prepayments	(121)	89
	(35,882,367)	(2,398,366)
<b>Increase/ (decrease) in liabilities</b>		
Payable to the Management Company	55,452	8,868
Payable to the Trustee	1,018	(10)
Payable to Securities and Exchange Commission of Pakistan	1,911	1,072
Accrued expenses and other liabilities	62,793	(44,374)
	121,174	(34,444)
Cash used in operations	(36,266,616)	(2,479,834)
Income received from Government securities	4,532,764	897,045
Income received from money market placement	747,637	304,429
Income received from corporate sukuk bonds	169,455	-
Mark-up received on bank deposits	1,899,142	1,684,576
	7,348,998	2,886,050
Net cashflows (used in) / generated from operating activities	(28,917,618)	406,216
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	155,488,256	142,116,733
Payments against redemption of units	(141,532,108)	(132,563,047)
Dividend paid	(6,337,033)	(3,191,711)
Net cashflows from financing activities	7,619,115	6,361,975
Net (decrease) / increase in cash and cash equivalents during the year	(21,298,503)	6,768,192
Cash and cash equivalents at the beginning of the year	33,290,444	26,522,253
Cash and cash equivalents at the end of the year	5 11,991,941	33,290,444

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

## **1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL Cash Fund (the Fund) was established under a Trust Deed executed between HBL Asset Management Limited as the Management Company, and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/NBFC-II/DD/PCF/844/2010 dated November 11, 2010 and the Trust Deed was executed on October 22, 2010.

The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on August 24, 2021, the above-mentioned Trust Deed had been registered under the Sindh Trust Act.

Effective from September 1, 2016, HBL Asset Management Limited became Management Company of the Fund, which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an open-ended money market scheme and is listed on Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at par value of Rs. 100 per unit from December 11, 2010 to December 13, 2010. Thereafter, the units are offered to the public for subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund.

The Fund has been categorised as a money market scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.

VIS Credit Rating Agency has assigned a management quality rating of 'AM1' (Stable outlook) to the Management Company and a stability rating of AA+(f) to the Fund as at December 30, 2022 and December 29, 2022, respectively.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and

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

Where the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

## **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost basis, unless otherwise stated.

## **2.3 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees, which is the Fund's functional currency.

## **2.4 Use of judgments and estimates**

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

### **Classification and valuation of investment**

For details please refer notes 4.2.1.1 and 6 to these financial statements.

### **Impairment of investment**

For details please refer note 4.2.1.2 to these financial statements.

## **3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

### **3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023**

The following accounting standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Fund's operations or did not have material impact on the financial statements other than certain additional disclosures.



**Effective for accounting periods  
beginning on or after:**

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

### 3.2 New accounting standards, amendments and interpretations that are not yet effective

The following accounting standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Funds's operations or are not expected to have material impact on the Funds's financial statements other than certain additional disclosures.

**Effective for accounting periods  
beginning on or after:**

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1      First Time Adoption of International Financial Reporting Standards

IFRS 17      Insurance Contracts

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried in the statement of assets and liabilities at cost / nominal amount.

##### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

###### **4.2.1 Financial assets**

###### **4.2.1.1 Classification and measurement of financial assets and financial liabilities**

On initial recognition, a financial asset is classified and measured at amortised cost or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

#### **Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.

#### **Financial assets at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income, foreign exchange gains and losses and impairment are recognised in income.

#### **4.2.1.2 Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly deposits, investment and bank balances.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012 dated October 24, 2012 in relation to impairment of debt securities.

#### **4.2.1.3 Regular way purchase/sale of financial assets**

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset.

#### **4.2.1.4 Derecognition**

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

#### **4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 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.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income**

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

#### 4.8 Net assets value per unit

The net assets value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

#### 4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Mark-up / return on Government securities, bank profits and investment in debt securities are recognized using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

#### 4.10 Transactions with related parties / connected persons

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

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

		2023	2022
	Note	----- Rupees in '000 -----	
<b>5 BANK BALANCES</b>			
In current account		6	6
In saving accounts	5.1	11,991,935	33,290,438
		<u>11,991,941</u>	<u>33,290,444</u>

- 5.1 These bank accounts carry mark-up at rates ranging between 12% to 22.65% (2022: 5.00% to 17.62%) per annum. This includes a balance held by a related party (Habib Bank Limited) amounting to Rs. 84.831 million (2022: Rs. 33,098.328 million) which carry markup at rates ranging between 13.5% to 19.5% (2022: 5% to 17.62%) per annum.

		2023	2022
	Note	----- Rupees in '000 -----	
<b>6 INVESTMENTS</b>			
<b>Financial assets</b>			
At fair value through profit or loss	6.1	34,265,975	1,799,570
At amortised cost	6.2	3,900,000	1,050,772
		<u>38,165,975</u>	<u>2,850,342</u>

6.1	Financial assets at fair value through profit or loss	Note	2023 ----- Rupees in '000 -----	2022 ----- Rupees in '000 -----
	Government securities			
	Market Treasury Bills	6.1.1	23,776,311	484,570
	Pakistan Investment Bonds	6.1.2	10,489,664	-
			<u>34,265,975</u>	<u>484,570</u>
	Corporate Sukuk Bonds	6.1.3	-	1,315,000
			<u>34,265,975</u>	<u>1,799,570</u>

#### 6.1.1 Financial assets at fair value through profit or loss - Market Treasury Bills

Issue date	Tenure	Face value				Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation on re- measurement of investment	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2022	Purchases made during the year	Sales / matured during the year	As at June 30, 2023					
-----Rupees in '000-----										
January 27, 2022	1 year	-	530,000	530,000	-	-	-	-	-	-
April 7, 2022	1 year	-	4,850,000	4,850,000	-	-	-	-	-	-
April 21, 2022	1 year	-	4,000,000	4,000,000	-	-	-	-	-	-
April 28, 2022	1 year	-	500,000	500,000	-	-	-	-	-	-
June 2, 2022	1 year	-	1,138,900	1,138,900	-	-	-	-	-	-
June 16, 2022	1 year	-	5,700	5,700	-	-	-	-	-	-
July 14, 2022	1 year	-	200,000	200,000	-	-	-	-	-	-
July 28, 2022	1 year	-	1,967,000	1,967,000	-	-	-	-	-	-
August 11, 2022	1 year	-	700,000	700,000	-	-	-	-	-	-
October 6, 2022	1 year	-	1,500,000	1,500,000	-	-	-	-	-	-
October 20, 2022	1 year	-	2,500,000	2,500,000	-	-	-	-	-	-
November 17, 2022	1 year	-	51,200	51,200	-	-	-	-	-	-
April 28, 2022	6 months	-	3,500,000	3,500,000	-	-	-	-	-	-
June 2, 2022	3 months	-	800,000	800,000	-	-	-	-	-	-
June 16, 2022	3 months	-	200,000	200,000	-	-	-	-	-	-
June 30, 2022	3 months	500,000	48,073,000	48,573,000	-	-	-	-	-	-
July 14, 2022	3 months	-	30,450,000	30,450,000	-	-	-	-	-	-
July 28, 2022	3 months	-	178,629,200	178,629,200	-	-	-	-	-	-
August 11, 2022	3 months	-	5,991,700	5,991,700	-	-	-	-	-	-
August 25, 2022	3 months	-	5,960,000	5,960,000	-	-	-	-	-	-
September 8, 2022	3 months	-	3,000,000	3,000,000	-	-	-	-	-	-
September 22, 2022	3 months	-	21,830,000	21,830,000	-	-	-	-	-	-
October 6, 2022	3 months	-	28,141,110	28,141,110	-	-	-	-	-	-
October 20, 2022	3 months	-	62,582,510	62,582,510	-	-	-	-	-	-
November 3, 2022	3 months	-	14,050,000	14,050,000	-	-	-	-	-	-
November 17, 2022	3 months	-	48,475,350	48,475,350	-	-	-	-	-	-
December 1, 2022	3 months	-	200,000	200,000	-	-	-	-	-	-
December 15, 2022	3 months	-	3,632,700	3,632,700	-	-	-	-	-	-
January 4, 2023	3 months	-	13,680,000	13,680,000	-	-	-	-	-	-
January 26, 2023	3 months	-	70,015,000	70,015,000	-	-	-	-	-	-
February 9, 2023	3 months	-	27,557,510	27,557,510	-	-	-	-	-	-
February 23, 2023	3 months	-	312,200	312,200	-	-	-	-	-	-
March 9, 2023	3 months	-	14,082,000	14,082,000	-	-	-	-	-	-
March 27, 2023	3 months	-	1,140,450	1,140,450	-	-	-	-	-	-
April 6, 2023	3 months	-	52,659,000	52,659,000	-	-	-	-	-	-
April 20, 2023	3 months	-	9,483,000	9,483,000	-	-	-	-	-	-
May 4, 2023	3 months	-	6,500,000	-	6,500,000	6,409,709	6,405,968	(3,741)	13%	17%
June 15, 2023	3 months	-	33,100,000	15,000,000	18,100,000	17,371,443	17,370,343	(1,100)	35%	46%
Total - as at June 30, 2023		500,000	701,987,530	677,887,530	24,600,000	23,781,152	23,776,311	(4,841)	47%	62%
Total - as at June 30, 2022		-	441,223,000	440,723,000	500,000	484,070	484,570	500	1%	17%

6.1.1.1 As at June 30, 2023, Market Treasury Bill (T-bill) had a face value of Rs. 24,600 million (2022: 500 million) carrying effective yield of 22.49% (2022: 14.71%) per annum.

#### 6.1.2 Financial assets at fair value through profit or loss - Pakistan investment bonds (floating)

Issue date	Tenure	Face value				Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation on re-measurement of investment	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2022	Purchases during the year	Sales during the year	As at June 30, 2023					
-----Rupees in '000-----										
June 18, 2020	3 Years	-	26,297,900	26,297,900	-	-	-	-	0.00%	0.00%
October 22, 2020	3 Years	-	500,000	-	500,000	496,828	498,700	1,872	0.99%	1.31%
August 26, 2021	2 Years	-	18,815,000	8,800,000	10,015,000	9,986,028	9,990,964	4,936	19.85%	26.18%
Total - as at June 30, 2023		-	45,612,900	35,097,900	10,515,000	10,482,856	10,489,664	6,808	20.84%	27.48%
Total - as at June 30, 2022		-	-	-	-	-	-	-	-	-

6.1.2.1 As at June 30, 2023, Pakistan Investment Bonds (PIBs) had a face value of Rs. 10,515 million (2022: Rs. Nil) carrying effective yield ranging between 22.05% to 23.37% (2022: Nil%,) per annum.

### 6.1.3 Financial assets at fair value through profit or loss - Corporate Sukuk Bonds

Name of investee company	Tenure	Face value				Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation on re- measurement of investment	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2022	Purchases made during the year	Sales / matured during the year	As at June 30, 2023					
-----Rupees in '000-----										
Hub Power Company Limited	6 Months	450,000	-	450,000	-	-	-	-	0.00%	0.00%
K-Electric Limited	6 Months	450,000	-	450,000	-	-	-	-	0.00%	0.00%
K-Electric Limited	6 Months	150,000	-	150,000	-	-	-	-	0.00%	0.00%
K-Electric Limited	6 Months	265,000	-	265,000	-	-	-	-	0.00%	0.00%
Lucky Electric Power Company Limited	6 Months	-	2,150,000	2,150,000	-	-	-	-	0.00%	0.00%
Total - as at June 30, 2023		1,315,000	2,150,000	3,465,000	-	-	-	-	0.00%	0.00%
Total - as at June 30, 2022		-	1,315,000	-	1,315,000	1,315,000	1,315,000	-	3.65%	46.13%

6.1.3.1 These Corporate Sukuk Bonds carry mark-up at the rate of Nil (2022: 11.61% to 15.1%) per annum.

**2023**                      **2022**  
**Note**                      **----- Rupees in '000 -----**

### 6.2 Financial assets at amortised cost

Commercial papers	6.2.1	-	1,050,772
Letter of placements	6.2.2	3,900,000	-
		<u>3,900,000</u>	<u>1,050,772</u>

#### 6.2.1 Financial assets at amortised cost - Commercial paper

Name of investee company	Maturity date	As at July 1, 2022	Placement made during the year	Income accrued	Matured / sold during the year	As at June 30, 2023	Percentage of net assets	Percentage of total of investments
----- (Rupees in '000) -----								
China Power Hub Generation Company (Private) Limited	October 9, 2022	481,719	-	18,281	500,000	-	0%	0%
Lucky Electric Power Company Limited	November 2, 2022	569,053	-	30,947	600,000	-	0%	0%
K-Electric Limited	May 2, 2023	-	552,251	47,749	600,000	-	0%	0%
<b>Total - as at June 30, 2023</b>		<b>1,050,772</b>	<b>552,251</b>	<b>96,977</b>	<b>1,700,000</b>	<b>-</b>	<b>0%</b>	<b>0%</b>
<b>Total - as at June 30, 2022</b>		<b>-</b>	<b>2,493,555</b>	<b>137,850</b>	<b>1,580,633</b>	<b>1,050,772</b>	<b>3%</b>	<b>37%</b>

6.2.2 This represent the letter of placment of Bank Alfalah limited at an interest rate of 22.65%. The placement is schedule to mature on July 06, 2023.

**2023**                      **2022**  
**----- Rupees in '000 -----**

### 6.3 Net unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss

Market value of investments	38,165,975	1,799,570
Less: Carrying value of investments	(38,164,008)	(1,799,070)
	<u>1,967</u>	<u>500</u>

## 7 PROFIT / MARK-UP RECEIVABLE

Profit / mark-up receivable on		
Bank deposits	7.1	167,816
Letter of placement		9,680
Pakistan Investment Bond		229,353
Sukuk		-
		<u>47,779</u>
		<u>406,849</u>
		<u>514,489</u>

- 7.1 These include a balance held by Habib Bank Limited, a related party, amounting to Rs. 2.50 million (2022: Rs. 351,431 million).

## 8 ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposits with Central Depository

Company of Pakistan Limited		100	100
Prepaid rating fee		121	-
Advance tax	8.1	1,032	1,032
		<u>1,253</u>	<u>1,132</u>

- 8.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.

The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 151 of ITO 2001. The Management Company is confident that the same shall be refunded after filing refund application.

	Note	2023 ----- Rupees in '000 -----	2022
<b>9 PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration payable to the Management Company	9.1	33,305	5,658
Sindh Sales Tax payable on Management Company's remuneration	9.2	4,330	735
Allocation of fees and expenses related to registrar services, accounting, operation and valuation services	9.3	7,401	1,976
Sales load payable		1,836	835
Selling and marketing expense payable	9.4	<u>25,303</u>	<u>7,520</u>
		<u>72,175</u>	<u>16,724</u>

- 9.1 As per the Regulation 61 of the NBFC Regulations, Asset Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the Offering Document. The maximum limit disclosed in the Offering Document is 1.5% per annum of average annual net assets. During the year, the fee has been charged at the rate ranging between of 0.3% to 1.18% of the average annual net assets. The fee is payable monthly in arrears.
- 9.2 The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (2022: 13%) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.
- 9.3 As per Regulation 60(3)(s) of NBFC Regulations, fees and expenses related to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee has been charged at the rate ranging between 0.1% to 0.3% of the average annual net assets.
- 9.4 As per Regulation 60(3)(v) of NBFC Regulations, selling and marketing expense may be charged for all categories of funds except fund of funds. During the year, the fee has been charged at the rate ranging between 0.1% to 0.3% of the average annual net assets accordingly.



		2023	2022
	Note	----- Rupees in '000 -----	----- Rupees in '000 -----
<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>		
	Trustee fee payable	10.1	1,360
	Sindh Sales Tax payable on remuneration of the Trustee	10.3	177
		<u>1,537</u>	<u>1,547</u>

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the average annual net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

10.2 Earlier, the tariff structure applicable to the Fund was as follows:

Average Net asset Value	Tariff per annum
Up to Rs. 1 billion	0.15% p.a. of net assets
Exceeding Rs. 1 billion up to Rs. 10 billion	Rs. 1.5 million plus 0.075% p.a. of net assets exceeding Rs. 1 billion
Over Rs. 10 billion	Rs. 8.25 million plus 0.06% p.a. of net assets exceeding Rs. 10 billion

The CDC vide notification CDC/CEO/L-112/02/2019, dated June 27, 2019, had revised the rates of the Trustee fee, with effect from July 1, 2019, according to which, Trustee fee shall be charged at the rate of 0.065% of the average annual net assets of the Fund. However, CDC vide notification CDC/CEO/L-259/01/2021, dated October 11, 2021, had further revised the rates of the Trustee fee for Money Market schemes, with effect from October 1, 2021, according to which, Trustee fee shall be charged at the rate of 0.055% of the average annual net assets of the Fund.

10.3 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

		2023	2022
	Note	----- Rupees in '000 -----	----- Rupees in '000 -----
<b>11</b>	<b>PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
	Annual fee payable	11.1	8,050
		<u>8,050</u>	<u>6,139</u>

11.1 As per Regulation 62 of NBFC Regulations, An Asset Management Company managing a CIS shall pay SECP an annual fee of 0.02% of the average annual net assets. The fee is payable annually in arrears.

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

Provision for Federal Excise Duty	12.1	7,528	7,528
Withholding tax payable		135,736	73,445
Auditors' remuneration		270	207
Brokerage payable		669	174
Other charges payable		-	121
Zakat payable		219	154
		<u>144,422</u>	<u>81,629</u>

- 12.1 The legal status of applicability of Federal Excise Duty is the same as disclosed in note 12.1 to the annual audited financial statements of the Fund for the year ended June 30, 2021. However, since the appeal filed by the tax authorities is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained a provision for FED on remuneration of Management Company, aggregating to Rs. 7.528 million (2022: Rs. 7.528 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2023 would have been higher by Re. 0.0153 per unit (2022: Re. 0.0212 per unit).

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2023 (2022: Nil).

	2023	2022
	----Number of Units----	
<b>14 NUMBER OF UNITS IN ISSUE</b>		
Total units in issue at the beginning of the year	355,820,022	262,188,307
Add: Units issued during the year	1,523,727,312	1,398,078,457
Less: Units redeemed during the year	(1,385,993,819)	(1,304,446,742)
Total units in issue at the end of the year	<u>493,553,515</u>	<u>355,820,022</u>

	----Rupees in '000----	
<b>15 AUDITORS' REMUNERATION</b>		
Annual audit fee	242	220
Fee for half yearly review	121	110
Other certifications and out of pocket expenses	<u>146</u>	<u>117</u>
	<u>509</u>	<u>447</u>

**16 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 to the unit holders in cash. 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 has not recorded a tax liability in the current year, as the Management Company has distributed at least 90% of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) to its unit holders.

**17 EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed in these financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

**18 FINANCIAL INSTRUMENTS BY CATEGORY**

Particulars	As at June 30, 2023		
	At fair value through profit or loss	Amortised cost	Total

Rupees in '000

**Financial assets**

Bank balances	-	11,991,941	11,991,941
Investments			
Pakistan Investment Bonds	10,489,664	-	10,489,664
Market Treasury Bills	23,776,311	-	23,776,311
Letter of placement	-	3,900,000	3,900,000
Profit / mark-up receivable	-	406,849	406,849
Deposits	-	100	100
	<u>34,265,975</u>	<u>16,298,890</u>	<u>50,564,865</u>

Particulars	As at June 30, 2023		
	At fair value through profit or loss	Amortised cost	Total

Rupees in '000

**Financial liabilities**

Payable to the Management Company	-	67,845	67,845
Payable to the Trustee	-	2,261	2,261
Accrued expenses and other liabilities	-	939	939
	<u>-</u>	<u>71,045</u>	<u>71,045</u>

Particulars	As at June 30, 2022		
	At fair value through profit or loss	Amortised cost	Total

Rupees in '000

**Financial assets**

Bank balances	-	33,290,444	33,290,444
Investments			
Market Treasury Bills	484,570	-	484,570
Corporate Sukuk Bonds	1,315,000	-	1,315,000
Commercial papers	-	1,050,772	1,050,772
Profit / mark-up receivable	-	514,489	514,489
Deposits	-	100	100
	<u>1,799,570</u>	<u>34,855,805</u>	<u>36,655,375</u>

Particulars	As at June 30, 2022		
	At fair value through profit or loss	Amortised cost	Total

Rupees in '000

**Financial liabilities**

Payable to the Management Company	-	15,989	15,989
Payable to the Trustee	-	1,360	1,360
Payable against purchase of investment - net	-	484,070	484,070
Accrued expenses and other liabilities	-	502	502
	<u>-</u>	<u>501,921</u>	<u>501,921</u>

**19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES/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, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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.

Transactions and balances with parties who were connected persons due to holding 10% or more units in the comparative year and not in the current year are not disclosed in the comparative year.

Details of the transactions with connected persons and balances with them are as follows:

	2023	2022
	----- Rupees in '000 -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	278,253	85,067
Sindh Sales Tax on remuneration of the Management Company	36,173	11,059
Sales load	20,504	518
Allocation of expenses related to registrar services, accounting, operation and valuation services	77,365	10,441
Selling and marketing expense	77,365	10,518
Issue of 7,299,950 (2022: 2,745,776) units	746,736	278,186
Redemption of 6,684,483 (2022: 3,140,539) units	677,547	319,408
Dividend paid	23,457	3,453
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	22,137	17,595
Sindh Sales Tax on remuneration of the Trustee	2,878	2,287
CDC service charges	9	19

	2023	2022
	----- Rupees in '000 -----	
<b>Habib Bank Limited - Sponsor</b>		
Bank charges paid	1,076	843
Mark-up on savings accounts	146,149	900,246
Purchase of Pakistan Investment Bonds	25,093,064	-
Sale of Pakistan Investment Bonds	26,106,747	-
Purchase of Market Treasury Bills	127,917,228	-
Sale of Market Treasury Bills	126,032,580	-
<b>Directors and Executives of the Management</b>		
Issuance of 893,774 units (2022: 275,014 units)	91,164	27,965
Redemption of 806,939 units (2022: 304,999 units)	82,419	30,950
Dividend paid	1,790	943
<b>DCCL Trustee HBL Financial Planning Fund Active Allocation Plan - Fund under common</b>		
Issuance of 697,193 units (2022: Nil units)	71,108	-
Redemption of 697,193 units (2022: 14,992 units)	71,005	1,522
Dividend paid	5,100	-
<b>DCCL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Fund under common management</b>		
Issuance of 43,062 units (2022: 13 units)	4,440	1
Redemption 1,670 units (2022: Nil units)	170	-
Dividend paid	238	1
<b>HBL Asset Management Limited - Employee Gratuity Fund - Associate</b>		
Issuance of 43,062 units (2022: Nil units)	5,210	-
Dividend paid	510	-
<b>HBL Asset Management Limited - Employee Provident Fund - Associate</b>		
Issuance of 173,852 units (2022: Nil units)	17,737	-
Dividend paid	1,737	-

	2023	2022
	----- Rupees in '000 -----	
<b>Fauji Fertilizers Company Limited - Connected person due to holding of more than 10% units</b>		
Issuance of 471,722,737 units (2022: 148,428,629 units)	48,135,284	15,272,926
Redemption of 458,548,609 units (2022: 119,151,190 units)	(46,774,265)	12,092,053
Dividend paid	5,770,488	13,458
<b>Mutual Funds Association of Pakistan - Due to Common Directorship</b>		
Issuance of 2,777 units (2022: 66,893 units)	282	6,829
Redemption of 54,336 units (2022: 15,334 units)	5,512	1,560
Dividend paid	331	319
<b>Pakistan Petroleum Limited - Due to Common Directorship</b>		
Issuance of 46,954,297 units (2022: Nil units)	4,816,995	-
Redemption of 9,707,152 units (2022: Nil units)	983,928	-
Dividend paid	189,820	-
<b>CDC Trustee HBL Islamic Money Market Fund - Connected Party</b>		
Sale of Commercial Paper	-	367,557
<b>CDC Trustee HBL Financial Sector Income Fund - Connected Party</b>		
Purchase of Pakistan Investment Bonds	498,378	-
<b>CDC Trustee HBL ISLAMIC Income Fund - Connected Party</b>		
Purchase of Corporate Sukuk Bonds	259,587	-
<b>HBL Micro Finance Bank Limited</b>		
Sale of Market Treasury Bills	-	1,500,000
<b>CDC Trustee HBL Income Fund - Connected Party</b>		
Purchase of Pakistan Investment Bonds	64,950	-
Sale of Market Treasury Bills	87,157.35	100,000
<b>CDC Trustee HBL Government Securities Fund - Connected Party</b>		
Purchase of Pakistan Investment Bonds	199,846	-
<b>CDC Trustee HBL Pension Fund - Debt Sub Fund- Connected Party</b>		
Purchase of Pakistan Investment Bonds	49,961	-

	2023	2022
	----- Rupees in '000 -----	
<b>CDC Trustee HBL Total Treasury Exchange Traded Fund - Connected Party</b>		
Purchase of Market Treasury Bills	550,000	-
Sale of Market Treasury Bills	19,683	-
<b>CDC Trustee HBL Multi Asset Fund - Connected</b>		
Purchase of Market Treasury Bills	24,732	-
<b>CDC Trustee HBL Stock Fund - Connected Party</b>		
Purchase of Market Treasury Bills	24,732	-
<b>CDC Trustee HBL Growth Fund - Connected Party</b>		
Purchase of Market Treasury Bills	34,625	-
<b>CDC Trustee HBL Equity Fund - Connected Party</b>		
Purchase of Market Treasury Bills	15,000	-
<b>CDC Trustee HBL Money Market Fund - Connected</b>		
Purchase of Corporate Sukuk Bonds	302,555	-
Purchase of Market Treasury Bills	2,340,808	6,775,000
Sale of Market Treasury Bills	3,031,102	1,000,000
<b>Jubilee Life Insurance - Associate</b>		
Sale of Market Treasury Bills	-	2,000,000
<b>19.2 Balances outstanding as at the year end</b>		
<b>HBL Asset Management Limited</b>		
Remuneration payable to the Management Company	33,305	5,658
Sindh Sales Tax payable on Management Company's remuneration	4,330	735
Allocation of expenses related to registrar services, accounting, operation and valuation	7,401	1,976
Sales load payable	1,836	835
Selling and marketing expense payable	25,303	7,520
Units held: 615,467 (2022: Nil)	62,773	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	2,555	1,537
Security deposit held	100	100
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	84,841	33,098,328
Profit / mark-up receivable	2,050	351,431
<b>Directors and Executives of the Management Company</b>		
Units held: 165,046 (2022: 78,211)	16,833	7,928

	2023	2022
	----- Rupees in '000 -----	
<b>DCCL Trustee HBL Financial Planning Fund</b>		
<b>Conservative Allocation Plan - Fund under</b>		
Units held: 42,068 (2022: 137)	4,291	14
<b>HBL Asset Management Limited - Employee</b>		
<b>Gratuity Fund - Associate</b>		
Units held: 51,069 (2022: Nil)	5,209	-
<b>HBL Asset Management Limited - Employee</b>		
<b>Provident Fund - Associate</b>		
Units held: 173,852 (2022: Nil)	17,732	-
<b>Fauji Fertilizers Company Limited - Connected</b>		
<b>person due to holding of more than 10% units</b>		
Units held: 72,694,344 (2022: 59,520,216)	7,414,285	6,030,172
<b>Mutual Funds Association of Pakistan - Due to</b>		
<b>Common Directorship</b>		
Units held: Nil (2022: 51,588)	-	5,226
<b>Pakistan Petroleum Limited - Due to Common</b>		
<b>Directorship</b>		
Units held: 37,247,145 (2022: Nil)	3,798,933	-

## 20 FINANCIAL RISK MANAGEMENT

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

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in a portfolio of money market securities such as Market Treasury Bills, Commercial Paper, Letter of Placements and in other money market instruments. These activities are exposed to a variety of financial risks; namely, market risks, credit risks and liquidity risks.

### 20.1 Market risk

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

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

#### **20.1.1 Currency risk**

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

#### **20.1.2 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) Cash flow interest rate risks**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 12% to 22.65% per annum.

In case of 100 basis points increase / decrease in interest rates on June 30, 2022, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 16.002 million (2022: Rs. 19.942 million).

##### **b) Fair value interest rate risks**

The Fund's investment in Pakistan Investment Bond, Market Treasury Bills and Corporate Sukuk, Commercial Papers and Letter Of Placement exposes it to fair value interest rate risk.

In case of 100 basis points increase/decrease in rates announced by the Financial Market Association of Pakistan on June 30, 2023, with all other variables held constant, the net income for the year and the net assets would be lower/higher by Rs. 381.660 million (2022: 28.5 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

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

Particulars	As at June 30, 2023					
	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
On-balance sheet financial						
Financial assets						
Bank balances	12.00 - 22.65	11,991,935	-	-	6	11,991,941
Investments						
Pakistan Investment Bonds	22.05-23.37	9,990,964	498,700	-	-	10,489,664
Market Treasury Bills	22.49	23,776,311	-	-	-	23,776,311
Letter Of Placement	22.65	3,900,000	-	-	-	3,900,000
Profit / mark-up receivable		-	-	-	406,849	406,849
Deposits		-	-	-	100	100
Sub total		49,659,210	498,700	-	406,955	50,564,865
Financial liabilities						
Payable to the Management Company		-	-	-	67,845	67,845
Payable to the Trustee		-	-	-	2,261	2,261
Accrued expenses and other liabilities		-	-	-	939	939
Sub total		-	-	-	71,045	71,045
On-balance sheet gap (a)		49,659,210	498,700	-	335,910	50,493,820
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		49,659,210	498,700	-		
Cumulative interest rate sensitivity gap		49,659,210	498,700	-		

Particulars	----- As at June 30, 2022 -----					Total
	Effective yield / interest rate	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	5.00 - 17.62	33,290,438	-	-	6	33,290,444
Investments						
Market Treasury Bills	14.71	484,570	-	-	-	484,570
Commercial papers	6.93 - 7.99	-	1,050,772	-	-	1,050,772
Corporate Sukuk Bonds	11.61 - 15.10	600,000	715,000	-	-	1,315,000
Profit / mark-up receivable		-	-	-	514,489	514,489
Deposits		-	-	-	100	100
Sub total		34,375,008	1,765,772	-	514,595	36,655,375
Financial liabilities						
Payable to the Management Company		-	-	-	15,989	15,989
Payable to the Trustee		-	-	-	1,360	1,360
Accrued expenses and other liabilities		-	-	-	502	502
Payable against purchase of investments - net		-	-	-	484,070	484,070
Sub total		-	-	-	501,921	501,921
On-balance sheet gap (a)		34,375,008	1,765,772	-	12,674	36,153,454
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		34,375,008	1,765,772	-		
Cumulative interest rate sensitivity gap		34,375,008	1,765,772	-		

### 20.1.3 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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in corporate sukuk bonds, letter of placement and bank deposit. Risks attributable to investments in Market Treasury Bills and Pakistan Investment Bonds are limited as these are guaranteed by the Federal Government while bank balances are maintained with banks with a reasonably high credit rating. The risk of default is considered minimal due to interest systematic measures taken therein.

20.2.1 The analysis below summarises the credit quality of the Fund's bank balances and Investments as at June 30, 2023 and June 30, 2022:

Name of bank / institutions	Balances held by the Fund as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
(Rupees in '000)			
<b>Balances with banks by rating category</b>			
Bank Alfalah Limited	11,895,914	A-1+	PACRA
Bank Al Habib Limited	10,648	A-1+	PACRA
Habib Metropolitan Bank Limited	78	A-1+	PACRA
Habib Bank Limited	84,841	A-1+	VIS
Allied Bank Limited	72	A-1+	PACRA
Dubai Islamic Bank Limited	46	A-1+	VIS
Samba Bank Limited	12	A-1	VIS
Zarai Taraqiati Bank Limited	53	A-1+	VIS
MCB Bank Limited	62	A-1+	PACRA
Sindh Bank Limited	23	A-1	VIS
Faysal Bank Limited	67	A-1+	VIS
Soneri Bank Limited	114	A-1+	PACRA
National Bank of Pakistan	11	A-1+	PACRA
	<u>11,991,941</u>		
<b>Balances with banks by rating category</b>			
Bank Alfalah Limited	177,346	A-1+	PACRA
Bank Al Habib Limited	7	A-1+	PACRA
Habib Metropolitan Bank Limited	114	A-1+	PACRA
Habib Bank Limited	33,098,328	A-1+	VIS
Allied Bank Limited	333	A-1+	PACRA
Dubai Islamic Bank Limited	46	A-1+	VIS
Samba Bank Limited	10	A-1	VIS
Zarai Taraqiati Bank Limited	48	A-1+	VIS
MCB Bank Limited	49	A-1+	PACRA
Sindh Bank Limited	20	A-1	VIS
Faysal Bank Limited	5,864	A-1+	VIS
Soneri Bank Limited	8,269	A-1+	PACRA
National Bank of Pakistan	10	A-1+	PACRA
	<u>33,290,444</u>		
<b>Commercial paper</b>			
Lucky Electric Power Company Limited	481,719	A-1+	PACRA
China Power Hub Generation Company (Pvt.) Ltd.	569,053	A-1+	PACRA
	<u>1,050,772</u>		
<b>Corporate Sukuk Bonds</b>			
Hub Power Company Limited	450,000	AA+	PACRA
K-Electric Limited	865,000	AA+	VIS
	<u>1,315,000</u>		

20.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

	2023	2022
Rating by rating category	----- (Percentage) -----	
A-1+	100.00	100.00
A-1	0.00	0.00

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the Government.

### 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unitholders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year, no borrowing was made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instances were witnessed by the Fund during the current year (2022: None).

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

Particulars	As at June 30, 2023			
	Upto three months	More than three months and upto one year	More than one year	Total
Rupees in '000				
<b>Financial liabilities</b>				
Payable to the Management				
Company	67,845	-	-	67,845
Payable to the Trustee	2,261	-	-	2,261
Accrued expenses and other liabilities	939	-	-	939
	71,045	-	-	71,045

Particulars	----- As at June 30, 2022 -----			
	Upto three months	More than three months and upto one year	More than one year	Total
----- Rupees in '000 -----				
<b>Financial liabilities</b>				
Payable to the Management Company	15,989	-	-	15,989
Payable to the Trustee	1,360	-	-	1,360
Payable against purchase of investments - net	484,070	-	-	484,070
Accrued expenses and other liabilities	502	-	-	502
	<u>501,921</u>	<u>-</u>	<u>-</u>	<u>501,921</u>

## 21 UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund 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. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## 22 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 and measurement date. Consequently, differences can arise between carrying values and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the reporting 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.

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. 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 :

Particulars	June 30, 2023						
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note ..... (Rupees in '000) .....							

**Financial assets measured at fair value**

Market Treasury Bills	23,776,311	-	23,776,311	-	23,776,311	-	23,776,311
Pakistan Investment Bonds	10,489,664	-	10,489,664	-	10,489,664	-	10,489,664
	34,265,975	-	34,265,975	-	34,265,975	-	34,265,975

**Financial assets not measured at fair value** 22.1

Letter of placements	-	3,900,000	3,900,000
Bank balances	-	11,991,941	11,991,941
Profit / mark-up receivable	-	406,849	406,849
Deposits	-	100	100
	-	16,298,890	16,298,890

**Financial liabilities not measured at fair value** 22.1

Payable to the Management Company	-	67,845	67,845
Payable to the Trustee	-	2,261	2,261
Accrued expenses and other liabilities	-	939	939
	-	71,045	71,045

Particulars	June 30, 2022						
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
Note ----- (Rupees in '000) -----							
<b>Financial assets not measured at fair value</b>							
Market Treasury Bills	484,570	-	484,570.00	-	484,570	-	484,570
Corporate Sukuk Bonds	1,315,000	-	1,315,000	-	1,315,000	-	1,315,000
	1,799,570	-	1,799,570	-	1,799,570	-	1,799,570
<b>Financial assets not measured at fair value</b>	22.1						
Commercial Papers	-	1,050,772	1,050,772				
Bank balances	-	33,290,444	33,290,444				
Profit / mark-up receivable	-	514,489	514,489				
Deposits	-	100	100				
	-	34,855,805	34,855,805				
<b>Financial liabilities not measured at fair value</b>	22.1						
Payable to the Management Company	-	15,989	15,989				
Payable to the Trustee	-	1,360	1,360				
Payable against purchase of investments - net	-	484,070	484,070				
Accrued expenses and other liabilities	-	502	502				
	-	501,921	501,921				

22.1 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 periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 22.2 Transfers during the year

No transfer were made between various levels of fair value hierarchy during the year.

## 23 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

### Top ten brokers during the year ended June 30, 2023

- 1 Optimus Markets (Pvt) Ltd
- 2 Al Falah CLSA Securities (Pvt) Ltd
- 3 C & M Management (Pvt.) Ltd
- 4 Continental Exchange (Pvt) Ltd
- 5 Bright Capital (Pvt) Ltd
- 6 Icon Securities (Pvt.) Ltd
- 7 Invest One Markets Ltd
- 8 Magenta Capital (Pvt) Ltd
- 9 BMA Capital Management Ltd
- 10 Vector Capital (Pvt) Ltd

### Top ten brokers during the year ended June 30, 2022

- 1 Invest One Markets Limited
- 2 Optimus Markets (Private) Limited
- 3 Magenta Capital (Private) Limited
- 4 Pearl Securities Limited
- 5 Bright Capital (Private) Limited
- 6 Arif Habib Limited
- 7 JS Global Capital Limited
- 8 BIPL Securities Limited
- 9 BMA Capital Management Limited
- 10 Currency Market Associates (Private) Limited



## 24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S.no	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	24+
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27+
3	Wamiq Sakrani	Head of Fixed Income	MBA	13+
4	Imad Ansari	Head of Risk	MBA	16+
5	Umair Naseer	Head of Research	MBA	10+
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7	Raza Abbas	Senior Fund Manager	M.Com	20
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7+

## 25 PATTERN OF UNITHOLDING

Category	As at June 30, 2023			
	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
Associated Companies	6	840,389	85,713.37	0.17%
Trust	30	4,578,695	466,993	0.93%
Insurance Companies	20	5,224,608	532,871	1.06%
Retirement Funds	92	8,586,147	875,723	1.74%
Other Corporate	264	352,542,538	35,956,712	71.43%
Individuals	4886	116,777,101	11,910,428	23.66%
Foreign Individuals	21	5,004,037	510,375	1.01%
		493,553,515	50,338,816	100.00%

Category	As at June 30, 2022			
	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
Trust	6	1,570,790	159,217	0.44%
Insurance Companies	9	5,351,259	542,409	1.50%
Retirement Funds	48	12,341,600	1,250,958	3.47%
Other Corporate	113	277,221,176	28,099,443	77.91%
Individuals	1874	59,335,197	6,014,280	16.68%
		355,820,022	36,066,308	100.00%

**26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave	
1 Mr. Shahid Ghaffar	6	6	-	-
2 Ms. Ava A. Cowasjee	6	6	-	-
3 Mr. Rayomond H. Kotwal	6	6	-	-
4 Mr. Abrar Ahmed Mir	6	2	4	August 29, 2022 January 16, 2023 January 23, 2023 February 13, 2023
5 Mr. Tariq Masaud	6	6	-	-
6 Mr. Abid Sattar	6	6	-	-
7 Mr. Khalid Malik	6	5	1	October 19, 2022

**27 TOTAL EXPENSE RATIO**

In accordance with the Directive 23 of 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2023 is 1.26% (2022: 0.47%) which includes 0.12% (2022: 0.06%) representing Government Levy and SECP fee.

**28 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on August 25, 2023 by the Board of Directors of the Management Company.

**29 CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**30 GENERAL**

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

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



**HBL** Multi Asset Fund

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Multi Asset Fund</b>
<b>NAME OF AUDITORS</b>	<b>KPMG Taseer Hadi &amp; Co., Chartered Accountants.</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited Allied Bank Limited JS Bank Limited MCB Bank Limited Zarai Tarakiyati Bank Limited Sindh Bank Limited Soneri Bank Limited National Bank Limited Dubai Islamic Bank Limited Habib Metropolitan Bank Limited</b>

## FUND MANAGER'S REPORT – HBL MULTI ASSET FUND

### Type and Category of Fund

Open end Balanced Fund

### Investment Objective and Accomplishment of Objective

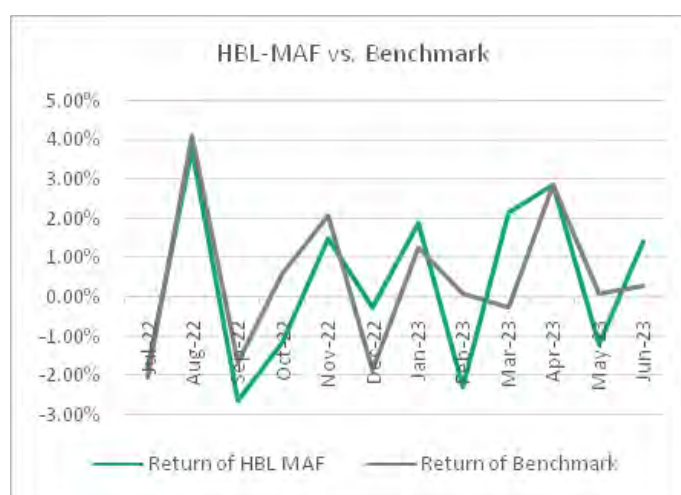
The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes such as equity, equity-related instruments, fixed-income securities, continuous funding system, derivatives, money market instruments, etc.

### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is weighted average daily return of KSE100 and 6M average PKRV rates based on the actual proportion of investment in Equity and Fixed Income/Money Market component.

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

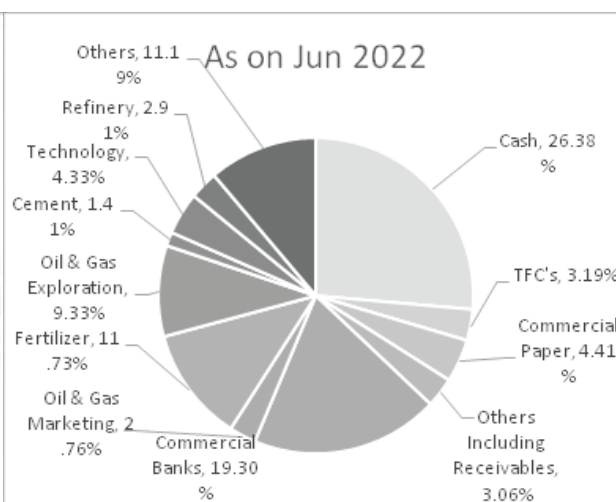
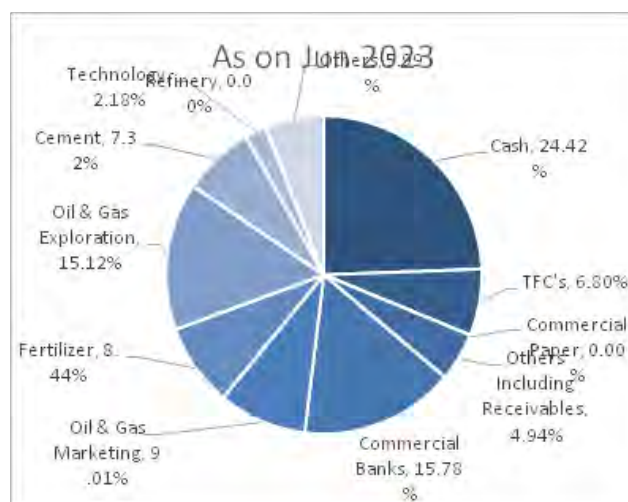
Month	Return of Fund	
	HBL -MAF	Benchmark
Jun-23	1.43%	0.31%
May-23	-1.19%	0.11%
Apr-23	2.89%	2.86%
Mar-23	2.15%	-0.26%
Feb-23	-2.30%	0.09%
Jan-23	1.90%	1.25%
Dec-22	-0.24%	-1.86%
Nov-22	1.49%	2.10%
Oct-22	-1.17%	0.60%
Sep-22	-2.65%	-1.66%
Aug-22	3.77%	4.12%
Jul-22	-1.84%	-2.05%



### Strategies and Policies employed during the Year

During the year under review, the Fund has increased its exposure in equity securities from 63% as on June 30, 2022 to 64% in June 30, 2023. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in oil & gas exploration and oil & gas marketing was increased, while exposure in commercial banks and fertilizers was decreased. The Fund decreased its exposure in commercial papers, while increased its exposure in TFCs during the year.

### Asset Allocation



## Significant Changes in Asset Allocation during the Year

Following table shows comparison of sector wise allocation of equity investments of Fund as on June 30, 2023 and June 30, 2022:

Sector Name	As on Jun 2023	As on Jun 2022
Cash	24.42%	26.38%
TFC's	6.80%	3.19%
Commercial Paper	-	4.41%
Others Including Receivables	4.94%	3.06%
Commercial Banks	15.78%	19.30%
Oil & Gas Marketing	9.01%	2.76%
Fertilizer	8.44%	11.73%
Oil & Gas Exploration	15.12%	9.33%
Cement	7.32%	1.41%
Technology	2.18%	4.33%
Refinery	-	2.91%
Others	6.00%	11.20%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The total and net income of the Fund was Rs. 9.57 million and Rs. 4.90 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs 92.3983 per unit as on June 30, 2023 as compared to Rs 92.9202 per unit as on June 30, 2022 (after incorporating dividend of Rs. 4.35 per unit), thereby giving a return of 4.05%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) yielded a return of 5.54%. The size of Fund was Rs 0.10 billion as on June 30, 2023 as compared to Rs. 0.10 billion at the start of the year.

## Review of Market invested in

### Money Market Review

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

### Stock Market Review

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

The Board of Directors approved dividend up to Rs. 4.35per unit for the year ended June 30, 2023.

### 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	28	998
101 – 500	34	7,950
501 – 1,000	10	7,714
1,001 – 10,000	21	101,622
10,001 – 100,000	13	277,992
100,001 – 500,000	2	725,649
500,001 – 1,000,000	-	-
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>108</b>	<b>1,121,925</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

**PERFORMANCE TABLE**  
**HBL MULTI ASSET FUND**  
*As at June 30, 2023*

	2023	2022	2021	2020	2019	2018
Net assets at the period end (Rs'000)	103,664	104,221	202,437	193,764	203,154	324,123
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	92.3983	92.9902	112.7464	94.0814	95.6506	105.0519
Offer	94.4865	95.0918	115.2945	96.2076	97.8123	107.4261
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	100.2886	119.3773	119.3354	118.9252	110.1991	114.9534
Lowest offer price per unit	90.2869	94.6849	97.2483	88.2349	95.669	98.0981
Highest redemption price per unit	98.0722	116.739	116.698	116.2969	107.7636	112.4129
Lowest redemption price per unit	88.2915	92.5923	95.0991	86.2849	93.5547	95.9301
<b>RETURN ( % )</b>						
Total return	4.05%	-17.52%	21.99%	2.14%	-8.95%	-6.28%
Income distribution	4.35%	0.00%	2.05%	3.60%	0.00%	0.00%
Capital growth	-0.30%	-17.52%	19.94%	-1.46%	-8.95%	-6.28%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	4.35	0	2.05	3.6	0	0
Date of Income Distribution	27-Jun-23	-	18-Jun-21	26-Jun-20	-	-
Total dividend distribution for the year/ period (Rs)	4.35	-	2.05	3.60	0	0
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	4.05%	-17.52%	21.99%	2.14%	-8.95%	-6.28%
Average annual return 2 year	-7.36%	0.31%	11.62%	-3.56%	-7.62%	5.34%
Average annual return 3 year	1.54%	0.92%	4.30%	-4.48%	0.34%	5.54%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	24.25%	26.38%	24.95%	33.10%	27.93%	35.03%
Placements with Banks & DFIs	0.00%		0.00%	0.00%	0.00%	0.00%
TFC / Sukuk	6.75%	3.19%	8.05%	8.21%	13.71%	9.48%
Commercial Paper	0.00%	4.41%	2.01%	0.00%	0.00%	0.00%
Stock/Equities	63.37%	62.96%	63.49%	56.74%	55.01%	53.14%
Government Securities			0.00%	0.00%	0.00%	0.00%
Others Including receivables	5.63%	3.06%	1.50%	1.95%	3.36%	2.35%

**Note:**

The Launch date of the Fund is December 17, 2007

**Disclaimer:**

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



## PROXY VOTING DISCLOURE

As at June 30, 2023

### Summary of Actual Proxy voted by CIS

HBLMAF	Meetings	Resolutions	For	Against
Number	3	10	10	-
(%ages)			100%	-

(h) AMC did not participate in shareholders' meetings

Scrip	AGM Meeting Dt	EOGM Meeting Dt
Attock Refinery Ltd	20-09-22	
Avanceon Limited	29-05-23	
Bank Al-Falah Ltd	21-03-23	
BankIslami Pakistan Limited	30-03-23	10/10/2022 10-05-2023
Cherat Cement Company Ltd.	12-10-22	22-06-23
Engro Corporation Ltd	30-03-23	26-01-23
Engro Fertilizers Limited	28-03-23	
Engro Polymer & Chemicals Ltd	27-04-23	
Fauji Fertilizer Co Ltd	28-03-23	23-06-23
Faysal Bank Limited	00-01-00	11-05-23
Gul Ahmed Textile Mills Ltd	27-10-23	31/03/2023 14-6-2023
Habib Bank Ltd	29-03-23	
Hub Power Company Ltd	29-09-22	20-02-23
Hum Network Ltd	25-10-22	
IGI Holdings Limited	28-04-23	23-05-23
Interloop Limited	18-10-22	
Kohinoor Textile Mills Ltd	27-10-22	03-02-23
Maple Leaf Cement Factory Ltd	27-10-22	30/12/2022 20-6-2023
Mari Petroleum Company Ltd	28-09-22	23-06-23
MCB Bank Ltd	24/10/2022 27-03-2023	
Meezan Bank Ltd	29-03-23	
Mughal Iron & Steel Inds Ltd	31-10-22	
National Refinery Ltd	19-10-22	
Nishat Mills Ltd	28/10/2022 28-11-2022	31/03/2023 19-6-2023
Oil & Gas Development Co Ltd	25-10-22	30-11-22
Pakistan Oilfields Ltd	20-09-22	12-06-23
Pakistan Petroleum Ltd	00-01-00	30-11-22
Pakistan State Oil Company Ltd	26-10-22	
Standard Chartered Bank (Pakistan) Ltd	29-03-23	
Sui Northern Gas Pipeline Ltd	29-07-22	
The Organic Meat Company Limited	28-10-22	20-06-23
The Searle Company Ltd	28-10-22	00-01-00
TPL Properties Limited	27-10-22	
TPL Trakker Limited	24-10-22	
United Bank Limited	00-01-00	22-06-23
Unity Foods Limited	28/10/2022 15-12-2022 15-2-2023	

The proxy voting policy is available on the website of HBL Asset Management Limited (the Management Company) and detailed information regarding actual proxies in respect of the Fund would be available to all the unit holders without charge upon a request to be submitted at our head office located at 7th Floor, Emerald Tower, Block-5, Clifton, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL MULTI ASSET FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

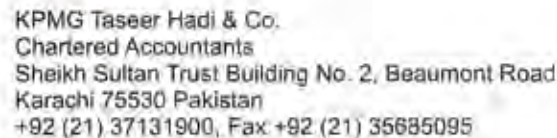
We, Central Depository Company of Pakistan Limited, being the Trustee of HBL Multi Asset Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 in accordance with 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023





**To the Unit holders of HBL Multi Asset Fund**

### Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan ("the Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023 but does not include the financial statements and our auditors' report thereon.





KPMG Taseer Hadi & Co.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Fund's financial reporting process.

#### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



KPMG Taseer Hadi & Co.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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.



KPMG Taseer Hadi & Co.

The engagement partner on the audit resulting in this independent auditors' report is Zeeshan Rashid.

Date: 27 September 2023

Karachi

UDIN: AR202310188y213t0Ces

A handwritten signature in black ink, appearing to read 'Zeeshan Rashid'.

KPMG Taseer Hadi & Co.  
Chartered Accountants

	Note	2023 (Rupees in '000)	2022
<b>Assets</b>			
Bank balances	4	27,173	29,527
Investments	5	78,583	78,651
Dividend receivable and accrued mark-up	6	760	769
Receivable against purchase of investment		1,758	10
Advances, deposits and other receivable	7	3,792	2,976
<b>Total assets</b>		<b>112,066</b>	<b>111,933</b>
<b>Liabilities</b>			
Payable to the Management Company	8	320	480
Payable to the Trustee	9	19	25
Payable to Securities and Exchange Commission of Pakistan	10	19	37
Accrued expenses and other liabilities	11	8,044	7,168
<b>Total liabilities</b>		<b>8,402</b>	<b>7,710</b>
<b>Net assets</b>		<b>103,664</b>	<b>104,223</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>103,664</b>	<b>104,223</b>
<b>Contingencies and commitments</b>	12		
		(Number of units)	
<b>Number of units in issue</b>	13	<b>1,121,925</b>	<b>1,120,780</b>
		(Rupees)	
<b>Net assets value per unit</b>		<b>92.3983</b>	<b>92.9902</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**HBL Multi Asset Fund**  
**Income Statement**  
For the year ended June 30, 2023

		2023	2022
	Note	(Rupees in '000)	
<b>Income</b>			
Mark-up / return on investments calculated using the effective interest method	14	3,129	2,517
Mark-up on deposits with banks calculated using the effective interest method	15	3,692	3,891
Dividend income		6,128	6,786
Realised loss on sale of investments		(2,231)	(28,951)
Unrealised diminution on revaluation of investments at fair value through profit or loss		(1,165)	(14,778)
Other income		14	-
		9,567	(30,535)
<b>Expenses</b>			
Remuneration of the Management Company	8.1	2,155	4,235
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	334	656
Selling and marketing expense	8.4	809	909
Remuneration of the Trustee	9.1	216	424
Annual fee to Securities and Exchange Commission of Pakistan	10.1	19	37
Auditors' remuneration	16	566	496
Fees and subscription		28	194
Securities transaction costs		1,157	533
Settlement and bank charges		453	370
Printing charges		114	88
Reimbursement of expenses from the Management Company	8.4	(1,185)	-
		4,666	7,942
<b>Net income / (loss) from operating activities</b>		4,901	(38,477)
Reversal of provision for Sindh Workers' Welfare Fund	11.2	-	5,562
<b>Net income / (loss) for the year before taxation</b>		4,901	(32,915)
Taxation	17	-	-
<b>Net income / (loss) for the year after taxation</b>		4,901	(32,915)
<b>Allocation of income for the year</b>			
Net income for the year after taxation		4,901	-
Income already paid on redemption of units		(41)	-
		4,860	-
<b>Accounting income available for distribution:</b>			
- Relating to capital gain		-	-
- Excluding capital gain		4,860	-
		4,860	-
<b>Earnings per unit</b>	18		

The annexed notes 1 to 32 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



	2023	2022
	(Rupees in '000)	
Net income / (loss) for the year after taxation	4,901	(32,915)
Other comprehensive income for the year	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b>4,901</b>	<b>(32,915)</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL Multi Asset Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2023

	For the year ended June 30,					
	2023			2022		
	Capital Value	Undistributed Income / (Accumulated loss)	Total	Capital Value	Undistributed Income / (Accumulated loss)	Total
----- (Rupees in '000) -----						
<b>Net assets at beginning of the year</b>	155,539	(51,316)	104,223	220,838	(18,401)	202,437
Issuance of units: 484,975 (2022: 222,356 units)						
- Capital value (at net asset value per unit						
	45,098	-	45,098	25,070	-	25,070
- Element of loss	(822)	-	(822)	(1,127)	-	(1,127)
Total proceeds on issuance of units	44,276	-	44,276	23,943	-	23,943
Redemption of units: 483,830 (2022: 897,087 units)						
- Capital value (at net asset value per unit at the beginning of the year)	(44,992)	-	(44,992)	(101,143)	-	(101,143)
- Element of (loss) / Income	(9)	(41)	(50)	11,901	-	11,901
Total payments on redemption of units	(45,001)	(41)	(45,042)	(89,242)	-	(89,242)
Total comprehensive income / (loss) for the year	-	4,901	4,901	-	(32,915)	(32,915)
Interim distribution for the year ended June 30, 2023: 4.35 per unit declared on June 27, 2023 (2022: Nil)	-	(4,694)	(4,694)	-	-	-
Total distribution	-	(4,694)	(4,694)	-	-	-
<b>Net assets at end of the year</b>	<b>154,814</b>	<b>(51,150)</b>	<b>103,664</b>	<b>155,539</b>	<b>(51,316)</b>	<b>104,223</b>
<b>Accumulated loss brought forward</b>						
- Realised		(36,538)			713	
- Unrealised		(14,778)			(19,114)	
		(51,316)			(18,401)	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		4,860			-	
		4,860			-	
Net loss for the year after taxation		-			(32,915)	
Interim distribution for the year ended June 30, 2023: 4.35 per unit declared on June 27, 2023 (2022: Nil)		(4,694)			-	
<b>Undistributed loss carried forward</b>		<b>(51,150)</b>			<b>(51,316)</b>	
<b>Accumulated loss carried forward</b>						
- Realised		(49,986)			(36,538)	
- Unrealised		(1,165)			(14,778)	
		(51,150)			(51,316)	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at beginning of the year</b>		<b>92.9902</b>			<b>112.7464</b>	
<b>Net assets value per unit at end of the year</b>		<b>92.3983</b>			<b>92.9902</b>	

The annexed notes 1 to 32 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	2023	2022
	(Rupees in '000)	
<b>Cash flow from operating activities</b>		
Net income / (loss) for the year after taxation	4,901	(32,915)
<b>Adjustments</b>		
Mark-up / return on investments calculated using effective interest method	(3,129)	(2,517)
Mark-up on deposits with bank calculated using effective interest method	(3,692)	(3,891)
Dividend income	(6,128)	(6,786)
Realised loss on sale of investments	2,231	28,951
Unrealised dimunition on revaluation of investments at fair value through profit or loss	1,165	14,778
Other income	(14)	-
	<u>(4,666)</u>	<u>(2,380)</u>
<i>(Increase) / decrease in assets</i>		
Investments	(5,076)	35,451
Advances and deposits	(802)	(12)
	<u>(5,878)</u>	<u>35,439</u>
<i>Increase / (decrease) in liabilities</i>		
Payable to the Management Company	(160)	(223)
Payable to the Trustee	(6)	(13)
Payable to the Securities and Exchange Commission of Pakistan	(18)	(4)
Accrued expenses and other liabilities	876	(5,768)
	<u>692</u>	<u>(6,008)</u>
<b>Net cash (used in) / generated from operating activities</b>	<b>(9,852)</b>	<b>27,051</b>
<b>Cashflow from investing activities</b>		
Markup received on bank deposits	3,879	3,527
Markup received on investments	2,960	2,542
Dividend income received	6,119	6,784
<b>Net cash generated from investing activities</b>	<b>12,958</b>	<b>12,853</b>
	<u>3,106</u>	<u>39,904</u>
<b>Cash flow from financing activities</b>		
Proceeds from issuance of units	44,276	23,943
Payment on redemption of units	(45,042)	(89,242)
Cash distribution to unit holders	(4,694)	-
<b>Net cash used in financing activities</b>	<b>(5,460)</b>	<b>(65,299)</b>
	<u>(2,354)</u>	<u>(25,395)</u>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,354)</b>	<b>(25,395)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>29,527</b>	<b>54,922</b>
<b>Cash and cash equivalents at end of the year</b>	<b>27,173</b>	<b>29,527</b>

The annexed notes 1 to 32 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

## **1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 HBL Multi Asset Fund (the Fund) was established under a Trust Deed, dated October 08, 2007, 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 September 28, 2007.
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange.
- 1.4 The Fund has been categorised as a balanced fund as per the criteria laid down by SECP for categorisation of open-end Collective Investment Scheme (CISs).
- 1.5 The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes, such as equity securities, government securities, fixed income securities, continuous funding system, derivatives, money market instruments and other asset classes / securities / instruments.
- 1.6 VIS Credit Rating Company has upgraded a management quality rating to 'AM1' (Stable outlook) of the Management Company on December 31, 2022 (2022: AM2++ rated on December 31, 2021).
- 1.7 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 the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations and requirements of the Trust Deed have been followed.

## **2.2 Standards and amendments effective during the year**

There are number of new standards and amendments that are effective from July 01, 2022 however these do not have a significant effect on the Fund's financial statements.

## **2.3 Standards, interpretations and amendments to accounting and reporting standards, that are not yet effective**

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after July 1, 2023:

- Classification of liabilities as current or non-current (Amendments to IAS 1 in January 2020) apply retrospectively for the annual periods beginning on or after January 1, 2024 (as deferred vide amendments to IAS 1 in October 2022) with earlier application permitted. These amendments in the standards have been added to further clarify when a liability is classified as current. Convertible debt may need to be reclassified as 'current'. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity's expectation and discretion at the reporting date to refinance or to reschedule payments on a long-term basis are no longer relevant for the classification of a liability as current or non-current. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Non-current Liabilities with Covenants (amendment to IAS 1 in October 2022) aims to improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with conditions. The amendment is also intended to address concerns about classifying such a liability as current or non-current. Only covenants with which a fund must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the fund must comply after the reporting date (i.e. future covenants) do not affect a liability's classification at that date. However, when non-current liabilities are subject to future covenants, fund will now need to disclose information to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. These amendments also specify the transition requirements for fund that may have early-adopted the previously issued but not yet effective 2020 amendments to IAS 1 (as referred above).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the Board has issued amendments on the application of materiality to disclosure of accounting policies and to help funds provide useful accounting policy disclosures. The key amendments to IAS 1 include:
  - Requiring fund to disclose their material accounting policies rather than their significant accounting policies;
  - Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a fund's financial statements.

The Board also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.

- Definition of Accounting Estimates (Amendments to IAS 8) introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. The amendments are effective for periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the fund applies the amendments.
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, funds will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to other components of equity at that date. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted.
- Lease Liability in a Sale and Leaseback (amendment to IFRS 16 in September 2022) adds subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements to be accounted for as a sale. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. The amendments are effective for annual reporting periods beginning on or after January,1 2024 with earlier application permitted. Under IAS 8, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16 and will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments. If an entity (a seller-lessee) applies the amendments arising from Lease Liability in a Sale and Leaseback for an earlier period, the entity shall disclose that fact.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) amend accounting treatment on loss of control of business or assets. The amendments also introduce new accounting for less frequent transaction that involves neither cost nor full step-up of certain retained interests in assets that are not businesses. The effective date for these changes has been deferred indefinitely until the completion of a broader review.
- Supplier Finance Arrangements (amendments to IAS 7 and IFRS 7) introduce two new disclosure objectives for a fund to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the fund's liabilities and cash flows, and the fund's exposure to liquidity risk. Under the amendments, funds also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a fund might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. The amendments are effective for periods beginning on or after January 1, 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.
- International Tax Reform – Pillar Two Model Rules (amendments to IAS 12 ) introduce following new disclosure requirements:

Once tax law is enacted but before top-up tax is effective: disclose information that is known or can be reasonably estimated and that helps users of its financial statements to understand its exposure to Pillar Two income taxes at the reporting date. If information is not known or cannot be reasonably estimated at the reporting date, then a fund discloses a statement to that effect and information about its progress in assessing the Pillar Two exposure.

- After top-up tax is effective: disclose current tax expense related to top-up tax.

The above amendment and improvement have no impact on the financial statements of the Fund.

## **2.4 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- (a) classification of financial assets (Note 3.2)
- (b) impairment of financial assets (Note 3.2)
- (c) provisions (Note 3.11)

## **2.5 Basis of Measurement**

These financial statements have been prepared under going concern basis and under the historical cost convention except for the investments which are stated at fair value.

## **2.6 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

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

The significant accounting policies applied in the preparation of these financial statements are set out below.

### **3.1 Cash and cash equivalent**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

### **3.2 Financial assets**

#### **i. Classification**

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### **Business model assessment**

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.



### **Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### **ii. Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to income statement.
<b>Equity investments at FVOCI</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

### **a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Government securities**

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

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**iii. Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**iv. Impairment of financial assets**

Financial assets at amortised cost

Provision for non performing debt securities and other exposure is made in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Fund.

**3.3 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 exchange and other expenses. These costs are amortised over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund and NBFC regulations, 2008.

**3.4 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.

**3.5 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.

**3.6 Offsetting of financial assets and financial liabilities**

Financial assets and financial liabilities are only offset and the net amount reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amount and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

**3.7 Unitholders' fund**

Unitholders' fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

### **3.8 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received, by the distributors / Management Company during business hours, as of the close of the previous day on which the applications were received. The offer price represents the net assets value per unit as of the close of previous day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable.

Units redeemed are recorded at the redemption price, applicable to units as of the close of the previous day. The redemption price represents the net assets value per unit as of the close of the previous day on which the applications were received less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

### **3.9 Element of income**

Element of income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the net assets value (NAV) at the beginning of the relevant accounting period.

Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net assets value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

### **3.10 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.

### **3.11 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 reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

**3.12 Net assets value per unit**

The net assets value per unit as disclosed on the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

**3.13 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders. Provided that for the purpose of determining distribution of atleast ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in these financial statements as the Fund distributes more than ninety percent of its accounting income for the current year and 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.

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

**3.14 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

**3.15 Earnings per unit**

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

**3.16 Distributions**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

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

### 3.17 Other assets

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

### 3.18 Expenses

All expenses including NAV based expenses (namely management fee, trustee fee, annual fee payable to the SECP, and selling and marketing expense) are recognised in the Income Statement on an accrual basis.

4	BANK BALANCES	Note	2023	2022
			(Rupees in '000)	
	Savings accounts	4.1	27,173	29,527
			<u>27,173</u>	<u>29,527</u>

4.1 This represents bank balances held with different banks. Mark-up rates on these accounts range between 14% and 22.5% per annum (2022: between 4% and 17.56% per annum).

5	INVESTMENTS	Note	2023	2022
			(Rupees in '000)	
	<b>Investment by category</b>			
	<b>Financial assets at fair value through profit or loss</b>			
	- Listed equity securities	5.1	71,015	70,473
	- Term finance certificates and sukuk bonds	5.2	7,568	3,350
			<u>78,583</u>	<u>73,823</u>
	<b>Financial assets at amortised cost</b>			
	- Sukuk certificates	5.3	-	4,828
			<u>78,583</u>	<u>78,651</u>

### 5.1 Listed equity securities - available for sale

Name of investee company	As at July 1, 2022	Purchases during the year	Bonus / Rights issue (Note 5.1.2)	Sales during the year	As at June 30, 2023	Cost of Holding as at June 30, 2023	Market value as at June 30, 2023	Market value as a Total Investments	Net Assets	Par value as a percentage of issued capital of the investee company
			(Number of Shares)			(Rupees in '000)		(%)		
<b>Cement</b>										
Lucky Cement Limited	-	13,878	-	13,878	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	57,812	790,826	-	654,638	194,000	5,302	5,496	6.99	5.30	0.18
D.G. Khan Cement Company Limited	-	303,100	-	303,100	-	-	-	-	-	-
Fauji Cement Company Limited	-	114,500	-	114,500	-	-	-	-	-	-
Pioneer Cement Limited	-	66,100	-	66,100	-	-	-	-	-	-
Cherat Cement Company Limited	-	100,612	-	78,612	22,000	2,675	2,646	3.37	2.55	0.02
Attock Cement Pakistan Limited	-	15,000	-	15,000	-	-	-	-	-	-
	<u>57,812</u>	<u>1,404,016</u>	<u>-</u>	<u>1,245,828</u>	<u>216,000</u>	<u>7,977</u>	<u>8,142</u>			
<b>Chemical</b>										
Engro Polymer & Chemicals Limited	12,500	69,000	-	81,500	-	-	-	-	-	-
Lucky Core Industries Limited	-	1,000	-	1,000	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	41,000	-	41,000	-	-	-	-	-	-
Descon Oxychem Limited	-	166,000	-	166,000	-	-	-	-	-	-
	<u>12,500</u>	<u>277,000</u>	<u>-</u>	<u>289,500</u>	<u>-</u>	<u>-</u>	<u>-</u>			
<b>Commercial Banks</b>										
Bank Alfalah Limited	78,100	107,000	-	185,100	-	-	-	-	-	-
Bank AL Habib Limited	-	93,000	-	93,000	-	-	-	-	-	-
Faysal Bank Limited	72,750	82,000	-	154,000	750	20	15	0.02	0.01	0.00
Habib Bank Limited	37,071	350,825	-	328,896	59,000	4,154	4,321	5.50	4.17	0.04
MCB Bank Limited	24,400	37,000	-	61,400	-	-	-	-	-	-
Standard Chartered Bank (Pakistan) Limited	140,000	-	-	140,000	-	-	-	-	-	-
BankIslami Pakistan Limited	-	592,500	-	-	592,500	10,119	10,523	13.39	10.15	0.53
Meezan Bank Limited	13,000	80,476	1,300	94,776	-	-	-	-	-	-
United Bank Limited	60,900	97,580	-	135,480	23,000	2,548	2,703	3.44	2.61	0.02
	<u>426,221</u>	<u>1,440,381</u>	<u>1,300</u>	<u>1,192,652</u>	<u>675,250</u>	<u>16,841</u>	<u>17,562</u>			

# HBL Multi Asset Fund

## Notes to the financial statements

For the year ended June 30, 2023

Name of investee company	As at July 1, 2022	Purchases during the year	Bonus / Rights issue (Note 5.1.2)	Sales during the year	As at June 30, 2023	Cost of Holding as at June 30, 2023	Market value as at June 30, 2023	Market value as a Total Investments	Net Assets	Par value as a percentage of issued capital of the investee company
	(Number of Shares)				(Rupees in '000)			(%)		
<b>Engineering</b>										
Mughal Iron & Steel Industries Limited	16,613	80,887	-	94,718	2,782	149	135	0.17	0.13	0.01
International Steels Limited	-	60,500	-	60,500	-	-	-	-	-	-
	<b>16,613</b>	<b>141,387</b>	<b>-</b>	<b>155,218</b>	<b>2,782</b>	<b>149</b>	<b>135</b>			
<b>Fertilizer</b>										
Engro Corporation Limited	25,850	85,900	-	111,750	-	-	-	-	-	-
Engro Fertilizers Limited	3,000	256,900	-	147,400	112,500	9,597	9,285	11.82	8.96	0.08
Fauji Fertilizer Company Limited	56,312	81,401	-	136,703	1,010	105	99	0.13	0.10	0.00
	<b>85,162</b>	<b>424,201</b>	<b>-</b>	<b>395,853</b>	<b>113,510</b>	<b>9,702</b>	<b>9,384</b>			
<b>Insurance</b>										
IGI Holdings Limited	9,200	-	-	9,200	-	-	-	-	-	-
	<b>9,200</b>	<b>-</b>	<b>-</b>	<b>9,200</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Oil &amp; Gas Exploration Companies</b>										
Mari Petroleum Company Limited	755	1,550	-	2,305	-	-	-	-	-	-
Oil & Gas Development Company Limited	50,600	235,502	-	178,102	108,000	8,797	8,424	10.72	8.13	0.03
Pakistan Oilfields Limited	2,900	19,700	-	22,600	-	-	-	-	-	-
Pakistan Petroleum Limited	58,900	342,585	-	259,485	142,000	9,626	8,398	10.69	8.10	0.03
	<b>113,155</b>	<b>599,337</b>	<b>-</b>	<b>462,492</b>	<b>250,000</b>	<b>18,423</b>	<b>16,822</b>			
<b>Oil &amp; Gas Marketing Companies</b>										
Sui Northern Gas Pipelines Limited	-	673,324	-	579,324	94,000	4,024	3,701	4.71	3.57	0.15
Attock Petroleum Limited	-	2,000	-	2,000	-	-	-	-	-	-
Pakistan State Oil Company Limited	18,004	99,000	-	60,084	56,920	6,355	6,319	8.04	6.10	0.12
	<b>18,004</b>	<b>774,324</b>	<b>-</b>	<b>641,408</b>	<b>150,920</b>	<b>10,379</b>	<b>10,020</b>			
<b>Pharmaceuticals</b>										
AGP Limited	-	30,969	-	30,969	-	-	-	-	-	-
The Searle Company Limited	1,169	23,600	280	23,649	1,400	84	54	0.07	0.05	0.00
	<b>1,169</b>	<b>54,569</b>	<b>280</b>	<b>54,618</b>	<b>1,400</b>	<b>84</b>	<b>54</b>			
<b>Power Generation and Distribution</b>										
The Hub Power Company Limited	39,483	204,517	-	151,000	93,000	6,336	6,471	8.23	6.24	0.07
	<b>39,483</b>	<b>204,517</b>	<b>-</b>	<b>151,000</b>	<b>93,000</b>	<b>6,336</b>	<b>6,471</b>			
<b>Textile Composite</b>										
Gul Ahmed Textile Mills Limited	13,600	-	-	13,600	-	-	-	-	-	-
Interloop Limited	9,000	-	-	9,000	-	-	-	-	-	-
Nishat Mills Limited	8,000	-	-	8,000	-	-	-	-	-	-
Kohinoor Mills Limited	10,500	-	-	10,500	-	-	-	-	-	-
	<b>41,100</b>	<b>-</b>	<b>-</b>	<b>41,100</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Automobile Assembler</b>										
Millat Tractors Limited	-	1,200	-	1,200	-	-	-	-	-	-
	<b>-</b>	<b>1,200</b>	<b>-</b>	<b>1,200</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Food &amp; Personal Care Products</b>										
Unity Foods Limited	67,500	32,500	-	100,000	-	-	-	-	-	-
The Organic Meat Company Limited	96,347	-	-	96,347	-	-	-	-	-	-
	<b>163,847</b>	<b>32,500</b>	<b>-</b>	<b>196,347</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Refinery</b>										
National Refinery Limited	6,980	8,500	-	15,480	-	-	-	-	-	-
Attock Refinery Limited	8,500	62,140	-	70,640	-	-	-	-	-	-
	<b>15,480</b>	<b>70,640</b>	<b>-</b>	<b>86,120</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Property</b>										
TPL Properties Limited	57,000	64,000	-	121,000	-	-	-	-	-	-
	<b>57,000</b>	<b>64,000</b>	<b>-</b>	<b>121,000</b>	<b>-</b>	<b>-</b>	<b>-</b>			
<b>Technology &amp; Communication</b>										
NetSol Technologies Limited	-	20,000	-	20,000	-	-	-	-	-	-
Avanceon Limited	24,925	69,075	-	94,000	-	-	-	-	-	-
Air Link Communication Limited	-	5,000	-	5,000	-	-	-	-	-	-
Systems Limited	-	31,000	-	31,000	-	-	-	-	-	-
Hum Network Limited	150,000	-	-	150,000	-	-	-	-	-	-
TPL Trakker Limited	213,000	73,000	-	11,500	274,500	2,401	2,427	3.09	2.34	1.47
	<b>387,925</b>	<b>198,075</b>	<b>-</b>	<b>311,500</b>	<b>274,500</b>	<b>2,401</b>	<b>2,427</b>			
<b>Glass &amp; Ceramics</b>										
Tariq Glass Industries Limited	-	31,500	-	31,500	-	-	-	-	-	-
	<b>-</b>	<b>31,500</b>	<b>-</b>	<b>31,500</b>	<b>-</b>	<b>-</b>	<b>-</b>			
	<b>1,444,671</b>	<b>5,717,647</b>	<b>1,580</b>	<b>5,386,536</b>	<b>1,777,362</b>	<b>72,291</b>	<b>71,015</b>			

5.1.1 Investments include shares having market value aggregating to Rs. 15.332 million (2022: Rs. 30.695 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.

5.1.2 These investments include gross bonus shares as per Fund's entitlement declared by the investee companies. Finance Act, 2014 has brought amendments in the Income Tax Ordinance, 2001 whereby the bonus shares received by the shareholder are to be treated as income and a tax at the rate of 5% is to be applied on value of bonus shares determined on the basis of day end price on the first day of closure of books. The tax is to be collected at source by the investee company which shall be considered as final discharge of tax liability on such income. However, the Management Company of the Fund jointly with other asset management companies and Mutual Fund Association of Pakistan (MUFAP), has filed a petition in Sindh High Court to declare the amendments brought in Income Tax Ordinance, 2001 with reference to tax on bonus shares for collective investment schemes as null and void and not applicable on the funds based on the premise of exemption given to mutual funds under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 250,167 as at June 30, 2023 (2022: Rs 371,924) and not yet deposited in CDC account of department of Income tax. Management is of the view that the decision will be in the favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

## 5.2 Term finance certificates and sukuk bonds - at fair value through profit or loss

Name of the investee company		As at July 1, 2022	Purchased / Converted during the year	Sold / Matured during the year	As at June 30, 2023	Carrying Value as at June 30, 2023	Market value as at June 30, 2023	Market value as a percentage of	
								Total Investments	Net Assets
		Note	(Number of Certificates)				(Rupees in '000)		(%)
Technology & Communication									
TPL Trakker Limited	5.2.1	4	-	-	4	2,457	2,436	3.10	2.35
Power Generation & Distribution									
The HUB Power Company Limited	5.2.1	-	50	-	50	5,000	5,132	6.53	4.95
		4	50	-	54	7,457	7,568	9.63	7.30
Total		4	50	-	54	7,457	7,568	9.63	7.30

### 5.2.1 Significant terms and conditions of term finance certificates and sukuk bonds outstanding at June 30, 2023 are:

Name of security	Remaining principal (Rupees per TFC/Sukuk)	Mark-up rate (per annum)	Issue date	Maturity date
TPL Trakker Limited	611,111	3 months KIBOR + 3%	30-Mar-21	30-Mar-26
The HUB Power Company Limited	100,000	6 months KIBOR + 2.5%	12-Nov-20	12-Nov-25

## 5.3 Sukuk certificates - At amortised cost

Name of the Investee Company	Maturity date	As at July 1, 2022	Placements made during the year	Income accrued during the year	Converted during the year	As at June 30, 2023	Market value as a percentage of	
							Total investments	Net Assets
							(Rupees in '000)	
							%	
Power Generation & Distribution								
The HUB Power Company Limited	November 10, 2022		-	173	(5,000)	-	-	-
		4,828	-	173	(5,000)	-		

		2023	2022
	Note	(Rupees in '000)	
<b>6</b>	<b>DIVIDEND RECEIVABLE AND ACCRUED MARK-UP</b>		
	Dividend receivable	138	129
	Mark-up accrued on deposits with banks	451	638
	Mark-up / return accrued on term finance certificates	171	2
		<u>760</u>	<u>769</u>
<b>7</b>	<b>ADVANCES, DEPOSITS AND OTHER RECEIVABLE</b>		
	Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
	Security deposit with Central Depository Company of Pakistan	100	100
	Advance tax	383	376
	Receivable from Management Company against selling and marketing expenses	809	-
		<u>3,792</u>	<u>2,976</u>
7.1	This pertains to tax collected by bank which will be claimed upon filing of tax return of the fund.		
<b>8</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Note	(Rupees in '000)	
	In respect of:		
	Management fee	171	219
	Sindh Sales Tax on management fee	22	28
	Sales load payable	-	2
	Allocation of expenses related to registrar services, accounting, operation and valuation services	30	38
	Selling and marketing expense	97	193
		<u>320</u>	<u>480</u>
8.1	As per SECP S.R.O. 639 (I)/2019 dated 20 June 2019, there has been amendment in NBFC Regulation no. 61, in which limits over management fee had been removed and directed that the asset management company shall disclose in the offering document the maximum rate of management fee chargeable to collective investment scheme within allowed expense ratio limit. Further, the asset management company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document and such actual rate shall be disclosed in Fund manager report. The management fee expense charged by the asset management company during the year is 2% (2022: 2%).		
8.2	The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (2022: 13%) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.		
8.3	As per SECP S.R.O. 639 (I)/2019 dated 20 June 2019, there has been amendment in NBFC regulation no. 60 (3) point (s) and (v), in which limits to allocate fee and expenses pertaining to registrar services, accounting, operation, valuation services and selling and marketing expenses had been removed.		



- 8.4 As per SECP's direction No. SCD/PRDD/Direction/18/2016, "The Asset Management Companies (AMCs) shall adjust the Net Asset Value (NAV) of the Collective Investment Scheme (CIS) on the basis of Total Expense Ratio (TER) at the end of each quarter during the financial year for the amount of expenses in excess of TER limit prescribed in regulation 60 (5) of the NBFC regulations for that CIS by booking liability against AMC. Moreover, the reimbursement (if any) by an AMC to CIS shall be made on the basis of annual TER calculated at the end of each financial year and NAV shall be adjusted accordingly.

During the year ended June 30, 2023 the fund was in breach of TER ratio of 4.5% as prescribed under the Regulations for the CIS categorised as "Balanced Scheme". As a result the fund has recorded the reimbursement of expense during the last month of the current financial year and has recognised a receivable from the Management Company accordingly.

	Note	2023 (Rupees in '000)	2022
<b>9 PAYABLE TO THE TRUSTEE</b>			
Trustee's remuneration	9.1	17	22
Sindh Sales Tax		2	3
		<u>19</u>	<u>25</u>

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

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2023 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1,000 million	0.2% p.a. of NAV.
On an amount exceeding Rs. 1,000 million	Rs. 2 million plus 0.1% of NAV exceeding Rs. 1000 million.

	Note	2023 (Rupees in '000)	2022
<b>10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	10.1	<u>19</u>	<u>37</u>

- 10.1 Under the provisions of the NBFC Regulations a collective investment scheme categorised as balanced scheme is required to pay as annual fee to the SECP, an amount equal to 0.085%. However, as per SRO 685(I)/2019 dated 28th June, 2019, the Securities and Exchange Policy Board revised the rate of annual fee at 0.02% of net assets applicable on all categories of Collective Investment Schemes effective from July 1, 2019.

	Note	2023 (Rupees in '000)	2022
<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		421	374
Federal Excise Duty	11.1	6,610	6,610
Payable to brokers		183	115
Dividend payable		6	3
Withholding tax payable		744	-
Other payables		80	66
		<u>8,044</u>	<u>7,168</u>

- 11.1 As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan along-with Central Depository Company of Pakistan Limited with the Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions ultra vires and as a result no FED is payable with effect from July 01, 2011. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

The Finance Act, 2016 excluded the mutual funds from the levy of FED with effect from July 01, 2016. therefore, no provision is charged during the year ended June 30, 2023.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 6.610 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2023 would have been higher by Rs. 5.8917 (June 30, 2022: Rs. 5.8977) per unit.

- 11.2 The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014 (SWWF Act, 2014). The Mutual Fund Association of Pakistan, in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on Mutual Funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry (Sindh Finance Ministry) for appropriate resolution of the matter.

During the recent year, SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Companies (AMCs) are covered under the term "financial institution" as per SWWF Act, 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds / Pension Funds managed by those AMCs do not qualify as "financial institution" as per Sindh SWWF Act, 2014. Consequently, AMCs would be subject to SWWF charge and no provision for SWWF would need to be recorded in the books of the fund.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB and accordingly, the Fund have reversed the provision for SWWF on 13 August 2021.

## **12 CONTINGENCIES AND COMMITMENTS**

Other than already disclosed in these financial statements, there are no contingencies and commitments outstanding as at June 30, 2023.

<b>13</b>	<b>NUMBER OF UNITS IN ISSUE</b>	<b>2023</b>	<b>2022</b>
		<b>(Number of units)</b>	
	Total units in issue at the beginning of the year	<b>1,120,780</b>	1,795,511
	Units issued	<b>484,975</b>	222,356
	Units redeemed	<b>(483,830)</b>	(897,087)
	Total units in issue at the end of the year	<b><u>1,121,925</u></b>	<b><u>1,120,780</u></b>

**13.1** This includes 7 units issued at zero value (June 30, 2022: Nil units) as refund of capital.

<b>14</b>	<b>MARK-UP / RETURN ON INVESTMENTS CALCULATED USING THE EFFECTIVE INTEREST METHOD</b>	<b>2023</b>	<b>2022</b>
		<b>(Rupees in '000)</b>	
	Commercial paper	<b>173</b>	1,293
	Treasury bills	<b>1,491</b>	418
	Term finance certificates	<b>1,465</b>	806
		<b><u>3,129</u></b>	<b><u>2,517</u></b>

<b>15</b>	<b>MARK-UP ON DEPOSITS WITH BANKS CALCULATED USING THE EFFECTIVE INTEREST METHOD</b>	<b>2023</b>	<b>2022</b>
	Mark-up on savings accounts	<b><u>3,692</u></b>	<b><u>3,891</u></b>

<b>16</b>	<b>AUDITORS' REMUNERATION</b>	<b>2023</b>	<b>2022</b>
	Annual audit fee	<b>361</b>	314
	Fee for half yearly review	<b>78</b>	68
	Other certifications and out of pocket expenses	<b>127</b>	114
		<b><u>566</u></b>	<b><u>496</u></b>

**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 NBFC Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. Accordingly, no provision has been made in the financial statements for the year ended June 30, 2023.

**18** **EARNINGS PER UNIT**

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

**19 FINANCIAL INSTRUMENTS BY CATEGORY**

	As on June 30, 2023		
	At Fair value through profit or loss	At Amortised cost	Total
----- (Rupees in '000) -----			
<b>Assets</b>			
Bank balances	-	27,173	27,173
Investments	78,583	-	78,583
Dividend receivable and accrued mark-up	-	760	760
Receivable against purchase of investment	-	1,758	1,758
Advances, deposits and other receivable	-	3,792	3,792
	<u>78,583</u>	<u>33,483</u>	<u>112,066</u>
<b>Liabilities</b>			
Payable to the Management Company	-	320	320
Payable to the Trustee	-	19	19
Accrued expenses and other liabilities	-	1,434	1,434
	<u>-</u>	<u>1,773</u>	<u>1,773</u>

	As on June 30, 2022		
	At Fair value through profit or loss	At Amortised cost	Total
----- (Rupees in '000) -----			
<b>Assets</b>			
Bank balances	-	29,527	29,527
Investments	73,823	4,828	78,650
Dividend receivable and accrued mark-up	-	769	769
Receivable against purchase of investment	-	10	10
Advances and deposits	-	2,976	2,976
	<u>73,823</u>	<u>38,110</u>	<u>111,932</u>
<b>Liabilities</b>			
Payable to the Management Company	-	480	480
Payable to the Trustee	-	25	25
Accrued expenses and other liabilities	-	558	558
	<u>-</u>	<u>1,063</u>	<u>1,063</u>

**20 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, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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 the 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:

	2023	2022
	(Rupees in '000)	
<b>20.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	1,907	3,748
Sales tax on remuneration	248	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	334	656
Selling and marketing expenses	809	909
Reimbursement of expenses from the Management Company	(1,185)	-
Dividend 15,416 units (2022: Nil Units)	1,423	-
Issuance of 384,754 units (2022: Nil Units)	35,000	-
<b>Habib Bank Limited - Sponsor</b>		
Redemption of 315,978 units (2022: 506,870 units)	29,443	48,000
Bank charges paid during the year	39	5
Mark-up earned during the year	297	603
Dividend income earned during the year	267	877
Purchase of 350,825 shares (2022: 104,800 shares)	25,129	12,697
Sale of 328,896 shares (2022: 117,200 shares)	24,519	11,976
<b>Central Depository Company of Pakistan - Trustee</b>		
Trustee remuneration	191	375
Sales tax on remuneration	25	49
Central Depository service charges	38	23
<b>Executive and Key management personnel</b>		
Redemption of 21,508 units (2022: 21,508 units)	1,972	2,000
<b>HBL Income Fund</b>		
Sale of Bank of Punjab Term Finance Certificate	-	13,500
<b>HBL Cash Fund</b>		
Sale of Treasury bill	24,732	-
<b>Mr. Rafiuddin Zakir Mahmood - Connected Persons due to 10% and more</b>		
Dividend 12,539 units (2022: Nil units)	1,157	-

20.2	Amounts outstanding as at year end	2023 (Rupees in '000)	2022
	<b>HBL Asset Management Limited - Management Company</b>		
	Management fee payable	171	247
	Sales tax payable	22	-
	Allocation of expenses related to registrar services, accounting, operation and valuation services	30	38
	Selling And Marketing expense	97	193
	Sales load payable	-	-
	Receivable from Management Company against selling and marketing expenses	809	-
	Investment held in the Fund: 400,170 units (June, 30 2022: Nil Units)	36,975	-
	<b>Habib Bank Limited - Sponsor</b>		
	Investment held in the Fund: Nil units (June, 30 2022: 315,978 units)	-	29,383
	Bank balances	2,025	28,221
	Profit receivable on bank deposits	-	322
	Outstanding balance of Shares: 59,000 shares (June, 30 2022: 37,071 shares)	4,321	3,386
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Remuneration payable	17	25
	Sales tax payable	2	-
	Security Deposit	100	100
	<b>Mr. Rafiuddin Zakir Mahmood - Connected Persons due to 10% and more</b>		
	Investment held in the Fund: 325,479 units (June, 30 2022: 312, 940 units)	30,074	29,100
	<b>Executive and Key management personnel</b>		
	Investment held in the Fund: Nil units (June 30, 2022: 21,508 units)	-	2,000

## 21 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
1 Mr. Mir Adil Rashid	Chief Executive Officer	BSc	25
2 Mr. Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	28
3 Mr. Wamiq Sakrani	Head of Fixed Income	MBA	14
4 Mr. Imad Ansari	Head of Risk	MBA	16
5 Mr. Umair Naseer	Head of Research	MBA	10
6 Mr. Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7 Mr. Raza Abbas	Senior Fund Manager	M.Com	20
8 Mr. Abdul Samad Khanani	Senior Fund Manager	BBA	8

\* They are Joint Fund Managers of all other funds managed by the management company.

## 22 TOP TEN BROKERS / DEALERS

Top ten brokers during the year ended June 30, 2023

- 1 Intermarket Securities Limited
- 2 KTrade Securities Limited
- 3 Sherman Securities (Private) Limited
- 4 JS Global Capital Limited
- 5 Darson Securities (Private) Limited
- 6 Arif Habib Limited
- 7 DJM Securities Limited
- 8 Chase Securities Pakistan (Private) Limited
- 9 AHM Securities (Private) Limited
- 10 Alfalah CLSA Securities (Private) Limited

Top ten brokers during the year ended June 30, 2022

- 1 Topline Securities Limited
- 2 Insight Securities (Private) Limited
- 3 AKD Securities Limited
- 4 ABA Ali Habib Securities (Private) Limited
- 5 Ismail Iqbal Securities (Private) Limited
- 6 Arif Habib Limited
- 7 Fortune Securities Limited
- 8 Optimus Capital Management (Private) Limited
- 9 Multiline Securities Limited
- 10 Next Capital Limited

## 23 PATTERN OF UNIT HOLDING

Category	As at June 30, 2023			
	Number of units holder	Number of units held	Investment amount	Percentage of Investment
			(Rupees in '000)	
Individuals	137	618,830	57,179	55.16%
Associated companies	2	400,170	36,975	35.67%
Retirement funds	2	76,093	7,031	6.78%
Others	1	26,832	2,479	2.39%
	<b>142</b>	<b>1,121,925</b>	<b>103,664</b>	<b>100.00%</b>

Category	As at June 30, 2022			
	Number of unit holders	Number of units held	Investment amount	Percentage of Investment
			(Rupees in '000)	
Individuals	130	705,681	65,623	62.96%
Associated companies	1	315,978	29,383	28.19%
Retirement funds	2	73,324	6,818	6.55%
Others	1	25,797	2,399	2.30%
	<b>134</b>	<b>1,120,780</b>	<b>104,223</b>	<b>100.00%</b>

## 24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
1 Mr. Shahid Ghaffar	6	6	-	-
2 Ms. Ava A. Cowasjee	6	6	-	-
3 Mr. Rayomond H. Kotwal	6	6	-	-
4 Mr. Tariq Masaud	6	6	-	-
5 Mr. Abrar Ahmed Mir	6	2	4	
				16, 2023, January 23, 2023, February 13, 2023
6 Mr. Abid Sattar	6	6	-	-
7 Mr. Khalid Malik	6	6	1	October 19, 2022

## 25 FINANCIAL RISK MANAGEMENT

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

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

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.

### 25.1 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.

### 25.2 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 full transactions are carried out in Pak Rupees.



## 25.3 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) Cash flow interest rate risk

The Fund's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 0.2717 million (June 30, 2022: Rs. 0.2953 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

#### Sensitivity analysis for variable rate instruments

The Fund holds variable rate sukuks as at June 30, 2023 at fair value through profit or loss, exposing the fund to fair value interest rate risk. In case of 100 basis points increase / (decrease) in mark-up rates on June 30, 2023, with all other variables constant, the impact on net exposure of the fund would be Rs. 0.0016 million (June 30, 2022: Rs. 0.7626 million).

The composition of the Fund's investment portfolio, KIBOR and rates announced by Financial Markets Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets and net income due to future movements in interest rates.

Yield / Interest rate sensitivity position for financial instruments is as follows:

	2023			
	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
	Total	Upto three months	More than three months and upto one year	More than one year
<b>Financial instruments</b>	<b>(Rupees in '000)</b>			
<b>Financial assets</b>				
Bank balances	27,173	27,173	-	-
Investments	78,583	-	-	7,568
Dividend receivable and accrued mark-up	760	-	-	-
Receivable against purchase of investment	1,758	-	-	-
Advances, deposits and other receivables	3,792	-	-	-
	112,066	27,173	-	7,568
<b>Financial liabilities</b>				
Payable to the Management Company	320	-	-	-
Payable to the Trustee	19	-	-	-
Accrued expenses and other liabilities	1,434	-	-	-
	1,773	-	-	-

	2022				
	Exposed to Yield / Interest rate risk				Not exposed to Yield / Interest rate risk
Total	Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----					
<b>Financial instruments</b>					
<b>Financial assets</b>					
Bank balances	29,527	29,527	-	-	-
Investments	78,651	-	4,828	3,350	70,473
Dividend receivable and accrued mark-up	769	-	-	-	769
Receivable against purchase of investment	10	-	-	-	10
Advances and deposits	2,976	-	-	-	2,976
	111,933	29,527	4,828	3,350	74,228
<b>Financial liabilities</b>					
Payable to the Management Company	480	-	-	-	480
Payable to the Trustee	25	-	-	-	25
Accrued expenses and other liabilities	558	-	-	-	558
	1,063	-	-	-	1,063

## 25.4 Price risk

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

The Fund is exposed to equity securities price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The Fund's constitutive document / regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company, whichever is lower, and sector exposure limit to 30% of net assets.

**Sector wise portfolio**

	30 June 2023		30 June 2022	
	Funds equity	KSE-100	Funds equity	KSE-100
	portfolio	benchmark	portfolio	benchmark
	-----%	-----%	-----%	-----%
Cement	11.47%	10.73%	2.24%	1.15%
Chemical	0.00%	0.00%	1.41%	2.78%
Commercial Banks	24.73%	20.29%	30.65%	29.46%
Engineering	0.19%	1.09%	1.36%	0.74%
Fertilizer	13.21%	15.84%	18.61%	15.60%
Food & Personal Care Products	0.00%	0.00%	4.91%	0.87%
Insurance	0.00%	0.00%	1.45%	0.61%
Miscellaneous	0.00%	0.00%	1.63%	0.39%
Oil & Gas Exploration Companies	23.69%	39.68%	14.82%	33.35%
Oil & Gas Marketing Companies	14.11%	5.19%	4.39%	3.09%
Pharmaceuticals	0.08%	1.01%	0.18%	1.31%
Power Generation and Distribution	9.11%	6.07%	3.82%	3.39%
Refinery	0.00%	0.00%	4.62%	1.49%
Technology & Communication	3.42%	0.11%	6.89%	1.29%
Textile Composite	0.00%	0.00%	3.02%	4.47%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

In case of 5% increase / decrease in KSE-100 index on June 30, 2023 with all other variables held constant, other components of equity and the net assets of the Fund would increase / decrease by Rs. 3.61 million as a result of gains / losses on equity securities.

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 Funds equity instruments moved according to the historical correlation with the index. This represents managements 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 Funds 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, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

## 25.5 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, 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.

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 maximum exposure to credit risk before considering any collateral as at June 30, 2023 and June 30, 2022 is the carrying amount of the financial assets. Investments in equity securities and debt securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

The analysis below summarises the credit quality of the Fund's bank balances, dividend receivable and accrued markup as at June 30,:

**Balances with banks by rating category**

Name of bank	Rating agency	2023	
		Rating	Amount (Rupees in '000)
Habib Bank Limited	VIS	AAA	2,025
MCB Bank Limited	PACRA	AAA	35
Zarai Taraqati Bank Limited	VIS	AAA	1
Allied Bank Limited	PACRA	AAA	102
National Bank of Pakistan	VIS	AAA	11
Habib Metropolitan Bank Limited	PACRA	AA+	21
Dubai Islamic Bank Pakistan Limited	VIS	AA	8
JS Bank Limited	PACRA	AA-	22
Soneri Bank Limited	PACRA	AA-	24,934
Sindh Bank Limited	VIS	A+	14
			<b>27,173</b>

**Balances with banks by rating category**

Name of bank	Rating agency	2022	
		Rating	Amount (Rupees in '000)
Habib Bank Limited	VIS	AAA	28,221
MCB Bank Limited	PACRA	AAA	30
Zarai Taraqati Bank Limited	VIS	AAA	1
Allied Bank Limited	PACRA	AAA	89
National Bank of Pakistan	VIS	AAA	10
Habib Metropolitan Bank Limited	PACRA	AA+	20
Dubai Islamic Bank Pakistan Limited	VIS	AA	8
JS Bank Limited	PACRA	AA-	146
Soneri Bank Limited	PACRA	AA-	990
Sindh Bank Limited	VIS	A+	12
			<b>29,527</b>

Term Finance Certificates and Sukuk certificates by rating category	2023	2022
	----- (Rupees in '000) -----	
A+	2,436	3,350
AA	-	-
AA+	5,132	4,828
	<b>7,568</b>	<b>8,178</b>
Dividend receivable and accrued mark-up	<b>760</b>	<b>769</b>
Advances and deposits	<b>3,792</b>	<b>2,976</b>

### 25.5.1 Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

The Fund's major bank balance is held with one Bank. Management believes that such bank is a reputed institution.

### 25.6 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 10% 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 10% of the units then in issue. The Fund did not withhold any redemptions during the year.

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

	As at June 30, 2023			
	Total	Upto three month	Over three months and upto one year	Over one Year
<b>Financial liabilities</b>	----- (Rupees in '000) -----			
Payable to the Management Company	320	320	-	-
Payable to the Trustee	19	19	-	-
Accrued expenses and other liabilities	1,434	1,434	-	-
	<b>1,773</b>	<b>1,773</b>	-	-
Unit holders' fund	-	<b>103,664</b>	-	-
	As at June 30, 2022			
	Total	Upto three month	Over three months and upto one year	Over one Year
<b>Financial liabilities</b>	----- (Rupees in '000) -----			
Payable to the Management Company	480	480	-	-
Payable to the Trustee	25	25	-	-
Accrued expenses and other liabilities	558	558	-	-
	<b>1,063</b>	<b>1,063</b>	-	-
Unit holders' fund	-	<b>104,223</b>	-	-

## **25.7 Operational risk**

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risk arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## **26 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 subscription and 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, 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.

## **27 FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS**

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

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

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 reporting 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.

The Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using Inputs for assets or liability that are not based on observable market data (i.e. 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.

		2023						
		Carrying amount			Fair Value			
		At Fair value through profit or loss	At amortised Cost	Total	Level 1	Level 2	Level 3	Total
Financial instruments	Note	(Rupees in '000)						
Financial assets measured at fair value								
Investments								
Listed equity securities		71,015	-	71,015	71,015	-	-	71,015
Term finance certificates and sukuk bonds	27.1	7,568	-	7,568	-	7,568	-	7,568
		78,583	-	78,583				
Financial assets not measured at fair value								
Bank balances		-	27,173	27,173				
Dividend receivable and accrued mark-up		-	760	760				
Advances, deposits and other receivable		-	3,792	3,792				
Receivable against purchase of investment		-	1,758	1,758				
		-	33,483	33,483				
Financial liabilities not measured at fair value								
Payable to the Management Company		-	320	320				
Payable to the Trustee		-	19	19				
Payable against purchase of investment		-	-	-				
Accrued expenses and other liabilities		-	1,434	1,434				
		-	1,773	1,773				

		2022						
		Carrying amount			Fair Value			
		At Fair value through profit or loss	At amortised Cost	Total	Level 1	Level 2	Level 3	Total
Financial instruments	Note	(Rupees in '000)						
Financial assets measured at fair value								
Investments								
- Listed equity securities		70,473	-	70,473	70,473	-	-	70,473
- Term Finance Certificates	27.1	3,350	-	3,350	-	3,350	-	3,350
		73,823	-	73,823				
Financial assets not measured at fair value								
Bank balances		-	29,527	29,527				
Dividend receivable and accrued mark-up		-	769	769				
Advances and deposits		-	2,976	2,976				
Receivable against purchase of investment		-	10	10				
Term Finance Certificates and sukuk bonds		-	4,828	4,828				
		-	38,110	38,110				
Financial liabilities not measured at fair value								
Payable to the Management Company		-	480	480				
Payable to the Trustee		-	25	25				
Payable against purchase of investment		-	-	-				
Accrued expenses and other liabilities		-	558	558				
		-	1,063	1,063				

## 27.1 Valuation techniques used in determination of fair values within level 2

Investments in Term Finance Certificates are valued on the basis of the market rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

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.

Net assets attributable to unitholders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unitholders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.



**28 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES**

	Receivable against sale of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at July 1, 2022	2,000	15	2,015
Receivable against issuance of units	44,276	-	44,276
Payable against redemption of units	-	45,042	45,042
	44,276	45,042	89,318
Amount received on issuance of units	(46,276)	-	(46,276)
Amount paid on redemption of units	-	(45,057)	(45,057)
	(46,276)	(45,057)	(91,333)
Closing balance as at June 30, 2023	-	-	-

**29 NON COMPLIANT INVESTMENTS DISCLOSURE**

Type of investment / exposure	Value of investment (Rupees in '000)	Limit ----- (%) -----	Exposure
Listed equity security	10,523	10.00	10.15

29.1 This is the non-compliance with respect to sub regulation 5 of regulation 55 of NBFC Regulations. Exposure of a collective investment scheme to any single entity shall not exceed an amount equal to ten percent of total net assets of collective investment scheme.

**30 TOTAL EXPENSE RATIO**

The directive 23 of 2016 dated July 20, 2016, issued by the Securities and Exchange Commission of Pakistan, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the financial statements of CIS / the Fund. Further, limit for Balanced Scheme is 4.5%. The TER for the year ended June 30, 2023, is 4.89% (2022: 4.24%) which includes 0.44% (2022: 0.31%) representing Government levy and SECP fee of the fund respectively. During the year ended June 30, 2023 the fund was in breach of the TER, the details of which are disclosed in Note 8.4.

**31 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 25, 2023.

**32 GENERAL**

Figures have been rounded off to the nearest thousand rupees.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



**HBL** Financial Planning Fund

## FUND INFORMATION

NAME OF FUND	HBL FINANCIAL PLANNING FUND
NAME OF TRUSTEE	Digital Custodian Company Limited
NAME OF AUDITORS	BDO Ebrahim & Co. Chartered Accountants.
NAME OF BANKERS	Habib Bank Limited JS Bank Limited

## Category of Fund

Open end Fund of Funds Scheme

## Investment Objective

The objective of the Fund is to generate returns on Investment as per the respective Allocation Plan by investing in Mutual Funds in line with the risk tolerance of the Investor.

## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark for Conservative Allocation Plan, Active Allocation Plan and Strategic Allocation plan is as follows:

### Conservative Allocation Plan

- 20% KSE 100 index
- Six(6) months KIBOR rates
- 70% Three(3) months PKRV rates and 30% three (3) months average deposit rate of three(3) AA rated scheduled banks as selected by MUFAP

B and C will be based on actual proportion of investment in Income and Money Market Funds / cash and near cash instruments.

### Active Allocation Plan

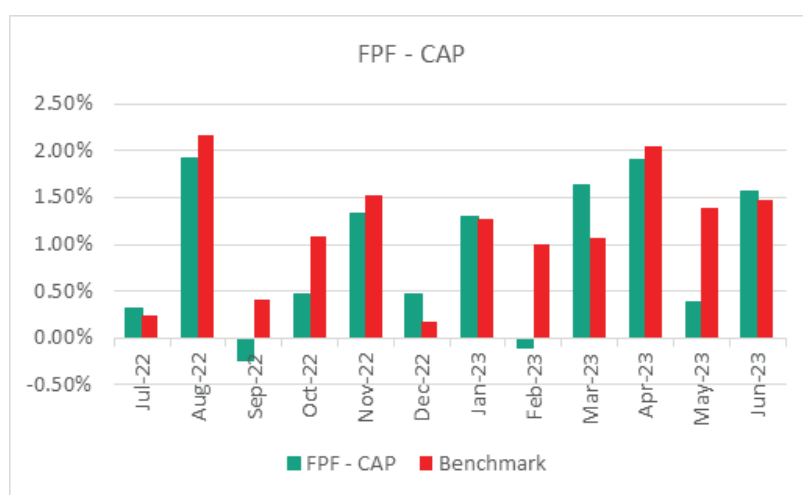
- KSE 100 index
- Six(6) months KIBOR rates
- 70% Three(3) months PKRV rates and 30% three (3) months average deposit rate of three(3) AA rated scheduled banks as selected by MUFAP

Based on actual proportion in Equity Fund and Income / Money Market Funds and/or in cash and/or near cash instruments in each allocation plan.

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

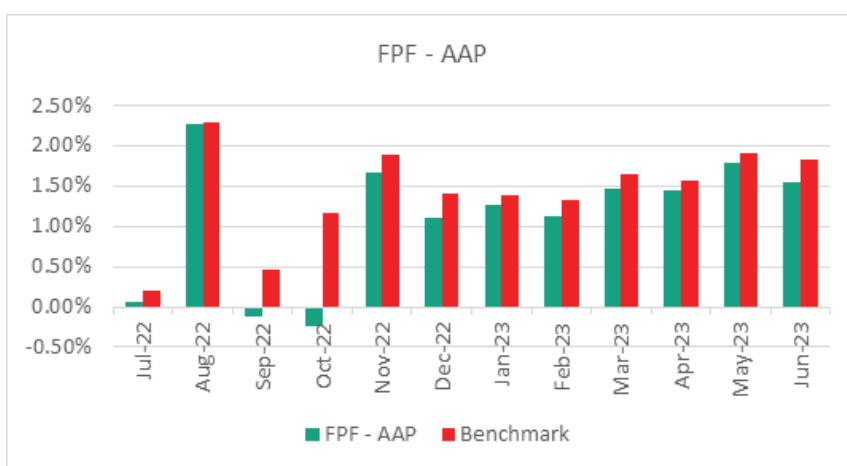
### Conservative Allocation Plan (CAP)

Month	Return of Fund	Benchmark
Jun-23	1.56%	1.47%
May-23	0.38%	1.39%
Apr-23	1.90%	2.05%
Mar-23	1.64%	1.07%
Feb-23	-0.11%	1.00%
Jan-23	1.29%	1.27%
Dec-22	0.47%	0.17%
Nov-22	1.34%	1.52%
Oct-22	0.48%	1.08%
Sep-22	-0.24%	0.40%
Aug-22	1.92%	2.17%
Jul-22	0.31%	0.24%



## Active Allocation Plan (AAP)

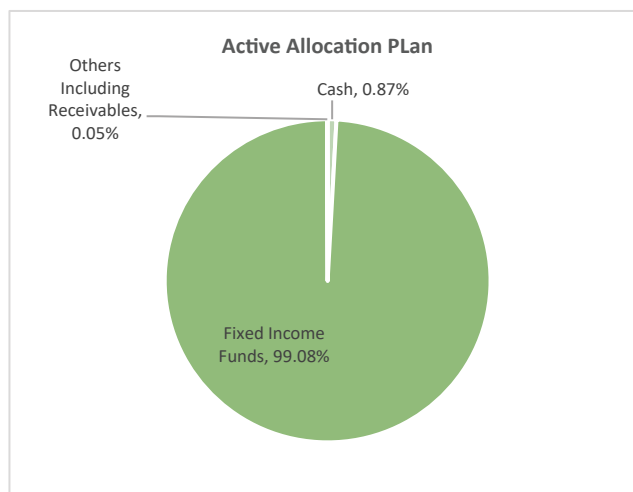
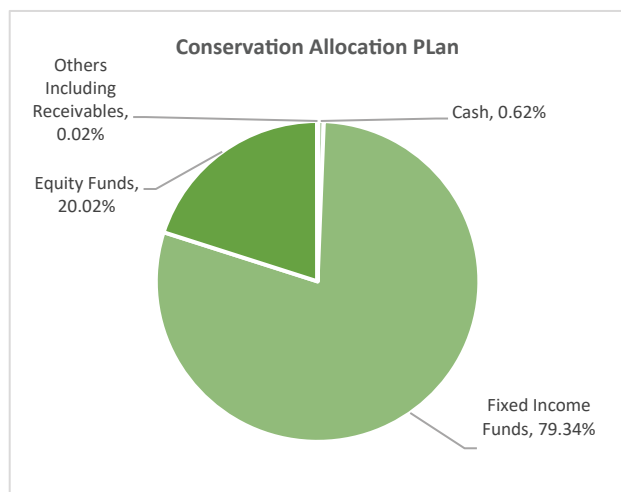
Month	Return of Fund	Benchmark
Jun-23	1.55%	1.82%
May-23	1.80%	1.91%
Apr-23	1.45%	1.57%
Mar-23	1.47%	1.65%
Feb-23	1.12%	1.34%
Jan-23	1.26%	1.39%
Dec-22	1.10%	1.40%
Nov-22	1.66%	1.90%
Oct-22	-0.25%	1.16%
Sep-22	-0.12%	0.46%
Aug-22	2.28%	2.29%
Jul-22	0.06%	0.21%



## Strategies and Policies employed during the Year

During the period under review, Active Allocation Plan asset allocation comprises of 99% investment in Fixed Income Funds. Conservative Allocation Plan asset allocation comprises investment in equity fund, and income funds at 20%, and 79% respectively.

## Asset Allocation



## Fund Performance

The Fund as a whole earned a total and net income of Rs. 12.73 million and Rs. 11.71 million respectively during the year under review. The fund size of the fund stood at Rs. 0.11 billion as on June 30, 2023.

**Performance review for plans is given below:**

#### **Active Allocation Plan**

During the year under review, the Active allocation plan earned a total and net income of Rs. 7.49 million and Rs 6.96 million respectively. The net assets of the Active allocation plan stood at Rs. 0.07 billion representing Net Asset Value (NAV) of Rs. 78.1189 per unit as at June 30, 2023 as compared to Rs. 74.1068 per unit as at June 30, 2022 (after incorporating dividend of Rs. 6.50 per unit). The plan earned a return of 14.20% for the year under review against the benchmark return of 18.47%. The plan is invested to the extent of 99% in fixed income funds.

#### **Conservative Allocation Plan**

During the year under review, the Conservative allocation plan earned a total and net income of Rs. 5.24 million and Rs. 4.75 million respectively. The net assets of the Conservative allocation plan stood at Rs. 0.04 billion representing Net Asset Value (NAV) of Rs. 112.9070 per unit as at June 30, 2023 as compared to Rs. 111.7040 per unit as at June 30, 2022 (after incorporating dividend of Rs. 11.50 per unit). The plan earned a return of 11.47% for the year under review against the benchmark return of 14.71%. The plan is invested to the extent of 20% in equity funds & 79% in fixed income funds.

#### **Money Market Review**

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

#### **Stock Market Review**

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

The Board of Directors approved up to Rs. 6.50 and Rs. 11.50 per unit distribution respectively from Active Allocation Plan and Conservative Allocation plan for the year ended June 30, 2023.

## 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)	Active Allocation Plan		Conservative Allocation Plan	
	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held
1 – 100	9	240	8	243
101 – 500	4	481	1	317
501 – 1,000	4	2,117	-	-
1,001 – 10,000	5	17,489	3	10,849
10,001 – 100,000	7	243,621	3	71,560
1,00,001 – 5,00,000	-	-	1	286,697
500,001 – 1,000,000	1	622,533	-	-
1,000,001 – 5,000,000	-	-	-	-
5,000,001 and above	-	-	-	-
<b>Total</b>	<b>30</b>	<b>886,481</b>	<b>16</b>	<b>369,666</b>

## Unit Splits

There were no unit splits during the period.

## 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.

# Performance Table

## HBL FINANCIAL PLANNING FUND

	2023		2022		2021		2020		2019		2018		2017	
	Active Allocation Plan	Conservative Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan
Net assets at the period end (Rs'000)	69,251	41,738	85,879	78,620	57,800	51,119	57,447	52,549	102,605	67,051	169,313	330,457	133,695	208,522
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>														
Redemption	78.1189	112.907	74.1068	111.704	115.7579	115.2069	95.9459	108.303	96.9864	103.8264	99.0331	102.6500	103.7607	101.4978
Offer	79.8844	115.4587	75.7824	114.2285	118.374	117.8106	98.1143	110.7506	99.1783	106.1729	N/A	104.9699	106.1057	N/A
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>														
Highest offer price per unit	86.3027	126.4500	119.3214	119.0896	118.9257	121.4314	116.7508	118.1207	107.87	109.8794	N/A	110.2402	106.9356	N/A
Lowest offer price per unit	75.3530	113.9505	75.6618	114.1575	98.9211	111.1667	92.2867	104.0117	97.2601	104.9065	N/A	101.938	100.3622	N/A
Highest redemption price per unit	84.3954	123.6554	116.6843	116.4577	116.2974	118.7477	114.1705	115.5102	105.486	107.451	103.9281	107.8038	104.5723	106.4632
Lowest redemption price per unit	73.6877	111.4321	73.9896	111.6346	96.7349	108.7099	90.2471	101.713	95.1106	102.588	96.28	99.6851	99.5899	98.5547
<b>RETURN ( % )</b>														
Total return	14.20%	11.47%	-35.98%	-3.04%	21.28%	9.80%	3.85%	10.69%	-5.52%	2.71%	-3.40%	2.65%	3.76%	2.52%
Income distribution	8.77%	10.30%	0.00%	0.00%	0.60%	3.70%	4.75%	6.60%	0.00%	2.75%	0.00%	0.00%	0.00%	0.00%
Capital growth	5.43%	1.17%	-35.98%	-3.04%	20.68%	6.10%	-0.90%	4.09%	-5.52%	-0.04%	-3.40%	2.65%	3.76%	2.52%
<b>DISTRIBUTION</b>														
Final dividend distribution- Rs	6.5	11.5	0	0	0.6	3.7	4.75	6.6	-	3	-	-	-	-
Date of Income Distribution	23-Jun-23	23-Jun-23	N/A	N/A	25-Jun-21	25-Jun-21	26-Jun-20	26-Jun-20	-	28-Jun-19	-	-	-	-
Total dividend distribution for the year (Rs)	6.50	11.50	-	-	0.60	3.70	4.75	6.60	-	2.75	-	-	-	-
<b>AVERAGE RETURNS ( % )</b>														
Average annual return 1 year	14.20%	11.47%	-35.98%	-3.04%	21.28%	9.80%	3.85%	10.69%	-5.52%	2.71%	-3.40%	2.65%	3.76%	2.52%
Average annual return 2 year	-14.50%	3.96%	-11.88%	3.18%	12.23%	10.24%	-0.94%	6.63%	-1.52%	3.24%	-0.48%			
Average annual return 3 year	-3.93%	5.87%	-6.92%	5.63%	5.97%	7.67%	0.24%	5.66%						
<b>PORTFOLIO COMPOSITION - ( % )</b>														
Percentage of Total Assets as at 30 June:														
Bank Balances	0.87%	0.62%	71.81%	1.62%	0.41%	3.01%	5.94%	7.07%	1.25%	0.05%	0.02%	2.41%	0.33%	0.07%
Equity Funds	0.00%	20.02%	22.62%	18.92%	79.16%	19.60%	48.19%	19.16%	40.75%	18.54%	23.31%	58.63%	19.82%	49.37%
Income Funds	99.08%	79.34%	5.39%	79.26%	19.67%	76.61%	44.61%	72.64%	57.03%	80.22%	76.52%	38.59%	79.04%	50.10%
Others	0.05%	0.02%	0.18%	0.20%	0.76%	0.78%	1.20%	1.13%	0.97%	1.19%	0.15%	0.38%	0.81%	0.46%

### Note:

The Launch date of the Fund is October 11, 2017

### Disclaimer:

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





at HBL Asset Management Company Limited

## REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

### HBL FINANCIAL PLANNING FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

HBL Financial Planning Fund, an open-end Scheme established under a Trust Deed dated March 22, 2017 executed between HBL Asset Management Company Limited, as the Management Company and Digital Custodian Company Limited, as the Trustee. The Fund commenced its operations from October 11, 2017.

1. HBL Asset Management Company Limited, the Management Company of HBL Financial Planning Fund has, in all material respects, managed HBL Financial Planning Fund during the year ended June 30, 2023 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement.
2. Statement on the shortcoming(s) that may have impact on the decision of the existing or the potential unit holders remaining or investing in the Collective Investment Scheme; and

#### Statement

No short coming has been addressed during the period ended June 30, 2023.

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## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS HBL FINANCIAL PLANNING FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL Financial Planning Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the Key audit matter:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<b>Existence and valuation of investments</b>  As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2023, the investments held by the Fund comprise of units of Mutual Fund which represent 99.18% of the total assets of the Fund as at the year end.	<b>Our audit procedures included the following:</b> <ul style="list-style-type: none"><li>We evaluated the design and implementation of key controls over investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li></ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of investment valuations on the basis of daily NAV prices at Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company ("HBL Asset Management Limited") is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.



The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.





From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 25 SEP 2023

UDIN: AR202310166KXGFwHeE8

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

# HBL FINANCIAL PLANNING FUND

## Statement of Assets and Liabilities

As at June 30, 2023

		2023			2022			
		Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
Note		Rupees in '000						
ASSETS								
Bank balances	5	613	264	877	62,479	1,278	12	63,769
Investments	6	69,747	42,136	111,883	24,375	77,306	-	101,681
Preliminary expenses and flotation costs	7	-	-	-	110	141	-	251
Advances and prepayments	8	37	9	46	45	16	-	61
TOTAL ASSETS		70,397	42,409	112,806	87,009	78,741	12	165,762
LIABILITIES								
Payable to the Management Company	9	12	6	18	918	13	-	931
Payable to the Trustee	10	6	5	11	2	6	-	8
Payable to Securities and Exchange Commission of Pakistan	11	10	9	19	7	13	3	23
Accrued expenses and other liabilities	12	1,118	651	1,769	203	89	9	301
TOTAL LIABILITIES		1,146	671	1,817	1,130	121	12	1,263
NET ASSETS		69,251	41,738	110,989	85,879	78,620	-	164,499
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)								
		69,251	41,738	110,989	85,879	78,620	-	164,499
CONTINGENCIES AND COMMITMENTS								
	13	Number of units						
Number of units in issue	14	886,481	369,666	1,256,148	1,158,847	703,824	-	1,862,671
		Rupees						
Net assets value per unit		78.1189	112.9070		74.1068	111.7040	-	

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

**Chief Financial Officer**

**Chief Executive Officer**

**Director**

# HBL FINANCIAL PLANNING FUND

## Income Statement

For the year ended June 30, 2023

	2023			2022		For the period from July 1, 2021 to September 13, 2021		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	
Note	Rupees in '000							
<b>Income</b>								
Capital (loss) / gain on sale of investments - net	1,241	745	1,986	(509)	475	176	142	
Dividend income	5,844	4,188	10,032	244	2,059	1,358	3,661	
Mark-up on bank deposits	240	171	411	56	76	21	153	
	7,325	5,104	12,429	(209)	2,610	1,555	3,956	
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.2	163	140	303	(15,357)	(4,297)	-	(19,654)
	7,488	5,244	12,732	(15,566)	(1,687)	1,555	(15,698)	
<b>Expenses</b>								
Remuneration of the Management Company	9.1	7	8	15	5	12	4	21
Sindh Sales Tax on remuneration of the Management Company	9.2	1	1	2	1	2	1	4
Remuneration of the Trustee	10.2	46	42	88	33	58	15	106
Sindh Sales Tax on remuneration of the Trustee	10.3	6	6	12	4	8	2	14
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	10	9	19	7	13	3	23
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	102	94	196	73	129	34	236
Amortisation of preliminary expenses and flotation costs		110	141	251	267	231	-	498
Auditors' remuneration	15	178	163	341	132	117	49	298
Fees and subscription		24	21	45	108	121	11	240
Bank charges		4	5	9	8	5	79	92
Printing charges		39	7	46	52	74	4	130
		527	497	1,024	690	770	202	1,662
Net income from operations		6,961	4,747	11,708	(16,256)	(2,457)	1,353	(17,360)
Reversal of provision for Sindh Workers' Welfare Fund		-	-	-	406	332	466	1,204
Net income / (loss) for the year / period before taxation		6,961	4,747	11,708	(15,850)	(2,125)	1,819	(16,156)
Taxation	16	-	-	-	-	-	-	-
Net income / (loss) for the year / period after taxation		6,961	4,747	11,708	(15,850)	(2,125)	1,819	(16,156)
<b>Allocation of net income for the year / period</b>								
Income already paid on redemption of units		304	719	-	-	-	(162)	
Accounting income available for distribution								
Relating to capital gains		1,235	166	-	-	-	176	
Excluding capital gains		5,422	3,862	-	-	-	1,481	
		6,657	4,028	-	-	-	1,657	
		6,961	4,747	-	-	-	1,495	
Earnings per unit	17							

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

# HBL FINANCIAL PLANNING FUND

## Statement of Comprehensive Income

For the year ended June 30, 2023

	2023			2022		For the period from July 1, 2021 to September 13, 2021	
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	Rupees in '000						
Net income / (loss) for the year / period after taxation	6,961	4,747	11,708	(15,850)	(2,125)	1,819	(16,156)
Other comprehensive income / (loss)	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year / period	6,961	4,747	11,708	(15,850)	(2,125)	1,819	(16,156)

The annexed notes from 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



# HBL FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2023

	Active Allocation Plan					
	2023			2022		
	Capital value	Undistributed Income	Total	Capital value	Accumulated loss	Total
Rupees in '000						
Net assets at beginning of the year	100,204	(14,325)	85,879	56,275	1,525	57,800
Issuance of 723,243 units (2022: 1,100,371 units)						
Capital value (at net asset value per unit at the beginning of the year)	53,598	-	53,598	127,377	-	127,377
Element of income / (loss)	2,451	-	2,451	(44,539)	-	(44,539)
Total proceeds on issuance of units	56,049	-	56,049	82,838	-	82,838
Redemption of 995,608 units (2022: 440,840 units)						
Capital value (at net asset value per unit at the beginning of the year)	(73,782)	-	(73,782)	(51,031)	-	(51,031)
Income already paid on redemption of units	-	(304)	(304)	-	-	-
Element of (loss) / income	(163)	-	(163)	12,122	-	12,122
Total payments on redemption of units	(73,945)	(304)	(74,249)	(38,909)	-	(38,909)
Total comprehensive income / (loss) for the year	-	6,961	6,961	-	(15,850)	(15,850)
Interim distributions						
Rs. 6.5 per unit declared on June 23, 2023 as cash dividend						
Refund of capital	(1)	-	(1)	-	-	-
Distribution during the year	-	(5,388)	(5,388)	-	-	-
	(1)	1,573	1,572	-	(15,850)	(15,850)
Net assets at end of the year	82,307	(13,056)	69,251	100,204	(14,325)	85,879
Undistributed income / (loss) brought forward						
Realised loss		1,032			(2,360)	
Unrealised income / (loss)		(15,357)			3,885	
		(14,325)			1,525	
Accounting income available for distribution						
Relating to capital gains		1,235			-	
Excluding capital gains		5,422			-	
		6,657			-	
Total comprehensive loss for the year		6,961			(15,850)	
Distributions during the year		(5,388)			-	
Undistributed income loss carried forward		(13,056)			(14,325)	
Undistributed income loss carried forward						
Realised (loss) / income		(13,219)			1,032	
Unrealised income / (loss)		163			(15,357)	
		(13,056)			(14,325)	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		74.1068			115.7579	
Net assets value per unit at end of the year		78.1189			74.1068	

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

# HBL FINANCIAL PLANNING FUND

## Statement of Movement in Unit Holders' Fund

For the year ended June 30, 2023

	Conservative Allocation Plan					
	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	Rupees in '000					
Net assets at beginning of the year	71,779	6,841	78,620	42,154	8,966	51,120
Issuance of 108,762 units (2022: 282,207 units)						
Capital value (at net asset value per unit at the beginning of the year)	12,150	-	12,150	32,512	-	32,512
Element of income / (loss)	354	-	354	(374)	-	(374)
Total proceeds on issuance of units	12,504	-	12,504	32,138	-	32,138
Redemption of 442,920 units (2022: 22,094 units)						
Capital value (at net asset value per unit at the beginning of the year)	(49,476)	-	(49,476)	(2,547)	-	(2,547)
Income already paid on redemption of units	-	(719)	(719)	-	-	-
Element of (loss) / income	(23)	-	(23)	34	-	34
Total payments on redemption of units	(49,499)	(719)	(50,218)	(2,513)	-	(2,513)
Total comprehensive income / (loss) for the year	-	4,747	4,747	-	(2,125)	(2,125)
Interim distributions						
Rs. 11.5 per unit declared on June 23, 2023 as cash dividend						
Refund of capital	(322)	-	(322)	-	-	-
Distribution during the year	-	(3,593)	(3,593)	-	-	-
	(322)	1,154	832	-	(2,125)	(2,125)
Net assets at end of the year	34,462	7,276	41,738	71,779	6,841	78,620
Undistributed income brought forward						
Realised income		11,138			7,975	
Unrealised (loss) / income		(4,297)			991	
		6,841			8,966	
Accounting income available for distribution						
Relating to capital gains		166			-	
Excluding capital gains		3,862			-	
		4,028			-	
Total comprehensive income / (loss) for the year		4,747			(2,125)	
Distribution during the year		(3,593)			-	
Undistributed income carried forward		7,276			6,841	
Undistributed income carried forward						
Realised income		7,136			11,138	
Unrealised income / (loss)		140			(4,297)	
		7,276			6,841	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		111.7040			115.2069	
Net assets value per unit at end of the year		112.9070			111.7040	

The annexed notes from 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director

**HBL FINANCIAL PLANNING FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2023

Special Income Plan			
For the period from July 1, 2021 to September 13, 2021			
Capital value	Undistributed income	Total	
Net assets at beginning of the period / year	81,693	6,232	87,925
Issuance of Nil units (2022: 24,127 units)			
Capital value (at net asset value per unit at the beginning of the period / year)	2,546	-	2,546
Element of income	6	-	6
Total proceeds on issuance of units	2,552	-	2,552
Redemption of Nil units (2022: 857,477 units)			
Capital value (at net asset value per unit at the beginning of the period / year)	(90,472)	-	(90,472)
Income already paid on redemption of units	-	(162)	(162)
Element of income	(246)	-	(246)
Total payments on redemption of units	(90,718)	(162)	(90,880)
Total comprehensive income for the period / year	-	1,819	1,819
Distribution during the period / year	-	(1,416)	(1,416)
	-	403	403
Net assets at end of the period	(6,473)	6,473	-
Undistributed income brought forward			
Realised income	6,196		
Unrealised income	36		
	6,232		
Accounting income available for distribution			
Relating to capital gains	176		
Excluding capital gains	1,481		
	1,657		
Distribution during the period / year	(1,416)		
Undistributed income carried forward	6,473		
Undistributed income carried forward			
Realised income	6,473		
Unrealised income	-		
	6,473		
			(Rupees)
Net assets value per unit at beginning of the period / year			105.5096
Net assets value per unit at end of the period / year			-

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

# HBL FINANCIAL PLANNING FUND

## Statement of Cash Flows

For the year ended June 30, 2023

	2023			2022		For the period from July 1, 2021 to September 13, 2021	
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
Note	Rupees in '000						
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Net income / (loss) for the year / period before taxation	6,961	4,747	11,708	(15,850)	(2,125)	1,819	(16,156)
Adjustments for:							
Capital (gain) / loss on sale of investment - net	(1,241)	(745)	(1,986)	509	(475)	(176)	(142)
Dividend income	(5,844)	(4,188)	(10,032)	(244)	(2,059)	(1,358)	(3,661)
Mark-up on bank deposits	(240)	(171)	(411)	(56)	(76)	(21)	(153)
Amortisation of preliminary expenses and flotation costs	110	141	251	267	231	-	498
Unrealised (appreciation) / diminution on re-measurement of investments classified as 'fair value through profit or loss' - net	(163)	(140)	(303)	15,357	4,297	-	19,654
	(417)	(356)	(773)	(17)	(207)	264	40
<b>Decrease / (increase) in assets</b>							
Investments - net	(43,968)	36,055	(7,913)	17,583	(30,044)	88,325	75,864
Advances and prepayments	8	7	15	23	20	-	43
	(43,960)	36,062	(7,898)	17,606	(30,024)	88,325	75,907
<b>(Decrease) / increase in liabilities</b>							
Payable to the Management Company	(906)	(7)	(913)	908	4	(15)	897
Payable to the Trustee	4	(1)	3	(3)	1	(8)	(10)
Payable to Securities and Exchange Commission of Pakistan	3	(4)	(1)	(5)	1	(21)	(25)
Accrued expenses and other liabilities	915	562	1,477	(476)	(1,855)	(1,257)	(3,588)
	16	550	566	424	(1,849)	(1,301)	(2,726)
Cash (used in) / generated from operations	(44,361)	36,256	(8,105)	18,013	(32,080)	87,288	73,221
Dividend received	5,844	4,188	10,032	244	2,059	1,358	3,661
Mark-up received on bank deposits	240	171	411	56	76	21	153
Net cashflows generated from / (used in) operating activities	(38,277)	40,615	2,338	18,313	(29,945)	88,667	77,035
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Receipts from issue of units	56,049	12,504	68,553	82,838	32,138	2,552	117,528
Payment against redemption of units	(74,249)	(50,218)	(124,467)	(38,909)	(2,513)	(90,880)	(132,302)
Dividend paid	(5,389)	(3,915)	(9,304)	-	-	(1,416)	(1,416)
Net cash (used in) / generated from financing activities	(23,589)	(41,629)	(65,218)	43,929	29,625	(89,744)	(16,190)
Net (decrease) / increase in cash and cash equivalents during the year / period	(61,866)	(1,014)	(62,880)	62,242	(320)	(1,077)	60,845
Cash and cash equivalents at the beginning of the year / period	62,479	1,278	63,757	237	1,598	1,089	2,924
Cash and cash equivalents at the end of the year / period	613	264	877	62,479	1,278	12	63,769

The annexed notes from 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

**Chief Financial Officer**

**Chief Executive Officer**

**Director**

## **1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL Financial Planning Fund (the Fund), was established under the Trust Deed executed between HBL Asset Management Limited as the Management Company and Digital Custodian Comapany Limited (DCCL) [formerly, MCB Financial Services Limited (MCBFSL)] as the Trustee. The Trust Deed was executed on March 22, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on April 14, 2017 in accordance with the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 the (NBFC Rules). The registered office of the Management Company is situated at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on August 24, 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

Effective from March 22, 2017, HBL Asset Management Limited became Management Company of the Fund, which is a wholly owned subsidiary of Habib Bank Limited. The Aga Khan Fund for Economic Development (AKFED), S.A. is the parent company of Habib Bank Limited.

The Fund is an open ended fund of fund scheme and the Fund is listed on Pakistan Stock Exchange Limited. The Fund currently has three different plans; namely, Active Allocation Plan, Conservative Allocation Plan and Special Income Plan (collectively referred as 'Plans'). The units of Conservative Allocation Plan and Active Allocation Plan were initially offered to public (IPO) from September 11, 2017 to October 10, 2017, the units of Strategic Allocation Plan were offered from August 07, 2017 to October 10, 2017 and the units of Special Income Plan were offered from June 11, 2019 to September 13, 2019. The units are transferable and can be redeemed by surrendering them to the Fund at the option of unit holder. The Fund is perpetual, however, the Allocation Plans may have a set time frame. Each Allocation Plan will announce separate NAVs which will rank pari passu inter se according to the number of units of the respective Allocation Plans. Units are offered for public subscription on a continuous basis. However, term-based plans may be offered for a limited subscription period.

The Fund aims to generate returns on investment as per the respective Allocation Plan by investing in Mutual Funds in line with the risk tolerance of the investor. Following is the description of the plans currently in operation:

- The "Active Allocation Plan" is an Allocation Plan under the "HBL Financial Planning Fund" with an objective to earn a potentially high return through active asset allocation between Equity scheme(s), Income scheme(s) and Money Market scheme(s) based on the Fund Manager's outlook on the asset classes.
- The "Conservative Allocation Plan" is an Allocation Plan under the "HBL Financial Planning Fund" and primarily aims to provide stable returns with some capital appreciation through a pre-determined mix of investments in equity, income and money market funds. This Allocation Plan is suitable for Investors who have moderate risk tolerance and have a short to medium term investment horizon.
- The "Special Income Plan" is an Allocation Plan under the "HBL Financial Planning Fund" with an objective to earn a potentially high return through active allocation of funds between income scheme(s) and money market scheme(s) based on fundamental analysis of economic indicators, interest rate environment, market liquidity conditions and a strategy of minimizing risk and volatility. The plan commenced on September 15, 2019 for the duration of 24 months (two years) and matured on September 13, 2021.

VIS Credit Rating Agency has assigned a management quality rating of 'AM1 (Stable outlook)' to the Management Company as at December 30, 2022 while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of Digital Custodian Company Limited (DCCL) [formerly MCB Financial Services Limited (MCBFSL)] as the Trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

Where the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost basis, unless otherwise stated.

### **2.3 Functional and presentation currency**

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

### **2.4 Use of judgments and estimates**

The preparation of these financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

#### **Classification and valuation of investments**

For details please refer notes 4.2.1.1 and 6 to these financial statements.

## Impairment of investment

For details please refer notes 4.2.1.2 to these financial statements.

### 3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

#### 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

#### 1.2 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024

	Effective from accounting period beginning on or after:
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023
The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):	
IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less.

##### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **4.2.1 Financial assets**

##### **4.2.1.1 Classification and measurement of financial assets and financial liabilities**

On initial recognition, a financial asset is classified as measured at: amortised cost and fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income and impairment are recognised in income statement.

#### **4.2.1.2 Impairment of financial assets**

The Fund has applied the expected credit loss model that requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly investment, advances and deposits, dividend and mark-up receivable and bank balances.

#### **4.2.1.3 Regular way purchases and sales of financial assets**

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset.

#### **4.2.1.4 Derecognition**

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

#### **4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 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.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income**

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

#### 4.8 Net assets value per unit

The net assets value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

#### 4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income from equity securities is recognised when the right to receive the dividend is established.
- Markup on bank deposits is recognised on a time apportionment basis using effective interest rate.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.

#### 4.10 Transactions with related parties / connected persons

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

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

			2023				2022			
			Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
Note			Rupees in '000				Rupees in '000			
5	BANK BALANCES									
	In saving accounts	5.1	613	264	-	877	62,479	1,278	12	63,769

**5.1** These carries mark-up at the rates ranging between 19.50% to 19.51% (2022: 8% to 12.25%) per annum. This includes an amount held by Habib Bank Limited (a related party) amounting to Rs. 0.598 million (2022: Rs. 62.466 million) by Active Allocation Plan, Rs. 0.165 million (2022: 1.187 million) Conservative Allocation Plan.

6	INVESTMENTS	2023				2022				
		Active	Conservative	Special Income	Total	Active	Conservative	Special Income	Total	
		Allocation Plan	Allocation Plan	Plan		Allocation Plan	Allocation Plan	Plan		
		Rupees in '000				Rupees in '000				
	Financial assets classified at fair value through profit or loss									
	Units of mutual funds	6.1	69,747	42,137	-	111,884	24,375	77,306	-	101,681

## 6.1 Financial assets classified at fair value through profit or loss

Name of Investee Funds	Total units as at July 1, 2022	Purchases made during the year	Sales made during the year	Total units as at June 30, 2023	Total carrying value as at June 30, 2023	Total market value as at June 30, 2023	Unrealised appreciation / (diminution) on re-measurement of investment	Market value as a percentage of net assets	Market value as a percentage of total value of investment
	----- Number of units -----				----- Rupees in '000 -----			----- % -----	
<b>Active Allocation Plan</b>									
HBL Government Securities Fund	-	618,612	-	618,612	69,584	69,747	163	101	100
HBL Cash Fund	-	697,193	697,193	-	-	-	-	-	-
HBL Equity Fund	256,101	-	256,101	-	-	-	-	-	-
HBL Income Fund	31,089	587,212	618,301	-	-	-	-	-	-
HBL Money Market Fund	11,931	-	11,931	-	-	-	-	-	-
	299,121	1,903,017	1,583,526	618,612	69,584	69,747	163	101	100
<b>Conservative Allocation Plan</b>									
HBL Cash Fund	137	43,624	1,670	42,091	4,264	4,284	20	10	10
HBL Equity Fund	60,519	-	60,519	-	-	-	-	-	-
HBL Income Fund	504,125	48,356	304,636	247,845	27,618	27,818	200	67	66
HBL Stock Fund	142,460	9,404	103,540	48,324	3,450	3,366	(84)	8	8
HBL Energy Fund	-	521,371	-	521,371	5,120	5,124	4	12	12
HBL Money Market Fund	60,495	2,121	47,588	15,028	1,545	1,545	1	4	4
	767,736	624,876	517,953	874,659	41,997	42,137	140	91	90
Total as at June 30, 2023	1,066,857	2,527,893	2,101,479	1,493,271	111,581	111,884	303		
Total as at June 30, 2022	1,778,169	995,705	1,707,016	1,066,857	121,335	101,681	(19,654)		

## 6.2 Net unrealised (diminution) / appreciation On Re-Measurement Of investments classified As Financial Assets 'Fair Value Through Profit Or Loss'

	2023				2022			
	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	----- Rupees in '000 -----				----- Rupees in '000 -----			
Market value of investments	69,747	42,137	-	111,884	24,375	77,306	-	101,681
Less: Carrying value of investments	(69,584)	(41,997)	-	(111,581)	(39,732)	(81,603)	-	(121,335)
	163	140	-	303	(15,357)	(4,297)	-	(19,654)

## 7 PRELIMINARY EXPENSES AND FLOTATION COSTS

	2023			2022		
	Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
	----- Rupees in '000 -----			----- Rupees in '000 -----		
Opening balance	110	141	251	377	372	749
Less: Amortised during the year / period	(110)	(141)	(251)	(267)	(231)	(498)
Closing balance	-	-	-	110	141	251

Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operation of the Fund and are being amortized over the period of 5 years for Active Allocation Plan and Conservative Allocation Plan, commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC Rules.

## 8 ADVANCES AND PREPAYMENTS

	Note	2023			2022		
		Active Allocation Plan	Conservative Allocation Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Total
		Rupees in '000			Rupees in '000		
Advance tax	8.1	37	9	46	37	9	46
Prepaid listing fee		-	-	-	8	7	15
		37	9	46	45	16	61

- 8.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001.

The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol II- 66417-R" dated May 12, 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). However, various withholding agents have deducted advance tax under section 151 of ITO 2001. The Management Company is confident that the same shall be refunded after filing refund application.

## 9 PAYABLE TO THE MANAGEMENT COMPANY

	Note	2023				2022			
		Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
		Rupees in '000				Rupees in '000			
Remuneration payable to the Management Company	9.1	-	-	-	-	1	2	-	3
Sindh Sales Tax payable on Management Company's remuneration	9.2	-	-	-	-	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	12	6	-	18	4	11	-	15
Sales load payable		-	-	-	-	913	-	-	913
		12	6	-	18	918	13	-	931

- 9.1 As per the Regulation 61 of the NBFC Regulations, Asset Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the Offering Document. However, no management fee is charged on that part of the average annual net assets which have been invested in mutual funds managed by the Management Company. The maximum limit disclosed in the Offering Document is 1% per annum of average annual net assets. During the year, the fee is being charged at the rate of 1% of the average annual net assets. The fee is payable monthly in arrears.
- 9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.
- 9.3 As per Regulation 60(3)(s) of NBFC Regulations, fees and expenses related to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee has been charged at the rate of 0.2%, in case of Active Allocation Plan, Conservative Allocation Plan and Special Income Plan of the average annual net assets of the Fund.

**10 PAYABLE TO THE TRUSTEE**

Note	2023				2022			
	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	Rupees in '000				Rupees in '000			
Trustee fee payable	5	4	-	9	2	5	0	7
Sindh Sales Tax payable on remuneration of the Trustee	1	1	-	2	-	1	-	1
	6	5	-	11	2	6	-	8

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, as per the tariff specified therein, based on the average annual net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

10.2 As per the Trust Deed and Offering Document, the tariff structure was as follows:

**Net assets**

Up to Rs. 1 billion

**Tariff per annum**

0.09% of the daily net assets or Rs. 250,000 per annum whichever is higher.

Over Rs. 1 billion

Rs. 0.9 million plus 0.065% per annum of the daily average annual net assets exceeding one billion

10.3 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

**11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Note	2023				2022			
	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	Rupees in '000				Rupees in '000			
Annual fee payable	10	9	-	19	7	13	3	23

11.1 As per Regulation 62 of NBFC Regulations, An Asset Management Company managing a CIS shall pay SECP an annual fee of 0.02% of the average annual nets assets. The fee is payable annually in arrears.

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

Note	2023				2022			
	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	Rupees in '000				Rupees in '000			
Withholding income tax payable	912	579	-	1,491	-	-	-	-
Auditors' remuneration	80	72	-	152	57	50	-	107
Printing charges payable	-	-	-	-	19	39	-	58
Others	126	-	-	126	127	-	9	136
	1,118	651	-	1,769	203	89	9	301

### 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2023 (2022: Nil).

### 14 NUMBER OF UNITS IN ISSUE

	2023				2022			
	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	Number of units				Number of units			
Total units in issue at the beginning of the year / period	1,158,847	703,824	-	1,862,671	499,316	443,711	833,350	1,776,377
Add: Units issued	723,243	108,762	-	832,005	1,100,371	282,207	24,127	1,406,705
Less: Units redeemed	(995,608)	(442,920)	-	(1,438,528)	(440,840)	(22,094)	(857,477)	(1,320,411)
Total units in issue at the end of the year / period	886,481	369,666	-	1,256,148	1,158,847	703,824	-	1,862,671

### 16 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 its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund in its Active Allocation Plan (AAP) and Conservative Allocation Plan (CAP) has not recorded a tax liability in the current year, as the Management Company has distributed at least 90% of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) to its unit holders.

### 17 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed in these financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

### 18 FINANCIAL INSTRUMENTS BY CATEGORY

2023										
Particulars	Active Allocation Plan			Conservative Allocation Plan			Special Income Plan			Total
	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	
	Rupees in '000									
Financial assets										
Bank balances	-	613	613	-	264	264	-	-	-	877
Investments	69,747	-	69,747	42,136	-	42,136	-	-	-	111,883
	69,747	613	70,360	42,136	264	42,400	-	-	-	112,760
Particulars	Active Allocation Plan			Conservative Allocation Plan			Special Income Plan			Total
	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	
	Rupees in '000									
Financial liabilities										
Payable to the Management Company	-	12	12	-	6	6	-	-	-	18
Payable to the Trustee	-	6	6	-	5	5	-	-	-	11
Accrued expenses and other liabilities	-	80	80	-	72	72	-	-	-	152
	-	98	98	-	83	83	-	-	-	181

2022										
Particulars	Active Allocation Plan			Conservative Allocation Plan			Special Income Plan			Total
	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	
Rupees in '000										
Financial assets										
Bank balances	-	62,479	62,479	-	1,278	1,278	-	12	12	63,769
Investments	24,375	-	24,375	77,306	-	77,306	-	-	-	101,681
	24,375	62,479	86,854	77,306	1,278	78,584	-	12	12	165,450

	Active Allocation Plan			Conservative Allocation Plan			Special Income Plan			Total
Particulars	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	
Rupees in '000										
Financial liabilities										
Payable to the Management Company	-	918	918	-	13	13	-	-	-	931
Payable to the Trustee	-	2	2	-	6	6	-	-	-	8
Accrued expenses and other liabilities	-	76	76	-	89	89	-	9	9	174
	-	996	996	-	108	108	-	9	9	1,113

## 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, Digital Custodian Company Limited (DCCL) [formerly MCB Financial Services Limited (MCBFSL)] being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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.

Transactions and balances with parties who were connected persons due to 10% holding or more units in the comparative year and not in the current year are not disclosed in the comparative year.

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



	2023				2022			
	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	Rupees in '000				Rupees in '000			
<b>19.1 Transactions during the year / period</b>								
<b>HBL Asset Management Limited - Management Company</b>								
Remuneration of the Management Company	7	8	-	15	5	12	4	21
Sindh Sales Tax on remuneration of the Management Company	1	1	-	2	1	2	1.00	4
Allocation of expenses / (reversal) related to registrar services, accounting, operation and valuation services	102	94	-	196	73	129	34	236
Issue of 581,329 (2022: Nil) units	45,000	-	-	45,000	-	-	-	-
Issue of Nil (2022: 263,657) units	-	-	-	-	-	30,000	-	30,000
Reinvestment of dividend (Units: 41,205)	3,212	-	-	3,212	-	-	-	-
Reinvestment of dividend (Units: 23,041)	-	2,577	-	2,577	-	-	-	-
<b>Digital Custodian Comapany Limited (DCCL) [formerly MCB Financial Services Limited (MCBFSL)] - Trustee</b>								
Remuneration of the Trustee	46	42	0	88	33	58	15	106
Sindh Sales Tax on remuneration of the Trustee	6	6	0	12	4	8	2	14
<b>Habib Bank Limited - Sponsor</b>								
Bank charges	7	4	79	90	7	4	79	90
Mark-up on bank deposits	0	-	-	0	56	69	20	145
<b>HBL Cash Fund - CIS managed by the Management Company</b>								
Purchase of 646,876 (2022: Nil) units	66,008	-	-	66,008	-	-	-	-
Purchase of 43,624 (2022: 13) units	-	4,419	-	4,419	-	1	-	1
Redemption of 692,364 (2022: 14,995) units	70,514	-	-	70,514	1,522	-	-	1,522
Redemption of 1,670 (2022: 884,451) units	-	170	-	170	-	-	-	-
Redemption of Nil (2022: 884,451) units	-	-	-	-	-	-	89,683	89,683
Reinvestment of dividend 45,974 units	4,660	220	-	4,880	-	1	1,359	1,360
Refund of capital 4,342 units	-	-	-	-	-	-	-	-
Reinvestment of dividend 2,166 units	-	220	-	220	-	-	-	-
Refund of capital 200 units	-	-	-	-	-	-	-	-
<b>HBL Stock Fund- CIS managed by the Management Company</b>								
Purchase of 9,404 (2022: 142,460) units	-	644	-	644	-	11,749	-	11,749
Redemption of 103,540 (2022: Nil) units	-	7,136	-	7,136	-	-	-	-
<b>HBL Income Fund - CIS managed by the Management Company</b>								
Purchase of 587,212 (2022: 20,417) units	65,752	-	-	65,752	2,275	-	-	2,275
Purchase of 13,926 (2022: 616,245) units	-	1,641	-	1,641	-	69,115	-	69,115
Redemption of 618,300 (2022: 79,716) units	70,608	-	-	70,608	9,369	-	-	9,369
Redemption of 304,636 (2022: 112,120) units	-	35,032	-	35,032	-	13,344	-	13,344
Reinvestment of dividend 33,639 units	-	3,750	-	3,750	129	1,841	-	1,970
Refund of capital 790 units	-	-	-	-	-	-	-	-
<b>HBL Money Market Fund - CIS managed by the Management Company</b>								
Purchase of Nil (2022: 32,748) units	-	-	-	-	3,367	-	-	3,367
Purchase of 2,121 (2022: 83,015) units	-	218	-	218	-	8,595	-	8,595
Redemption of 11,931 (2022: 20,816) units	1,308	-	-	1,308	2,146	-	-	2,146
Redemption of 47,588 (2022: 418,846) units	-	5,045	-	5,045	-	45,622	-	45,622
Reinvestment of dividend 2,121 units	-	218	-	218	114	217	-	331
<b>HBL Government Securities Fund - CIS managed by the Management Company</b>								
Purchase of 540,736 (2022: Nil) units	68,400	-	-	68,400	-	-	-	-
Reinvestment of dividend 77,876 units	8,760	-	-	8,760	-	-	-	-

	2023				2022			
	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	Rupees in '000				Rupees in '000			
<b>HBL Equity Fund - CIS managed by the Management Company</b>								
Purchase of Nil (2022: 22,814) units	-	-	-	-	2,404	-	-	2,404
Purchase of Nil (2022: 64,571) units	-	-	-	-	-	7,227	-	7,227
Redemption of 256,101 (2022: 97,650) units	19,115	-	-	19,115	12,592	-	-	12,592
Redemption of 60,519 (2022: 64,571) units	-	4,463	-	4,463	-	7,678	-	7,678
<b>HBL Energy Fund - CIS managed by the Management Company</b>								
Purchase of 521,370 (2022: Nil) units	-	5,120	-	5,120	-	-	-	-
<b>Gulzeb Nazar - Executives</b>								
Issue of 669 (2022: Nil) units	-	78	-	78	-	-	-	-
Redemption of 669 (2022: Nil) units	-	78	-	78	-	-	-	-
<b>Wajid Aziz Khan - Executives</b>								
Issue of 1,598 (2022: Nil) units	125	-	-	125	-	-	-	-
Redemption of 1,538 (2022: Nil) units	130	-	-	130	-	-	-	-
<b>Raheem Ali Charania - Connected person due to 10% holding</b>								
Issue of Nil (2022: 827,696) units	-	-	-	-	62,024	-	-	62,024
Dividend Income	-	-	-	-	-	-	-	-
<b>Asif Nadeem Minhas - Connected person due to 10% holding</b>								
Issue of Nil (2022: 1,173) units	-	-	-	-	-	-	124	124
Redemption of Nil (2022: 99,593) units	-	-	-	-	-	-	17,531	17,531
Dividend Income	-	-	-	-	-	-	124	124
<b>Shazia Afshan Minhas - Connected person due to 10% holding</b>								
Issue of Nil (2022: 2,971) units	-	-	-	-	-	-	314	314
Redemption of Nil (2022: 206,900) units	-	-	-	-	-	-	21,870	21,870
Dividend Income	-	-	-	-	-	-	314	314
<b>Anwer Ahmed Syed - Connected person due to 10% holding</b>								
Issue of Nil (2022: 1,628) units	-	-	-	-	-	-	172	172
Redemption of Nil (2022: 93,655) units	-	-	-	-	-	-	9,900	9,900
Dividend Income	-	-	-	-	-	-	172	172
<b>Ahmed Jamal Mir - Connected person due to 10% holding</b>								
Reinvestment of dividend of 2,374 (2022: Nil) units	185	-	-	185	-	-	-	-
<b>Ishtiaq Ahmed - Connected person due to 10% holding</b>								
Reinvestment of dividend 3,649 (2022: Nil) units	284	-	-	284	-	-	-	-
<b>Qadeer Baig - Connected person due to 10% holding</b>								
Reinvestment of dividend 2,443 (2022: Nil) units	190	-	-	190	-	-	-	-
<b>Shahbaz Khaliq - Connected person due to 10% holding</b>								
Reinvestment of dividend 2,939 (2022: Nil) units	229	-	-	229	-	-	-	-
<b>Saleem Majidullah - Connected person due to 10% holding</b>								
Reinvestment of dividend 1,792 (2022: Nil) units	140	-	-	140	-	-	-	-
Reinvestment of dividend 767 (2022: Nil) units	-	86	-	86	-	-	-	-

	2023				2022			
	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	Rupees in '000				Rupees in '000			
<b>19.2 Balances outstanding as at year / period end</b>								
<b>HBL Asset Management Limited - Management Company</b>								
Remuneration payable to the Management Company	-	-	-	-	1	2	3	6
Sindh Sales Tax payable on remuneration of the Management Company	-	-	-	-	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	12	6	-	18	4	11	-	15
Sales load payable	-	-	-	-	913	-	913	1,826
Units held: 622,534 (June 30, 2022: Nil)	48,632	-	-	48,632	-	-	-	-
Units held: 286,697 (June 30, 2022: 263,657)	-	32,370	-	32,370	-	29,451	-	29,451
<b>Habib Bank Limited - Sponsor</b>								
Bank balances	599	165	-	764	62,466	1,187	11	63,663
<b>Digital Custodian Comapany Limited (DCCL) [formerly MCB Financial Services Limited (MCBFSL)] - Trustee</b>								
Trustee fee payable	5	4	-	9	2	5	-	7
Sindh Sales Tax payable on remuneration of the Trustee	1	1	-	2	-	1	-	1
<b>HBL Cash Fund - CIS managed by the Management Company</b>								
Units held: 42,091 (June 30, 2022: 137)	-	4,284	-	4,284	-	14	-	14
<b>HBL Government Securities Fund - CIS managed by the Management Company</b>								
Units held: 618,612 (June 30, 2022: Nil)	69,584	-	-	69,584	-	-	-	-
<b>HBL Stock Fund- CIS managed by the Management Company</b>								
Units held: 48,324 (June 30, 2022: 142,460)	-	3,366	-	3,366	-	10,247	-	10,247
<b>HBL Income Fund - CIS managed by the Management Company</b>								
Units held: Nil (June 30, 2022: 31,089)	-	-	-	-	3,464	-	-	3,464
Units held: 247,844 (June 30, 2022: 504,124)	-	27,818	-	27,818	-	56,175	-	56,175
<b>HBL Money Market Fund - CIS managed by the Management Company</b>								
Units held: Nil (June 30, 2022: 11,931)	-	-	-	-	1,226	-	-	1,226
Units held: 15,028 (June 30, 2022: 60,495)	-	1,545	-	1,545	-	6,218	-	6,218
<b>HBL Equity Fund - CIS managed by the Management Company</b>								
Units held: Nil (June 30, 2022: 256,101)	-	-	-	-	19,685	-	-	19,685
Units held: Nil (June 30, 2022: 60,519)	-	-	-	-	-	4,652	-	4,652
<b>HBL Energy Fund - CIS managed by the Management Company</b>								
Units held: 521,370 (June 30, 2022: Nil)	-	5,120	-	5,120	-	-	-	-
<b>Patient Welfare Association - Connected Person due to 10% holding</b>								
Units held: Nil (2022: 400,000)	-	-	-	-	-	44,682	-	44,682
<b>Raheem Ali Charania - Connected person due to 10% holding</b>								
Units held: Nil (2022: 827,696)	-	-	-	-	61,339	-	-	61,339
<b>Ahmed Jamal Mir - Connected Person due to 10% holding</b>								
Units held: 35,872 (2022: Nil)	2,802	-	-	2,802	-	-	-	-

	2023				2022			
	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Total
	Rupees in '000				Rupees in '000			
<b>Ishtiaq Ahmed - Connected Person due to 10% holding</b>								
Units held: 55,127 (2022: Nil)	4,306		-	4,306	-	-	-	-
<b>Qadeer Baig - Connected Person due to 10% holding</b>								
Units held: 35,905 (2022: Nil)	2,883		-	2,883	-	-	-	-
<b>Shahbaz Khaliq - Connected Person due to 10% holding</b>								
Units held: 53,292 (2022: Nil)	4,163		-	4,163	-	-	-	-
<b>Saleem Majidullah - Connected Person due to 10% holding</b>								
Units held: 32,489 (2022: Nil)	2,538		-	2,538	-	-	-	-

## 20 FINANCIAL RISK MANAGEMENT

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

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 20.1 Market risk

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

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

#### 20.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk.

#### 20.1.2 Interest rate risk

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

**a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in savings accounts, the interest rates on which range between 19.50% to 19.51% per annum.

In case of 100 basis points increase / decrease in interest rates on June 30, 2023, with all other variables held constant, the net income for the year / period and the net assets would have been higher / lower by Rs. 0.0061 million, Rs. 0.0026 million and Rs. 0.000 million of Active Allocation Plan, Conservative Allocation plan, and Special Income Plan (2022: Rs. 0.6248 million, Rs. 0.0128 million, and Rs. 0.0001 million) respectively.

**b) Fair value interest rate risk**

Since the Fund currently does not have any fixed rate instruments that are impacted by market interest rates, therefore, it is not exposed to fair value interest rate risk.

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

Active Allocation Plan														
Particulars	Effective yield / interest rate	2023					Total	Effective yield / interest rate	2022					Total
		Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	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		Upto three months				More than three months and upto one year	More than one year			
	%	Rupees in '000						%	Rupees in '000					
On-balance sheet financial instruments														
Financial assets														
Bank balances	19.50 - 19.51	613	-	-	-	613	8 - 12.25	62,479	-	-	-	62,479		
Investments - net		-	-	-	69,747	69,747		-	-	-	24,375	24,375		
Sub total		613	-	-	69,747	70,360		62,479	-	-	24,375	86,854		
Financial liabilities														
Payable to the Management Company		-	-	-	12	12		-	-	-	918	918		
Payable to the Trustee		-	-	-	6	6		-	-	-	2	2		
Accrued expenses and other liabilities		-	-	-	80	80		-	-	-	76	76		
Sub total		-	-	-	98	98		-	-	-	996	996		
On-balance sheet gap (a)		613	-	-	69,649	70,262		62,479	-	-	23,379	85,858		
Off-balance sheet financial instruments														
Off-balance sheet gap (b)		-	-	-	-	-		-	-	-	-	-		
Total interest rate sensitivity gap (a) + (b)		613	-	-	69,649	70,262		62,479	-	-	23,379	85,858		
Cumulative interest rate sensitivity gap		613	-	-				62,479	-	-				

Conservative Allocation Plan														
Particulars	Effective yield / interest rate	2023					Total	Effective yield / interest rate	2022					Total
		Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	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		Upto three months				More than three months and upto one year	More than one year			
	%	Rupees in '000						%	Rupees in '000					
On-balance sheet financial instruments														
Financial assets														
Bank balances	19.50 - 19.51	264	-	-	-	264	8 - 12.25	1,278	-	-	-	1,278		
Investments - net		-	-	-	42,136	42,136		-	-	-	77,306	77,306		
Sub total		264	-	-	42,136	42,400		1,278	-	-	77,306	78,584		
Financial liabilities														
Payable to the Management Company		-	-	-	6	6		-	-	-	13	13		
Payable to the Trustee		-	-	-	5	5		-	-	-	6	6		
Accrued expenses and other liabilities		-	-	-	72	72		-	-	-	89	89		
Sub total		-	-	-	83	83		-	-	-	108	108		
On-balance sheet gap (a)		264	-	-	42,053	42,317		1,278	-	-	77,198	78,476		
Off-balance sheet financial instruments														
Off-balance sheet gap (b)		-	-	-	-	-		-	-	-	-	-		
Total interest rate sensitivity gap (a) + (b)		264	-	-	42,053	42,317		1,278	-	-	77,198	78,476		
Cumulative interest rate sensitivity gap		264	-	-				1,278	-	-				

Special Income Plan												
Particulars	Effective yield / interest rate	2023				Total	Effective yield / interest rate	2022				Total
		Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk			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				Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000					%	Rupees in '000				
On-balance sheet financial instruments												
Financial assets												
Bank balances	19.50 - 19.51	-	-	-	-	-	8 - 12.25	12	-	-	-	12
Investments - net		-	-	-	-	-		-	-	-	-	-
Sub total		-	-	-	-	-		12	-	-	-	12
Financial liabilities												
Payable to the Management Company		-	-	-	-	-		-	-	-	-	-
Payable to the Trustee		-	-	-	-	-		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	-	-		-	-	-	9	9
Sub total		-	-	-	-	-		-	-	-	9	9
On-balance sheet gap (a)		-	-	-	-	-		12	-	-	9	21
Off-balance sheet financial instruments		-	-	-	-	-		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		-	-	-	-	-		12	-	-	9	21
Cumulative interest rate sensitivity gap		-	-	-	-	-		12	-	-	-	-

### 20.1.3 Other price risk

The Fund is exposed to price risk i.e. the risk of unfavorable changes in the fair value of securities as a result of changes in the value of individual net assets value of open end funds, which arises from investments measured at fair value through income statement. The price risk exposure of the Fund arises from investments in mutual funds only. The Fund's policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines or the requirements of NBFC Regulations.

In case of 5% increase / (decrease) in price of all units held by Funds at the year end, net income for the year would increase / (decrease) by Rs. 3.4874 million, Rs. 2.1068 million and Rs. 0.0000 million of Active Allocation Plan, Conservative Allocation Plan and Special Income Plan (2022: Rs. 1.2188 million, Rs. 3.8653 million and Rs. 0.0000 million) respectively.

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on bank balances, investments and profit receivable.

The Fund's maximum exposure to credit risk related to receivables at June 30, 2023 and June 30, 2022 is the carrying amounts of following financial assets.

2023					
Bank	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Latest available published rating as at June 30, 2022	Rating agency
----- Rupees in '000 -----					
Habib Bank Limited	599	165	-	A-1+	VIS
JS Bank Limited	14	98	-	A-1+	PACRA
	<u>613</u>	<u>264</u>	<u>-</u>		

2022					
Bank	Active Allocation Plan	Conservative Allocation Plan	Special Income Plan	Latest available published rating as at June 30, 2022	Rating agency
----- Rupees in '000 -----					
Habib Bank Limited	62,466	1,187	11	A-1+	VIS
JS Bank Limited	13	91	1	A-1+	PACRA
	<u>62,479</u>	<u>1,278</u>	<u>12</u>		

### Concentration of credit risk

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

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

### 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in units of mutual funds which can be readily redeemed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year, no borrowings were made by the Fund (2022: None).

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

Particulars	2023											
	Active Allocation Plan				Conservative Allocation Plan				Special Income Plan			
	Up to three months	More than three months and up to one year	More than one year	Total	Up to three months	More than three months and up to one year	More than one year	Total	Up to three months	More than three months and up to one year	More than one year	Total
Rupees in '000												
<b>Financial liabilities</b>												
Payable to the Management Company	12	-	-	12	6	-	-	6	-	-	-	18
Payable to the Trustee	6	-	-	6	5	-	-	5	-	-	-	11
Accrued expenses and other liabilities	80	-	-	80	72	-	-	72	-	-	-	152
	98	-	-	98	83	-	-	83	-	-	-	181

2022													
Particulars	Active Allocation Plan				Conservative Allocation Plan				Special Income Plan				Total
	Up to three months	More than three months and up to one year	More than one year	Total	Up to three months	More than three months and up to one year	More than one year	Total	Up to three months	More than three months and up to one year	More than one year	Total	
	Rupees in '000												
Financial liabilities													
Payable to the Management Company	918	-	-	918	13	-	-	13	-	-	-	-	931
Payable to the Trustee	2	-	-	2	6	-	-	6	-	-	-	-	8
Accrued expenses and other liabilities	76	-	-	76	89	-	-	89	9	-	-	9	174
	996	-	-	996	108	-	-	108	9	-	-	9	1,113

## 21 UNITHOLDERS' FUND RISK MANAGEMENT

The unitholders' fund is represented by the net assets attributable to unitholders / redeemable units. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unitholders of the Fund 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 unitholders' fund. Unitholders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unitholders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets 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.



As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. 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.

2023 Active Allocation Plan							
Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Note 22.1 Rupees in '000							
<b>Financial assets measured at fair value</b>							
Investments	69,747	-	69,747	69,747	-	-	69,747
	69,747	-	69,747	69,747	-	-	69,747
<b>Financial assets not measured at fair value</b>							
Bank balances	-	613	613				
	-	613	613				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	12	12				
Payable to the Trustee	-	6	6				
Accrued expenses and other liabilities	-	80	80				
	-	98	98				
2022 Active Allocation Plan							
Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Note 22.1 Rupees in '000							
<b>Financial assets measured at fair value</b>							
Investments	24,375	-	24,375	24,375	-	-	24,375
	24,375	-	24,375	24,375	-	-	24,375
<b>Financial assets not measured at fair value</b>							
Bank balances	-	62,479	62,479				
	-	62,479	62,479				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	918	918				
Payable to the Trustee	-	2	2				
Accrued expenses and other liabilities	-	76	76				
	-	996	996				
2023 Conservative Allocation Plan							
Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Note 22.1 Rupees in '000							
<b>Financial assets measured at fair value</b>							
Investments	42,136	-	42,136	42,136	-	-	42,136
	42,136	-	42,136	42,136	-	-	42,136
<b>Financial assets not measured at fair value</b>							
Bank balances	-	264	264				
	-	264	264				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	6	6				
Payable to the Trustee	-	5	5				
Accrued expenses and other liabilities	-	72	72				
	-	83	83				

2022 Conservative Allocation Plan							
Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Note 22.1 ----- Rupees in '000 -----							
<b>Financial assets measured at fair value</b>							
Investments	77,306	-	77,306	77,306	-	-	77,306
	77,306	-	77,306	77,306	-	-	77,306
<b>Financial assets not measured at fair value</b>							
Bank balances	-	1,278	1,278				
	-	1,278	1,278				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	13	13				
Payable to the Trustee	-	6	6				
Accrued expenses and other liabilities	-	89	89				
	-	108	108				

## 22.1 Valuation techniques

For level 1 investments at fair value through profit or loss in units of mutual funds, Fund uses daily NAVs which are taken from MUFAP at the reporting date.

## 22.2 Transfers during the year

No transfer were made between various levels of fair value hierarchy during the year.

## 23 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

There were no brokers during the year ended June 30, 2023.

## 24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	23.2
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	26.9
3	Wamiq Sakrani	Head of Fixed Income	MBA	12.9
4	Imad Ansari	Head of Risk	MBA	16.2
5	Umair Naseer	Head of Research	MBA	10.4
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7	Raza Abbas	Senior Fund Manager	M.Com	20
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7.8

**25 PATTERN OF UNITHOLDING**

<b>2023</b>				
Category	Number of unit holders	Number of units held	Investment amount	Percentage
<b>Rupees in '000</b>				
<b>Active Allocation Plan</b>				
Individuals	43	263,947	20,619	29.77%
Associated Company	1	622,534	48,632	70.23%
	44	886,481	69,251	100%
<b>Conservative Allocation Plan</b>				
Individuals	19	82,969	9,368	22.44%
Associated Company	1	286,697	32,370	77.56%
	20	369,666	41,738	100%
<b>Special Income Plan</b>				
Individuals	-	-	-	0%
	-	-	-	0%
<b>2022</b>				
Category	Number of unit holders	Number of units held	Investment amount	Percentage
<b>Rupees in '000</b>				
<b>Active Allocation Plan</b>				
Individuals	32	1,158,847	85,879	100%
	32	1,158,847	85,879	100%
<b>Conservative Allocation Plan</b>				
Individuals	13	40,168	4,487	5.71%
Associated Company	1	263,657	29,451	37.46%
Trust	1	400,000	44,682	56.83%
	15	703,824	78,620	100%
<b>Special Income Plan</b>				
Individuals	-	-	-	0%
	-	-	-	0%

**26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Six meetings of the Board of Directors were held on August 29, 2022 , October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29, 2022 January 16, 2023 January 23, 2023 February 13, 2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19, 2022

**27 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016, dated July 20, 2016, issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2023 is 1.06% and 1.03% which includes 0.04% and 0.03% representing Government levy and SECP fee of the Active Allocation Plan and Conservative Allocation Plan respectively.

The total expense ratio of the fund for the year ended June 30, 2022 is 1.89%, 1.20%, and 0.15% which includes 0.04%, 0.04%, and 0.01% representing Government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan, and Special Income Plan respectively.

**28 CORRESPONDING FIGURES**

Corresponding figures have been rearranged or reclassified, where necessary, for the purpose of better presentation. No significant rearrangement or reclassification was made in these financial statements during the current year.

**29 GENERAL**

29.1 Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**30 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

**For HBL Asset Management Limited  
(Management Company)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



**HBL** Growth Fund

## FUND INFORMATION

<b>NAME OF FUND</b>	HBL GROWTH FUND
<b>NAME OF AUDITOR</b>	A.F. Ferguson & Co.
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited.
<b>NAME OF BANKERS</b>	Allied Bank limited Habib Bank Limited Habib Metro Bank Limited HBL Micro Finance Bank JS Bank Limited Khushali Micro Finance Bank MCB Bank Limited Mobillink Micro Finance Bank National Bank Limited Soneri Bank limited U Micro Finance Bank Limited Zarai Taraqiyati Bank Limited

## Type and Category of Fund

Equity / Open-end

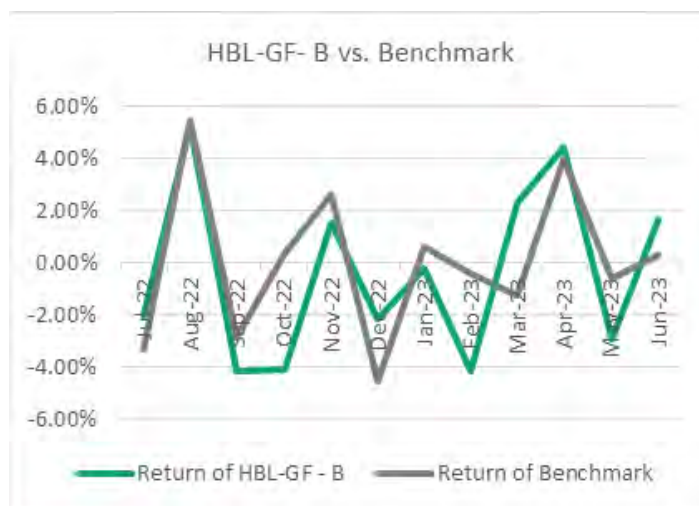
## Investment Objective and Accomplishment of Objective

The objective of HBL Growth Fund is to maximize the wealth of the unit holders by investing primarily in listed equities in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations. The Collective Investment Scheme achieved its stated objective.

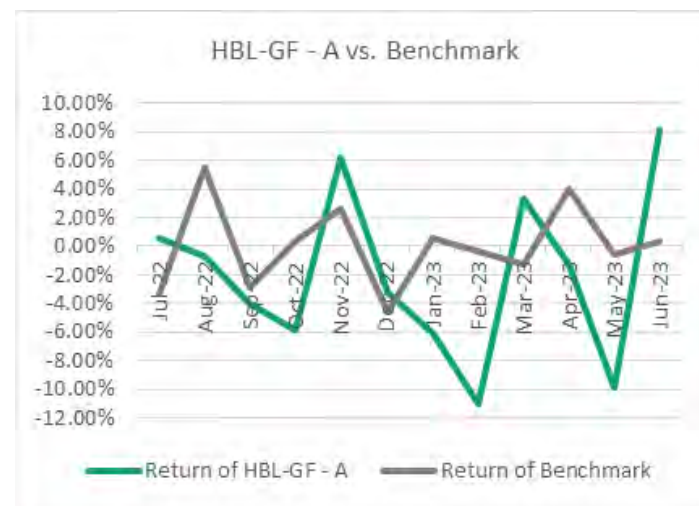
## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KSE-100 Index.

Month	Return of Fund	
	HBL-GF - B	Benchmark
Jun-23	1.65%	0.30%
May-23	-2.91%	-0.60%
Apr-23	4.44%	3.95%
Mar-23	2.28%	-1.26%
Feb-23	-4.13%	-0.40%
Jan-23	-0.24%	0.62%
Dec-22	-2.18%	-4.55%
Nov-22	1.54%	2.63%
Oct-22	-4.09%	0.33%
Sep-22	-4.14%	-2.89%
Aug-22	5.29%	5.48%
Jul-22	-2.04%	-3.35%



Month	Return of Fund	
	HBL-GF - A	Benchmark
Jun-23	8.12%	0.30%
May-23	-9.83%	-0.60%
Apr-23	-1.31%	3.95%
Mar-23	3.28%	-1.26%
Feb-23	-11.01%	-0.40%
Jan-23	-6.01%	0.62%
Dec-22	-3.23%	-4.55%
Nov-22	6.14%	2.63%
Oct-22	-5.87%	0.33%
Sep-22	-4.03%	-2.89%
Aug-22	-0.69%	5.48%
Jul-22	0.60%	-3.35%

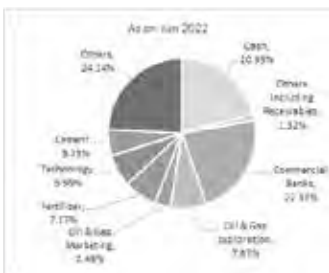
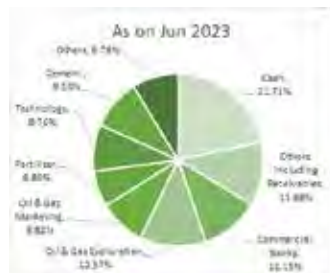


## Strategies and Policies employed during the Year

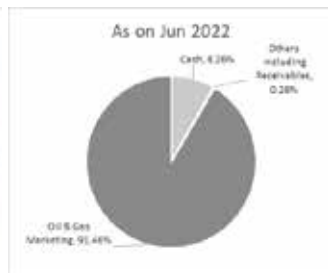
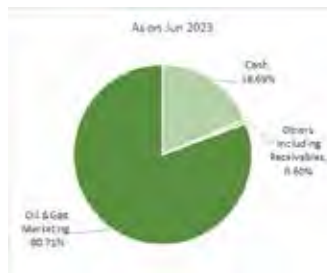
During the year under review, the Fund decreased its exposure in equities from 80% on June 30, 2022 to 78% as on June 30, 2023. Furthermore, sector-wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in oil & gas exploration, oil & gas marketing, and cement was increased, while exposure in commercial banks and fertilizer was decreased.

## Asset Allocation

Growth - B



Growth - A



### Significant Changes in Asset Allocation during the Year

The following table shows a comparison of top sector wise allocation of equity investments in the Fund as on June 30, 2023 and June 30, 2022:

#### HBL Growth Fund – B

Sector Name	As on Jun 2023	As on Jun 2022
Cash	21.71%	20.95%
Others Including Receivables	11.88%	1.32%
Commercial Banks	11.15%	22.32%
Oil & Gas Exploration	12.57%	7.87%
Oil & Gas Marketing	8.82%	3.49%
Fertilizer	6.80%	7.17%
Technology	8.76%	6.99%
Cement	9.53%	5.75%
Others	8.8%	24.1%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

#### HBL Growth Fund – A

Sector Name	As on Jun 2023	As on Jun 2022
Cash	18.69%	8.26%
Others Including Receivables	0.60%	0.28%
Oil & Gas Marketing	80.71%	91.46%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### Fund Performance

The Fund as a whole earned a total and net income of Rs. 468.31 million and Rs. 300.83 million respectively during the year under review. The fund size of the fund stood at Rs. 4.81 billion as on June 30, 2023.

Performance review of each class is presented below:

#### HBL Growth Fund – Class ‘A’

HBL Growth Fund – Class ‘A’ earned a total income and net income of Rs. 471.63 million and Rs. 350.97 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Class ‘A’ was Rs. 13.7476 per unit as on June 30, 2023 as compared to Rs. 19.4009 as at June 30, 2022 (after incorporating dividend of Rs. 1.20 per unit), thereby giving a negative return of 22.95%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Class ‘A’ was Rs. 3.90 billion as on June 30, 2023 as compared to Rs. 5.50 billion at the start of the year.



## HBL Growth Fund – Class ‘B’

HBL Growth Fund – Class ‘B’ incurred a total and net loss of Rs. 3.32 million and Rs. 50.13 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Class ‘B’ was Rs. 12.2463 per unit as on June 30, 2023 as compared to Rs. 12.8951 as at June 30, 2022, thereby giving a negative return of 5.03%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Class ‘B’ was Rs. 0.91 billion as on June 30, 2022 as compared to Rs. 1.05 billion at the start of the year.

## Market Review

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack of market activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

HBL Growth Fund - A, the Board of Directors approved Rs.1.20 dividend per unit to the unit holders for the year ended June 30, 2023. The Board of Directors approved NIL dividend for the year ended June 30, 2023 from HBL Growth Fund Class ‘B’.

## Significant Changes in the State of Affairs

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

## Breakdown of Certificate Holding by Size

From – To (No. of Certificates)	No. of Certificate Holders (Class ‘A’ Units)	Total No. of Certificates Held (Class ‘A’ Units)	No. of Certificate Holders (Class ‘B’ Units)	Total No. of Certificates Held (Class ‘B’ Units)
1 – 100	449	23,834	365	14,526
101 – 500	2,695	727,962	2,600	646,037
501 – 1,000	1,102	866,552	1,062	739,384
1,001 – 10,000	3,355	11,705,929	3,329	10,680,402
10,001 – 100,000	977	26,168,912	860	20,257,037
100,001 – 500,000	93	19,951,154	62	10,029,319
500,001 – 1,000,000	13	9,482,362	3	2,125,521
1,000,001 – 5,000,000	13	26,894,464	2	2,285,266
5,000,001 and above	14	187,678,831	2	27,384,664
<b>Total</b>	<b>8,711</b>	<b>283,500,000</b>	<b>8,285</b>	<b>74,162,156</b>

## Certificate Splits

There were no unit splits during the year.

## Circumstances materially affecting the Interest of Certificate Holders

Investments are subject to market risk.

## Soft Commission

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

# PERFORMANCE TABLE – HBL GROWTH FUND

As at June 30, 2023

	2023		2022		2021		2020		2019		2018
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	
Net assets at the period end(Rs'000)	3,897,444	908,211	5,500,143	1,047,498	6,843,722	1,860,878	5,126,450	1,504,866	4,848,295	4,463,482	12,675,960
<b>NET ASSETS VALUE PER UNIT/CERTIFICATE AT 30 JUNE - RUPEES</b>	13.7476	12.2463	19.4009	12.8951	24.1401	19.9069	18.0827	15.2116	17.10	16.09	44.71
Redemption - Class B unit type B	-	12.2463	-	12.8951	-	19.9069	-	15.2116	-	15.28	
Redemption - Class B unit type C	-	12.2463	-	12.8951	-	19.9069	-	15.2116	-	16.09	
Offer - Class B unit type C	-	12.5231	-	13.1865	-	20.3558	-	15.5554	-	16.45	
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>											
Highest offer price per unit - Class B unit type C	-	13.9866	-	20.5463	-	20.7254	-	20.8505	-	20.48	
Lowest offer price per unit - Class B unit type C	-	11.5078	-	13.1311	-	15.7388	-	13.0756	-	16.09	
Highest redemption price per unit - Class B unit type B	N/A	N/A	N/A	N/A	-	20.2674	-	20.3897	-	19.25	
Lowest redemption price per unit - Class B unit type B	N/A	N/A	N/A	N/A	-	15.4699	-	12.8091	-	14.95	
Highest redemption price per unit - Class B unit type C	-	13.6775	-	20.0922	-	20.2674	-	20.3897	-	20.03	
Lowest redemption price per unit - Class B unit type C	-	11.2535	-	12.8409	-	15.4699	-	12.7866	-	15.74	
<b>RETURN ( % )</b>											
Total return	-22.95%	-5.03%	-19.63%	-35.22%	33.50%	30.86%	5.74%	-2.62%	*-32.96%	*-16.21%	-8.23%
Income distribution	1.20%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.45%	0.00%	0.00%	0.00%
Capital growth	-21.75%	-5.03%	-19.63%	-35.22%	33.50%	30.86%	5.74%	-3.07%	*-32.96%	*-16.21%	-8.23%
<b>DISTRIBUTION</b>											
First Interim dividend distribution	1.20%	-	-	-	-	-	-	0.45	-	-	-
Date of Income Distribution	30-06-2023	-	-	-	-	-	-	26-Jun-20	-	-	-
Total dividend distribution for the year/ period	0.012	-	-	-	-	-	-	0.45	-	-	-
<b>AVERAGE RETURNS ( % )</b>											
Average annual return 1 year	-22.95%	-5.03%	-19.63%	-35.22%	33.50%	30.86%	5.74%	-2.62%	-32.96%	-16.21%	-8.23%
Average annual return 2 year	-21.31%	-21.56%	3.58%	-7.93%	18.81%	12.89%	-15.80%	-9.67%	N/A	N/A	4.38%
Average annual return 3 year	-6.15%	-6.97%	4.30%	-6.19%	-1.82%	2.21%	N/A	N/A	N/A	N/A	4.05%
<b>PORTFOLIO COMPOSITION - ( % )</b>											
Percentage of Total Assets as at 30 June:											
Bank Balances	19%	22%	8%	21%	3%	17%	5%	17%	3%	16%	6%
GoP Ijarah Sukuks	-	-	-	-	-	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-	-	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-	-	-	-	-	-	-
Stock / Equities	81%	66%	91%	78%	96%	80%	94%	82%	94%	84%	93%
Others	1%	12%	0%	1%	0%	3%	0%	1%	4%	0%	2%

## Note:

The Fund converted to open end fund on July 02, 2018

\* Since conversion from Closed-End to Open-End

## Disclaimer:

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

## Summary of Actual Proxy voted by CIS

HBL Growth Fund	Meetings	Resolutions	For	Against
Number	4	13	13	-
(%ages)			100%	-

(h) AMC did not participate in shareholders' meetings

Scrip	AGM Meeting Dt	EOGM Meeting Dt
AGP Limited		
Attock Cement Pakistan Ltd	19-Oct-22	27-05-23
Attock Refinery Ltd	20-Sep-22	
Avanceon Limited		
Azgard Nine Ltd		
Bank Al-Falah Ltd	20-Mar-23	
Bank Al-Habib Limited		
BankIslami Pakistan Limited		10/10/2022; 10 MAY 2023
Cherat Cement Company Ltd.	12-Oct-22	
D G Khan Cement Co.Ltd.		20-06-23
Descon Oxychem Ltd	20-Oct-22	28-02-23
Engro Corporation Ltd	30-Mar-23	
Engro Fertilizers Limited	28-Mar-23	
Engro Polymer & Chemicals Ltd		
Fauji Cement Company Limited		
Fauji Fertilizer Co Ltd		
Faysal Bank Limited		
Ferozsons Laboratories Ltd	30-Sep-22	
Gul Ahmed Textile Mills Ltd		31/03/2023; 14 june 2023
Habib Bank Ltd	29-Mar-23	
Highnoon Laboratories Limited		
Hub Power Company Ltd	29/09/2022 4-Oct-2022	20-02-23
IGI Holdings Limited		
IGI LIFE INSURANCE LIMITED		
Interloop Limited		
International Steels Limited	29-Sep-22	
Kohat Cement Ltd		21-Feb-23
Lucky Cement Ltd		20-09-22
Maple Leaf Cement Factory Ltd		30/12/2022 20 June 2023
Mari Petroleum Company Ltd		
MCB Bank Ltd		
Meezan Bank Ltd	29-Mar-23	
Millat Tractors Ltd		29-08-22
Mughal Iron & Steel Inds Ltd	31-Oct-22	
National Refinery Ltd	19-Oct-22	
Netsol Technologies		
Nishat Power Limited	18-10-22	

Scrip	AGM Meeting Dt	EOGM Meeting Dt
Oil & Gas Development Co Ltd		30-11-22
Pakistan Oilfields Ltd	20-Sep-22	12-06-23
Pakistan Petroleum Ltd		30-Nov-22
Pakistan State Oil Company Ltd		
Pioneer Cement Limited		
Shell Pakistan Ltd		
Standard Chartered Bank (Pakistan) Ltd	29-Mar-23	
Sui Northern Gas Pipeline Ltd	29-Jul-22	
Systems Limited		
Tariq Glass Industries Ltd		
The Organic Meat Company Limited		20-Jun-23
The Searle Company Ltd		
TPL Insurance Limited		06/07/2022 19 Sep 2022
TPL Properties Limited		
TPL Trakker Limited		
United Bank Limited		
Unity Foods Limited		

The proxy voting policy is available on the website of HBL Asset Management Limited (the Management Company) and detailed information regarding actual proxies in respect of the Fund would be available to all the unit holders without charge upon a request to be submitted at our head office located at 7th Floor, Emerald Tower, Block-5, Clifton, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL GROWTH FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Growth Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023





A.F. FERGUSON & Co.

## INDEPENDENT AUDITOR'S REPORT

To the Unit holders of HBL Growth Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of HBL Growth Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer notes 4 and 5 to the financial statements)	
	The bank balances and investments constitute the most significant component of the net asset value (NAV). The bank balances and investments of the Fund as at June 30, 2023 amounted to Rs. 1,065.187 million and Rs. 4,257.819 million respectively. The existence of bank balances and the existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2023 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"> <li>tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2023 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li> <li>re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and</li> <li>obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

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A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

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

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

*A.F. Ferguson & Co.*  
A.F. Ferguson & Co.  
Chartered Accountants  
Karachi

Dated: September 22, 2023

UDIN: AR202310061JaZtDqBEQ



		2023			2022		
		Class A	Class B	Total	Class A	Class B	Total
Note		-----Rupees in '000 -----					
<b>ASSETS</b>							
Bank balances	4	794,036	271,151	1,065,187	455,453	275,981	731,434
Investments	5	3,427,984	829,835	4,257,819	5,041,449	1,024,391	6,065,840
Dividend and profit receivable	6	24,327	4,105	28,432	14,076	2,536	16,612
Advance and deposits	7	1,216	4,128	5,344	1,206	4,127	5,333
Receivable from HBL Asset Management Limited - Management Company	8	-	5,895	5,895	-	-	-
Receivable against sale of investments		-	134,606	134,606	-	10,444	10,444
<b>Total assets</b>		<b>4,247,563</b>	<b>1,249,720</b>	<b>5,497,283</b>	<b>5,512,184</b>	<b>1,317,479</b>	<b>6,829,663</b>
<b>LIABILITIES</b>							
Payable to HBL Asset Management Limited - Management Company	9	7,716	4,439	12,155	9,832	8,998	18,830
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	481	185	666	588	276	864
Payable to the Securities and Exchange Commission of Pakistan	11	987	189	1,176	1,179	302	1,481
Payable against purchase of investments		-	76,614	76,614	-	1,614	1,614
Accrued expenses and other liabilities	12	735	128,341	129,076	442	126,824	127,266
Dividend payable		340,200	-	340,200	-	-	-
Unclaimed dividend		-	131,741	131,741	-	131,967	131,967
<b>Total liabilities</b>		<b>350,119</b>	<b>341,509</b>	<b>691,628</b>	<b>12,041</b>	<b>269,981</b>	<b>282,022</b>
<b>NET ASSETS</b>		<b>3,897,444</b>	<b>908,211</b>	<b>4,805,655</b>	<b>5,500,143</b>	<b>1,047,498</b>	<b>6,547,641</b>
<b>UNIT HOLDERS' FUND</b>		<b>3,897,444</b>	<b>908,211</b>	<b>4,805,655</b>	<b>5,500,143</b>	<b>1,047,498</b>	<b>6,547,641</b>
<b>(AS PER STATEMENT ATTACHED)</b>							
<b>CONTINGENCIES AND COMMITMENTS</b>	13	-----Number of units -----			-----Number of units -----		
<b>NUMBER OF UNITS IN ISSUE</b>	18	<u>283,500,000</u>	<u>74,162,156</u>		<u>283,500,000</u>	<u>81,232,399</u>	
		-----Rupees-----			-----Rupees-----		
<b>NET ASSET VALUE PER UNIT</b>	3.7	<u>13.7476</u>	<u>12.2463</u>		<u>19.4009</u>	<u>12.8951</u>	

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**HBL Growth Fund**  
**Income Statement**  
For the year ended June 30, 2023

	Note	2023			2022		
		Class A	Class B	Total	Class A	Class B	Total
		Rupees in '000					
INCOME							
Dividend income		347,983	78,019	426,002	333,117	92,111	425,228
Profit on savings accounts with banks		112,854	45,044	157,898	32,313	22,254	54,567
Income from government securities - Market Treasury Bills		10,890	193	11,083	8,997	720	9,717
Loss on sale of investments - net		(97)	(104,554)	(104,651)	(36)	(268,939)	(268,975)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.1.2.2	-	(22,019)	(22,019)	-	(444,162)	(444,162)
		(97)	(126,573)	(126,670)	(36)	(713,101)	(713,137)
Total income / (loss)		471,630	(3,317)	468,313	374,391	(598,016)	(223,625)
EXPENSES							
Remuneration of HBL Asset Management Limited - Management Company	9.1 & 9.2	83,642	21,334	104,976	99,877	34,093	133,970
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	27,141	5,192	32,333	32,409	11,025	43,434
Selling and marketing expense	9.4	-	9,912	9,912	-	18,568	18,568
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1 & 10.2	6,528	1,240	7,768	7,555	1,938	9,493
Annual fee to the Securities and Exchange Commission of Pakistan	11.1	987	189	1,176	1,179	302	1,481
Securities transaction costs		-	13,436	13,436	-	4,651	4,651
Auditors' remuneration	14	601	209	810	551	190	741
Fees and subscription		1,736	886	2,622	1,837	671	2,508
Settlement and bank charges		29	312	341	8	348	356
Reimbursement from HBL Asset Management Limited - Management Company		-	(5,895)	(5,895)	-	-	-
Total expenses		120,664	46,815	167,479	143,416	71,786	215,202
Net operating income / (loss) for the year		350,966	(50,132)	300,834	230,975	(669,802)	(438,827)
Reversal of provision for Sindh Workers' Welfare Fund		-	-	-	2,065	50,977	53,042
Net income / (loss) for the year before taxation		350,966	(50,132)	300,834	233,040	(618,825)	(385,785)
Taxation	16	-	-	-	-	-	-
Net income / (loss) for the year after taxation		350,966	(50,132)	300,834	233,040	(618,825)	(385,785)
Earnings / (loss) per unit	17						
Allocation of income for the year							
Net income for the year after taxation		350,966	-		233,040	-	
Income already paid on redemption of units		-	-		-	-	
		350,966	-		233,040	-	
Accounting income available for distribution:							
- Relating to capital gains		-	-		-	-	
- Excluding capital gains		350,966	-		233,040	-	
		350,966			233,040	-	

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
-----Rupees in '000 -----						
<b>Net income / (loss) for the year after taxation</b>	350,966	(50,132)	300,834	233,040	(618,825)	(385,785)
<b>Items that will not be reclassified to income statement</b>						
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through other comprehensive income'	5.1.1.					
	2	(1,613,465)	-	(1,613,465)	(1,576,619)	-
			(1,576,619)			(1,576,619)
<b>Total comprehensive loss for the year</b>	<u>(1,262,499)</u>	<u>(50,132)</u>	<u>(1,312,631)</u>	<u>(1,343,579)</u>	<u>(618,825)</u>	<u>(1,962,404)</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL Growth Fund**  
**Statement of Movement In Unitholders' Fund**  
For the year ended June 30, 2023

2023							
Class A					Class B		
Capital value	Accumulated losses	Unrealised appreciation / (diminution) on revaluation of fair value through OCI	Premium on issue of certificates	Total	Capital value	Undistributed income	Total

Rupees in '000

**Net assets at beginning of the year** 2,835,000 (2,963,741) 3,621,072 2,007,812 5,500,143 (514,254) 1,561,752 1,047,498

Issuance of Class A: nil units (2022: nil units)  
and Class B: 126,588 units (2022: 3,612,469 units)

- Capital value (at net asset value per unit at the beginning of the year)  
- Element of loss

-	-	-	-	-	1,632	-	1,632
-	-	-	-	-	(149)	-	(149)
<b>Total proceeds on issuance of units</b>					1,483	-	1,483

Redemption of Class A: nil units (2022: nil units)  
and Class B: 7,196,831 units (2022: 15,863,849 units)

- Capital value (at net asset value per unit at the beginning of the year)  
- Element of income

-	-	-	-	-	(92,804)	-	(92,804)
-	-	-	-	-	2,166	-	2,166
<b>Total payments on redemption of units</b>					(90,638)	-	(90,638)

Total comprehensive income / (loss) for the year	-	350,966	(1,613,465)	-	(1,262,499)	-	(50,132)	(50,132)
Distribution for the year ended June 30, 2023 (cash distribution @ Rs. 1.20 per unit declared on June 27, 2023)	-	(340,200)	-	-	(340,200)	-	-	-
Total comprehensive income / (loss) for the year less distribution	-	10,766	(1,613,465)	-	(1,602,699)	-	(50,132)	(50,132)

**Net assets at the end of the year** 2,835,000 (2,952,975) 2,007,607 2,007,812 3,897,444 (603,409) 1,511,620 908,211

**Accumulated (loss) / undistributed income brought forward comprising of:**

- Realised (loss) / income  
- Unrealised loss

(2,963,741)	2,005,914
-	(444,162)
(2,963,741)	1,561,752

**Accounting income available for distribution:**

- Relating to capital gains  
- Excluding capital gains

-	-
350,966	-
350,966	-

**Net income available for distribution**

Net loss for the year after taxation (50,132)  
Distribution for the year (340,200)

**Accumulated (loss) / undistributed income carried forward** (2,952,975) 1,511,620

**Accumulated (loss) / undistributed income carried forward comprising of:**

- Realised (loss) / income  
- Unrealised loss

(2,952,975)	1,533,639
-	(22,019)
(2,952,975)	1,511,620

(Rupees)

(Rupees)

**Net asset value per unit at the beginning of the year** 19.4009 12.8951

**Net asset value per unit at the end of the year** 13.7476 12.2463

**Note:** Consequent to the conversion of the Fund from a closed-end scheme to an open-end scheme with effect from July 02, 2018, the comparative figures disclosed above have been prepared in accordance with the requirements of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 as applicable to an open-end scheme.

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**HBL Growth Fund**  
**Statement Of Movement In Unit Holders' Fund**  
For the year ended June 30, 2023

2022								
Class A					Class B			
Capital value	Accumulated losses	Unrealised appreciation / (diminution) on revaluation of fair value through OCI	Premium on issue of certificates	Total	Capital value	Undistributed income	Total	
Rupees in '000								
Net assets at beginning of the year	2,835,000	(3,196,781)	5,197,691	2,007,812	6,843,722	(319,699)	2,180,577	1,860,878
Issuance of Class A: nil units (2021: nil units) and Class B: 3,612,469 units (2021: 724,744 units)								
- Capital value (at net asset value per unit at the beginning of the year)	-	-	-	-	-	71,909	-	71,909
- Element of loss	-	-	-	-	-	(9,588)	-	(9,588)
<b>Total proceeds on issuance of units</b>	-	-	-	-	-	62,321	-	62,321
Redemption of Class A: nil units (2021: nil units) and Class B: 15,863,849 units (2021: 6,170,106 units)								
- Capital value (at net asset value per unit at the beginning of the year)	-	-	-	-	-	315,784	-	315,784
- Element of loss	-	-	-	-	-	(572,660)	-	(572,660)
<b>Total payments on redemption of units</b>	-	-	-	-	-	(256,876)	-	(256,876)
Total comprehensive income / (loss) for the year	-	233,040	(1,576,619)	-	(1,343,579)	-	(618,825)	(618,825)
Distribution for the year	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year less distribution	-	233,040	(1,576,619)	-	(1,343,579)	-	(618,825)	(618,825)
<b>Net assets at the end of the year</b>	<u>2,835,000</u>	<u>(2,963,741)</u>	<u>3,621,072</u>	<u>2,007,812</u>	<u>5,500,143</u>	<u>(514,254)</u>	<u>1,561,752</u>	<u>1,047,498</u>
<b>Accumulated (loss) / undistributed income brought forward comprising of:</b>								
- Realised (loss) / income		(3,196,781)					2,014,667	
- Unrealised gain		-					165,910	
		<u>(3,196,781)</u>					<u>2,180,577</u>	
<b>Accounting income available for distribution:</b>								
- Relating to capital gains		-					-	
- Excluding capital gains		233,040					-	
<b>Net income available for distribution</b>		<u>233,040</u>					-	
Net loss for the year after taxation		-					(618,825)	
<b>Accumulated (loss) / undistributed income carried forward</b>		<u>(2,963,741)</u>					<u>1,561,752</u>	
<b>Accumulated (loss) / undistributed income carried forward comprising of:</b>								
- Realised (loss) / income		(2,963,741)					2,005,914	
- Unrealised loss		-					(444,162)	
		<u>(2,963,741)</u>					<u>1,561,752</u>	
					(Rupees)			(Rupees)
Net asset value per unit at the beginning of the year					<u>24.1401</u>			<u>19.9059</u>
Net asset value per unit at the end of the year					<u>19.4009</u>			<u>12.8951</u>

**Note:** Consequent to the conversion of the Fund from a closed-end scheme to an open-end scheme with effect from July 02, 2018, the comparative figures disclosed above have been prepared in accordance with the requirements of Schedule V of the Non-Banking Finance Companies and Notified

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**HBL Growth Fund**  
**Statement of Cash Flow**  
For the year ended June 30, 2023

	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
Note	Rupees in '000					
	350,966	(50,132)	300,834	233,040	(618,825)	(385,785)
	(347,983)	(78,019)	(426,002)	(333,117)	(92,111)	(425,228)
	(112,854)	(45,044)	(157,898)	(32,313)	(22,254)	(54,567)
	(10,890)	(193)	(11,083)	(8,997)	(720)	(9,717)
	97	104,554	104,651	36	268,939	268,975
5.1.2.2	-	22,019	22,019	-	444,162	444,162
	-	-	-	(2,065)	(50,977)	(53,042)
	(120,664)	(46,815)	(167,479)	(143,416)	(71,786)	(215,202)
	(97)	18,821	18,724	(36)	40,124	40,088
	(10)	(1)	(11)	(1,002)	8,857	7,855
	-	(5,895)	(5,895)	-	-	-
	(107)	12,925	12,818	(1,038)	48,981	47,943
	(2,116)	(4,559)	(6,675)	(3,195)	(40)	(3,235)
	(107)	(91)	(198)	(161)	(21)	(182)
	(192)	(113)	(305)	(131)	(48)	(179)
	293	1,517	1,810	73	(1,013)	(940)
	-	(226)	(226)	-	(1,153)	(1,153)
	(2,122)	(3,472)	(5,594)	(3,414)	(2,275)	(5,689)
	345,702	77,916	423,618	330,837	92,079	422,916
	104,884	43,578	148,462	27,113	21,326	48,439
	10,890	193	11,083	8,997	720	9,717
	338,583	84,325	422,908	219,079	89,045	308,124
	-	1,483	1,483	-	62,321	62,321
	-	(90,638)	(90,638)	-	(256,876)	(256,876)
	-	(89,155)	(89,155)	-	(194,555)	(194,555)
	338,583	(4,830)	333,753	219,079	(105,510)	113,569
	455,453	275,981	731,434	236,374	381,491	617,865
4	794,036	271,151	1,065,187	455,453	275,981	731,434

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 HBL Growth Fund (The Fund), an Open End Scheme that was initially constituted as a Closed End Fund under the name of PICIC Growth Fund vide a registered Trust Deed 'Initial Trust Deed' dated April 02, 2004, as amended vide First Supplemental Trust Deed dated June 28, 2004. The Fund has been converted into an Open End Scheme through a registered Restated Trust Deed (the Deed) dated April 24, 2018 under the Trusts Act, 1882 entered into and between HBL Asset Management Limited ("the Management Company") and the Central Depository Company of Pakistan Limited ("the Trustee"). During the year ended June 30, 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under "Sindh Trust Act, 2020" (the Sindh Trust Act). Accordingly, on August 24, 2021, the above-mentioned Trust Deed has been registered under the "Sindh Trust Act, 2020".
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3 The objective of the Fund is to maximize the wealth of the unit holders by investing primarily in listed equities in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations.
- 1.4 As per Regulation 65 of the NBFC Regulations, all closed end funds were required to be converted into open end schemes upon expiry of five years from November 21, 2007 i.e. by November 21, 2012. However, closed end funds whose portfolios were frozen as a result of Consent Agreements with Government of Pakistan were allowed to be converted into open end schemes within three months from the date of the removal of the freezing of the portfolios. Since the Fund has Frozen Portfolio comprising shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited, its conversion into an open end scheme was deferred.
- 1.5 The Board of the Management Company of the Fund in its meeting held on November 23, 2017 approved the conversion plan of the Fund for the conversion of the Fund into an Open End Scheme, with the approval of the certificate holders of the Fund to fulfill the requirements of the merger order dated August 31, 2016. For this purpose, the plan was presented to and approved by the certificate holders of the Fund in its general meeting dated January 10, 2018. The plan was also approved by the SECP on February 16, 2018.
- 1.6 The replacement trust deed and replacement offering document were approved by the SECP vide its letter no. SCD/AMCW/HIF/339/2018 dated April 18, 2018 and letter no. SCD/AMCW/HIF/398/2018 dated June 7, 2018 respectively. As per the approved Plan, the conversion took place on July 2, 2018 and every certificate holder of the closed end fund was entitled to following for each certificate held:
- One Class-A unit of the Fund was issued to every certificate holder of the Fund for each certificate held representing frozen portfolio and related assets and liabilities.
  - One Class-B unit of the Fund was issued to the every certificate holder of the Fund for each certificate held representing unfrozen portfolio and related assets and liabilities.
- 1.7 The plan also envisages that Class-A units would not be redeemable and would be traded on the Pakistan Stock Exchange. Whereas Class-B units can be redeemed at the redemption price.
- 1.8 VIS Credit Rating Company Limited (VIS) has upgraded the Management Quality Rating to AM-I (2022: AM2++) on December 30, 2022 and the outlook on the rating has been assigned as 'Stable'.
- 1.9 The title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as Trustee of the Fund.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

Where provisions of and the directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

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

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2022. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

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

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2023. However, these are not expected to have any significant effects on the Fund's operations and, therefore, have not been detailed in these financial statements.

**2.4 Critical accounting estimates and judgments**

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification and valuation of financial assets (notes 3.3 and 5) and provision for Federal excise duty (note 12.1).



**2.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

**2.6 Functional and presentation currency**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3.2 Cash and cash equivalents**

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

**3.3 Financial assets**

**3.3.1 Initial recognition and measurement**

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

**3.3.2 Classification and subsequent measurement**

**Debt instruments**

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

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

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

**Equity instruments**

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

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

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

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

#### **3.3.2.1 Impairment**

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

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

#### **3.3.2.2 Impairment loss on debt securities**

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

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, considering the specific credit and financial condition of the debt security issuer and in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company. The provisioning policy approved by the Board of Directors has also been placed on the Management Company's website as required under the SECP's circular.

#### **3.3.2.3 Regular way contracts**

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

#### **3.3.2.4 Derecognition**

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

### **3.4 Financial liabilities**

All financial liabilities are recorded at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is discharged when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

### **3.5 Offsetting of financial assets and financial liabilities**

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

### **3.6 Provisions**

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

### **3.7 Net asset value per unit**

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

### **3.8 Issue and redemption of units**

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

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

### **3.9 Distribution to the unit holders**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes income already paid on units redeemed during the year.

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

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

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

**3.11 Revenue recognition**

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the year in which these arise.
- Dividend income is recognised when the Fund's right to receive the same is established.
- Profit on saving accounts with bank and income from government securities are recognised on a time proportion basis using the effective yield method.

**3.12 Expenses**

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee and annual fee to the SECP are recognised in the Income Statement on an accrual basis.

**3.13 Taxation**

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

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

**3.14 Earnings / (loss) per unit**

Earnings / (loss) per unit (EPU) is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 17.

**3.15 Foreign currency translation**

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

		Note	2023			2022		
			Class A	Class B	Total	Class A	Class B	Total
4	BANK BALANCES		-----Rupees in '000-----					
	Saving accounts	4.1	794,036	271,151	1,065,187	455,453	275,981	731,434

- 4.1 These include balance of Rs. 1.935 million (2022: Rs. 1.691 million) with Habib Bank Limited (a related party) carrying profit at the rate ranging from 14.5% to 19.5% (2022: 10%) per annum, Rs. 756.903 million (2022: Rs. 0.941 million) with HBL Microfinance Bank Limited (a related party) carrying profit at the rate ranging from 11.25% to 22.25% (2022: 11.25%) and Rs. 240.726 million (2022: Rs. 210.445 million) with MCB Bank Limited (a related party) carrying profit at the rate ranging from 8% to 18% (2022: 8%). Other saving accounts of the Fund carry profit at the rates ranging from 8% to 21.85% (2022: 5% to 17%) per annum.

Note	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
<b>5 INVESTMENTS</b>	<b>Rupees in '000</b>					
<b>At fair value through other comprehensive income</b>						
- Quoted equity securities 5.1.1 & 5.1.4	3,427,984	-	3,427,984	5,041,449	-	5,041,449
<b>At fair value through profit or loss</b>						
- Quoted equity securities 5.1.2, 5.1.3 & 5.1.4	-	829,835	829,835	-	1,024,391	1,024,391
<b>At fair value through profit or loss</b>						
- Market Treasury Bills 5.2	-	-	-	-	-	-
	<u>3,427,984</u>	<u>829,835</u>	<u>4,257,819</u>	<u>5,041,449</u>	<u>1,024,391</u>	<u>6,065,840</u>

## 5.1 Quoted equity securities

### 5.1.1 Class A - At fair value through other comprehensive income

Name of the Investee Company	As at July 1, 2022	Purchased during the year	Bonus / rights issue	Sold during the year	As at June 30, 2023	Carrying Value as at June 30, 2023	Market value as at June 30, 2023	Unrealized appreciation / (diminution) as at June 30, 2023	Market value as a percentage of		Holding as a percentage of paid-up capital of investee company
									total market value of investment	net assets of the Fund of	
<div>-----</div> <div>(Number of shares)</div> <div>-----</div> <div>(Rupees in '000)</div> <div>-----</div> <div>(%)</div> <div>-----</div>											
CLASS A											
Oil and Gas Marketing Companies											
Pakistan State Oil Company Limited (5.1.4)	27,364,904	-	-	-	27,364,904	1,307,982	3,037,778	1,729,796	88.62%	77.94%	5.83%
Sui Northern Gas Pipeline Limited	9,911,246	-	-	-	9,911,246	112,395	390,206	277,811	11.38%	10.01%	1.56%
						1,420,377	3,427,984	2,007,607	100%	88%	
Total as at June 30, 2023						1,420,377	3,427,984	2,007,607			
Total as at June 30, 2022						1,420,377	5,041,449	3,621,072			

- 5.1.1.1 The above mentioned Class A shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited are blocked / frozen by an order of the Government of Pakistan (GoP) as the same form part of a strategic shareholding under the control of the GoP. As a result, the Fund is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus / right shares in respect thereof. Consequently, the exposure limit mentioned in regulation 55 of the NBFC Regulations, does not apply to the above frozen shares.

Note	Class A	
	2023	2022
<b>5.1.1.2 Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'</b>	<b>Rupees in '000</b>	
Market value of investments	5.1.1 3,427,984	5,041,449
Less: cost of investments	5.1.1 (1,420,377)	(1,420,377)
	<u>2,007,607</u>	<u>3,621,072</u>

**Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'**

Add: changes in fair value of investments disposed of during the year  
Less: net unrealised appreciation in the fair value of investments at the beginning of the year  
Less: amount of appreciation pertaining to disposed of securities

Note

Class A	
2023	2022
----- Rupees in '000 -----	
-	-
3,621,072	5,197,691
-	-
3,621,072	5,197,691
(1,613,465)	(1,576,619)

**5.1.2 Class B - At fair value through profit or loss**

Name of the Investee Company	As at July 1, 2022	Purchased during the year	Bonus / rights issue	Sold during the year	As at June 30, 2023	Carrying Value as at June 30, 2023	Market value as at June 30, 2023	Unrealized appreciation / (diminution) as at June 30, 2023	Market value as a percentage of total market value of investment		Holding as a percentage of paid-up capital of investee company
	(Number of shares)					(Rupees in '000)			(%)		
<b>Chemical</b>											
Engro Polymer & Chemicals Limited	145,500	598,000	-	743,500	-	-	-	-	-	-	-
Descon Oxychem Limited	-	1,696,000	-	1,696,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Insurance</b>											
TPL Insurance Limited (note 5.1.4)	756,695	6,000	206,675	582,695	386,675	9,626	8,008	(1,618)	0.97%	0.88%	0.19%
IGI Holdings Limited	295,400	2,000	-	297,400	-	-	-	-	-	-	-
IGI Life Insurance Limited	434,500	125,000	-	559,500	-	-	-	-	-	-	-
						9,626	8,008	(1,618)	0.97%	0.88%	-
<b>Cement</b>											
Attock Cement Pakistan Limited	778,000	93,000	-	871,000	-	-	-	-	-	-	-
Cherat Cement Company Limited	-	1,251,261	-	940,261	311,000	37,241	37,407	166	4.51%	4.12%	0.16%
D.G. Khan Cement Company Limited	-	4,761,733	-	4,761,733	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited (note 5.1.3)	228,096	9,780,992	-	7,126,088	2,883,000	80,453	81,675	1,222	9.84%	8.99%	0.27%
Kohat Cement Company Limited	43,800	39,100	-	82,900	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	1,240,000	-	1,240,000	-	-	-	-	-	-	-
Lucky Cement Limited	26,424	48,869	-	75,293	-	-	-	-	-	-	-
Pioneer Cement Limited	-	1,992,836	-	1,992,836	-	-	-	-	-	-	-
						117,694	119,082	1,388	14.35%	13.11%	-
<b>Pharmaceuticals</b>											
The Searle Company Limited * (note 5.1.4)	3,926	292,093	981	292,093	4,907	284	188	(96)	0.02%	0.02%	-
Ferozsons Laboratories Limited	40,300	-	-	40,300	-	-	-	-	-	-	-
AGP Limited	-	345,000	-	345,000	-	-	-	-	-	-	-
Highnoon Laboratories Limited	18,440	-	-	18,440	-	-	-	-	-	-	-
						284	188	(96)	0.02%	0.02%	-
<b>Property</b>											
TPL Properties Limited	783,000	2,979,629	-	3,762,629	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Oil &amp; gas exploration companies</b>											
Oil & Gas Development Company Limited (note 5.1.3)	397,729	2,855,171	-	2,245,400	1,007,500	83,541	78,585	(4,956)	9.47%	8.65%	0.02%
Pakistan Petroleum Limited (note 5.1.3)	312,800	3,941,000	-	2,925,800	1,328,000	90,222	78,538	(11,684)	9.46%	8.65%	0.05%
Pakistan Oilfields Limited	48,125	124,592	-	172,717	-	-	-	-	-	-	-
Mari Petroleum Company Limited	18,353	10,107	-	28,460	-	-	-	-	-	-	-
						173,763	157,123	(16,640)	18.93%	17.30%	-
<b>Refinery</b>											
Attock Refinery Limited	130,000	1,188,141	-	1,318,141	-	-	-	-	-	-	-
National Refinery Limited	113,000	100,000	-	213,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Commercial banks</b>											
Bank Alfalah Limited	762,000	1,002,124	-	1,764,124	-	-	-	-	-	-	-
Faysal Bank Limited * (note 5.1.4)	1,228,250	2,323,537	-	3,551,787	17,250	456	348	(108)	0.04%	0.04%	-
MCB Bank Limited	263,004	176,298	-	439,302	-	-	-	-	-	-	-
Bank AL Habib Limited *	367,317	1,211,787	-	1,579,104	2,500	111	108	(3)	0.01%	0.01%	-
Standard Chartered Bank (Pak) Ltd	2,481,000	46,000	-	2,527,000	-	-	-	-	-	-	-
Habib Bank Limited (note 5.1.3)	729,924	2,842,710	-	2,999,634	573,000	41,076	41,961	885	5.06%	4.62%	0.04%
Meezan Bank Limited	-	1,292,033	-	1,292,033	-	-	-	-	-	-	-
BankIslami Pakistan Limited	-	3,874,000	-	437,000	3,437,000	57,903	61,041	3,138	7.36%	6.72%	0.31%
United Bank Limited (note 5.1.3)	649,455	753,698	-	1,098,153	305,000	34,772	35,850	1,078	4.32%	3.95%	0.02%
						134,318	139,308	4,990	16.79%	15.34%	-
<b>Fertilizer</b>											
Engro Corporation Limited	151,488	847,469	-	998,957	-	-	-	-	-	-	-
Engro Fertilizers Limited	-	1,999,324	-	968,996	1,030,328	88,345	85,033	(3,312)	10.25%	9.36%	0.08%
Fauji Fertilizer Company Limited	503,485	359,833	-	863,318	-	-	-	-	-	-	-
						88,345	85,033	(3,312)	10.25%	9.36%	-
<b>Balance carried forward</b>						<b>127,604</b>	<b>127,278</b>	<b>(326)</b>			

**HBL Growth Fund**  
**Notes to the financial statements**  
*For the year ended June 30, 2023*

[illegible]

\* Nil figures due to rounding off

**5.1.2.1 All shares have a face value of Rs. 10 each.**

			Class B	
5.1.2.2	Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	Note	2023 ----- Rupees in '000 -----	2022
	Market value of investments	5.1.2	829,835	1,024,391
	Less: carrying value of investments	5.1.2	<u>(851,854)</u>	<u>(1,468,553)</u>
			<u>(22,019)</u>	<u>(444,162)</u>

5.1.3 The above investments in Class B include shares of the following companies which have been pledged with National Clearing Company of Pakistan for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 of 2007 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan. The details of shares which have been pledged are as follows:

	-----2023-----		-----2022-----	
	Number of shares	Rupees in '000	Number of shares	Rupees in '000
Habib Bank Limited	150,000	10,985	50,000	4,567
The Hub Power Company Limited	33,000	2,296	250,000	17,043
IGI Life Insurance Limited	-	-	100,000	1,697
Interloop Limited	-	-	100,000	6,100
Oil and Gas Development Company Limited	50,000	3,900	50,000	3,934
Pakistan State Oil Company Limited	-	-	165,000	28,354
TPL Trakker Limited	40,000	354	100,000	865
United Bank Limited	202,500	23,802	559,000	63,240
Unity Foods Limited	-	-	100,000	2,007
Pakistan Petroleum Limited	200,000	11,828	-	-
Maple Leaf Cement Factory Limited	200,000	5,666	-	-
Mughal Iron & Steel Industries Limited	61,000	2,955	-	-
	<u>936,500</u>	<u>61,786</u>	<u>1,474,000</u>	<u>127,807</u>

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

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

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

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

As at June 30, 2023, the following bonus shares of sub fund A and sub fund B have been withheld by certain companies at the time of declaration of bonus shares respectively.



Name of the Company	Class A			
	-----2023-----		-----2022-----	
	----- Bonus shares -----			
	Number of shares withheld	Market value as at June 30, 2023	Number of shares withheld	Market value as at June 30, 2022
	Rupees in '000		Rupees in '000	
Pakistan State Oil Company Limited	228,041	25,315	228,041	39,187

Name of the Company	Class B			
	2023		2022	
	Bonus shares			
	Number of shares withheld	Market value as at June 30, 2023	Number of shares withheld	Market value as at June 30, 2022
	Rupees in '000		Rupees in '000	
The Searle Company Limited	4,907	188	3,926	428
TPL Insurance Limited	1,637	34	1,212	41
Faysal Bank Limited	17,250	348	17,250	398
	23,794	570	22,388	867

## 5.2 Market Treasury Bills - 'At fair value through profit or loss'

Class 'A'										
Particulars	Issue date	Face value (Rupees in '000)			As at June 30, 2023	Rupees in '000			Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2022	Purchased during the year	Disposed of / matured during the		Carryin g value as at June	Market value as at June	Unrealised appreciation / (diminution)		
----- (%) -----										
Market Treasury Bills - 3-months										
Market treasury bills	June 2, 2022	-	400,000	400,000	-	-	-	-	-	-
Market treasury bills	August 25, 2022	-	410,000	410,000	-	-	-	-	-	-
Market treasury bills	October 6, 2022	-	400,000	400,000	-	-	-	-	-	-
Total as at June 30, 2023						-	-	-		
Total as at June 30, 2022						-	-	-		

Class 'B'										
Particulars	Issue date	Face value (Rupees in '000)				Rupees in '000			Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2022	Purchased during the year	Disposed of / matured during the year	As at June 30, 2023	Carryin g value as at June	Market value as at June	Unrealised appreciation / (diminution)		
----- (%) -----										
Market Treasury Bills - 3-months										
Market treasury bills	June 2, 2022	-	35,000	35,000	-	-	-	-	-	-
Market treasury bills	October 6, 2022	-	50,000	50,000	-	-	-	-	-	-
Total as at June 30, 2023						-	-	-		
Total as at June 30, 2022						-	-	-		

**6 DIVIDEND AND PROFIT RECEIVABLE**

Note	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
-----Rupees in '000-----						
Dividend receivable	9,977	166	10,143	7,696	63	7,759
Profit receivable on bank balances	14,350	3,939	18,289	6,380	2,473	8,853
	<u>24,327</u>	<u>4,105</u>	<u>28,432</u>	<u>14,076</u>	<u>2,536</u>	<u>16,612</u>

**7 ADVANCE AND DEPOSITS**

Note	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
-----Rupees in '000-----						
Security deposits with:						
- Central Depository Company of Pakistan Limited	-	175	175	-	175	175
- National Clearing Company of Pakistan Limited	100	2,749	2,849	100	2,749	2,849
Advance tax	7.1 1,116	1,204	2,320	1,106	1,203	2,309
	<u>1,216</u>	<u>4,128</u>	<u>5,344</u>	<u>1,206</u>	<u>4,127</u>	<u>5,333</u>

7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on bank deposits paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholders. The tax withheld on dividends and profit on bank deposits amounts to Rs. 2.320 million (2022: Rs. 2.309 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends and profit on bank deposits has been shown as other receivables as at June 30, 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

**8 RECEIVABLE FROM HBL ASSET**

As per SECP's direction No. SCD/PRDD/Direction/18/2016 all AMCs are required to calculate the TER in respect of each CIS to ensure the TER is not in breach of the required maximum percentage. The AMCs are required to adjust the NAV of the CIS on the basis of TER at the end of each Quarter during the financial year for the amount of expenses in excess of the TER

During the year ended June 30, 2023, the Fund's Class B was in breach of the TER ratio of maximum 4.5% as prescribed under NBFC Regulations for a CIS categorised as equity scheme. As a result the Fund has recorded receivable from the Management Company to comply with the TER.

9	PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	-----2023-----			-----2022-----		
			Class A	Class B	Total	Class A	Class B	Total
			-----Rupees in '000-----					
	Remuneration payable	9.1	5,156	1,473	6,629	6,569	1,809	8,378
	Sindh Sales Tax payable on remuneration of the Management Company	9.2	670	191	861	854	235	1,089
	Allocation of expenses relating to registrar services, accounting, operation and valuation services payable	9.3	1,890	405	2,295	2,409	1,245	3,654
	Selling and marketing expenses payable	9.4	-	2,370	2,370	-	5,709	5,709
			7,716	4,439	12,155	9,832	8,998	18,830

9.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of management fee as disclosed in the Offering Document subject to the Total Expense Ratio limit. Keeping in view the maximum allowable threshold, the Management Company has charged at the rate of 1.5% and 2% (2022: 1.5% and 2%) of the average daily net assets of the Fund for Class A and Class B, respectively during the year ended June 30, 2023. The remuneration is payable to the Management Company monthly in arrears.

9.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

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

The Management Company based on its own discretion has currently charged such expenses at the rate of 0.55% for both Class A and Class B (2022: 0.55% for Class A and 0.55% to 1.60% for Class B) of the average daily net assets of the scheme for allocation of such expenses to the Fund.

9.4 In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company, based on its own discretion, has charged selling and marketing expenses at the rate of nil (2022: nil) for Class A and 1.05% (2022: 1.05 to 2.10%) for Class B during the year ended June 30, 2023 while keeping in view the overall return and Total Expense Ratio Limit of the Fund as defined under the NBFC Regulations.

9.4.1 As per the instructions of SECP via letter No. SCD/AMCW/HBLAML/9/2020 dated October 19, 2020, the Management Company ceased to charge selling and marketing expenses to the certificate holders of Class A with effect from November 01, 2020.

10	PAYABLE TO THE CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	-----2023-----			-----2022-----		
			Class A	Class B	Total	Class A	Class B	Total
			-----Rupees in '000-----					
	Remuneration payable to the Trustee	10.1	426	147	573	520	173	693
	Sindh Sales Tax payable on remuneration of the Trustee	10.2	55	19	74	68	22	90
	CDS charges payable		-	19	19	-	81	81
			481	185	666	588	276	864

- 10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is payable to the Trustee according to the following tariff structure:

Tariff structure	
Net assets (Rs.)	Fee
- Up to Rs 1,000 million	0.02% of the Net Assets or Rs. 700,000 per annum whichever is higher
- From Rs 1,000 million to Rs 5,000 million	Rs. 2.0 million plus 0.10% p.a. of Net Assets, on amount exceeding Rs.1,000 million.

- 10.2 The Sindh Provincial Government had levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

11	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN	Note	-----2023-----			-----2022-----		
			Class A	Class B	Total	Class A	Class B	Total
			-----Rupees in '000-----					
	Annual fee payable	11.1	987	189	1,176	1,179	302	1,481

- 11.1 In accordance with the NBFC Regulations, 2008, a collective investment scheme is required to pay annual fee to the SECP at the rate of 0.02% (2022: 0.02%) of the daily net assets of the Fund.

12	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	-----2023-----			-----2022-----		
			Class A	Class B	Total	Class A	Class B	Total
			-----Rupees in '000-----					
	Provision for Federal excise duty	12.1	-	125,303	125,303	-	125,303	125,303
	Securities transaction cost payable		-	1,538	1,538	-	287	287
	Auditors' remuneration payable		486	91	577	396	150	546
	National Clearing Company Pakistan							
	Limited charges payable		-	16	16	-	30	30
	Withholding tax payable		249	413	662	46	74	120
	Zakat payable		-	114	114	-	114	114
	Other payables		-	f 866	866	-	866	866
			735	128,341	129,076	442	126,824	127,266

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

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 125.303 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the NAV per unit of the Fund for Class B would have been higher by Rs 1.690 (2022: Rs 1.543).

### 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies or commitments outstanding as at June 30, 2023 and June 30, 2022.

### 14 AUDITORS' REMUNERATION

-----2023-----			-----2022-----		
Class A	Class B	Total	Class A	Class B	Total
-----Rupees in '000-----					
382	132	514	332	115	447
124	44	168	107	38	145
51	18	69	70	23	94
44	15	59	41	14	55
601	209	810	551	190	741

### 15 TOTAL EXPENSES RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2023 is 2.45% and 4.96% (2022: 2.43% and 4.76%) which includes 0.23% & 0.46% (2022: 0.23% & 0.33%) representing government levies on the Fund such as sales taxes, annual fee to the SECP etc for Class A and B respectively. This maximum ratio limit as prescribed under the NBFC Regulation for a collective investment scheme categorised as an 'Equity scheme' is 4.5% which is required to be complied on an annual basis by the Fund.

**16 TAXATION**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2023 to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements during the year.

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

**17 EARNINGS / (LOSS) PER UNIT**

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

**18 NUMBER OF UNITS IN ISSUE**

	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
Total outstanding as of July 01	283,500,000	81,232,399	364,732,399	283,500,000	93,483,779	376,983,779
Add: issued during the year	-	126,588	126,588	-	3,612,469	3,612,469
Less: redeemed during the year	-	7,196,831	7,196,831	-	15,863,849	15,863,849
Total units in issue as of June 30	283,500,000	74,162,156	357,662,156	283,500,000	81,232,399	364,732,399

**19 TRANSACTION AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, the 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, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are also in the normal course of business, at contracted rates and at the terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the offering document, trust deed and the NBFC regulations and hence, the transactions are considered to be on an arm's length basis.

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

Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

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

**19.1 Transactions during the year**

**HBL Asset Management Limited - Management Company**

Remuneration of the Management Company including Sales Tax thereon

Allocation of expenses related to registrar services, accounting,

operation and valuation services

Selling and marketing expense

2023			2022		
Class A	Class B	Total	Class A	Class B	Total

Rupees in '000

83,642	21,334	104,976	99,877	34,093	133,970
27,141	5,192	32,333	32,409	11,025	43,434
-	9,912	9,912	-	18,568	18,568

2023			2022		
Class A	Class B	Total	Class A	Class B	Total

Rupees in '000

**Habib Bank Limited - Sponsor**

Dividend income

Bank profit

-	3,586	3,586	-	-	-
-	246	246	-	113	113

**HBL Microfinance Bank Limited (formerly: The First Microfinance Bank) - Associate**

Bank profit

91,616	24	91,640	941	-	941
--------	----	--------	-----	---	-----

**MCB Bank Limited - Treasury - connected person due to holding more than 10% units**

Dividend income

Bank profit

-	1,507	1,507	-	4,661	4,661
1	35,170	35,171	-	15,422	15,422

**Central Depository Company of Pakistan Limited - Trustee**

Trustee remuneration including

Sales Tax thereon

CDS charges

CDC annual listing fee

6,528	1,240	7,768	7,555	1,938	9,493
-	286	286	-	319	319
904	76	980	904	76	980

**Jubilee General Insurance Company Limited - Associate**

Redemption of nil

(2022: 142,500) units

-	-	-	1,425	-	1,425
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**Directors and Executives of the Management Company**

Issuance of nil (2022: 245,500) units

Redemption of nil

(2022: 368,552) units

-	-	-	-	4,098	4,098
-	-	-	-	6,488	6,488

**19.2 Balances outstanding as at year end**

**HBL Asset Management Company Limited - Management Company**

Remuneration payable to the Management Company including Sales Tax thereon

Allocated expenses payable relating to registrar services, accounting, operation and valuation services

Selling and marketing expenses payable

5,826	1,664	7,490	7,423	2,044	9,467
1,890	405	2,295	2,409	1,245	3,654
-	2,370	2,370	-	5,709	5,709

**Balances outstanding as at year end**

**Habib Bank Limited - Sponsor**

Banks balances	-	1,935	1,935	-	1,691	1,691
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**HBL Microfinance Bank Limited  
(formerly: The First Microfinance  
Bank) - Associate**

Banks balances	756,645	258	756,903	932	9	941
Profit receivable	12,986	-	12,986	9	-	9

2023			2022		
Class A	Class B	Total	Class A	Class B	Total

Rupees in '000

**Central Depository Company of  
Pakistan Limited - Trustee**

Remuneration payable including Sales Tax thereon	481	166	647	588	195	783
Security deposit with trustee	-	175	175	-	175	175
CDS charges payable	-	19	19	-	81	81

**Pakistan Reinsurance Company  
Limited- Connected person - due  
to holding more than 10% units**

Outstanding 30,406,721 (2022: 30,406,721) units at par value	142,303	-	142,303	156,595	-	156,595
Outstanding 15,000,000 (2022: 15,000,000) units	-	183,695	183,695	-	193,427	193,427

**State Life Corporation of Pakistan  
- connected person due to  
holding more than 10% units**

Outstanding 12,384,663 (2022: 12,384,663 units)	-	151,666	151,666	-	159,701	159,701
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**MCB Bank Limited - Treasury  
- connected person due to  
holding more than 10% units**

Banks balances	4	240,722	240,726	3	210,442	210,445
Profit receivable	-	3,548	3,548	-	718	718
Outstanding 43,482,858 (2022: 43,482,858 units) at par value	203,500	-	203,500	223,937	-	223,937

**CDC - Trustee National Investment  
(Unit) Trust - Associate**

Outstanding 6,466,800 (2022: 6,466,800 units) at par value	30,265	-	30,265	33,304	-	33,304
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**Jubilee General Insurance Company  
Limited - Associate**

Outstanding 146,124 (2022: 146,124) units	-	1,789	1,789	-	1,884	1,884
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**Directors and Executives of the  
Management Company**

Outstanding 18,000 (2022: 18,000) units at par value	84	-	84	93	-	93
Outstanding 18,000 (2022: 18,000) units	-	220	220	-	232	232



**20 FINANCIAL INSTRUMENTS BY CATEGORY**

**Financial assets**

Bank balances
Investments
Dividend and profit receivable
Deposits

-----Class A-----		
-----As on June 30, 2023-----		
At amortised cost	At fair value through other	Total
-----Rupees in '000-----		
794,036	-	794,036
-	3,427,984	3,427,984
24,327	-	24,327
100	-	100
818,463	3,427,984	4,246,447

**Financial liabilities**

Payable to the HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Accrued expenses and other liabilities
Dividend payable

-----Class A-----		
-----As on June 30, 2023-----		
At amortised cost	At fair value through other	Total
-----Rupees in '000-----		
7,716	-	7,716
481	-	481
486	-	486
340,200	-	340,200
348,883	-	348,883

**Financial assets**

Bank balances
Investments
Dividend and profit receivable
Deposits
Receivable from HBL Asset Management Limited - Management Company
Receivable against sale of investments

-----Class B-----		
-----As on June 30, 2023-----		
At amortised cost	At fair value through	Total
-----Rupees in '000-----		
271,151	-	271,151
-	829,835	829,835
4,105	-	4,105
2,924	-	2,924
5,895	-	5,895
134,606	-	134,606
418,681	829,835	1,248,516

**Financial liabilities**

Payable to the HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investments
Accrued expenses and other liabilities
Unclaimed dividend

4,439	-	4,439
185	-	185
76,614	-	76,614
2,511	-	2,511
131,741	-	131,741
215,490	-	215,490

**Financial assets**

Bank balances
Investments
Dividend and profit receivable
Deposits

**Financial liabilities**

Payable to the HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Accrued expenses and other liabilities

-----Class A-----		
-----As on June 30, 2022-----		
At amortised cost	At fair value through other	Total
-----Rupees in '000-----		
455,453	-	455,453
-	5,041,449	5,041,449
14,076	-	14,076
100	-	100
469,629	5,041,449	5,511,078

**Financial assets**

Bank balances
Investments
Dividend and profit receivable
Deposits
Receivable against sale of investments

**Financial liabilities**

Payable to the HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investments
Accrued expenses and other liabilities
Unclaimed dividend

-----Class B-----		
-----As on June 30, 2022-----		
At amortised cost	At fair value through	Total
-----Rupees in '000-----		
275,981	-	275,981
-	1,024,391	1,024,391
2,536	-	2,536
2,924	-	2,924
10,444	-	10,444
291,885	1,024,391	1,316,276

21 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

## 21.1 Market risk

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

The Management Company manages 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; yield / interest rate risk, currency risk and price risk.

### (i) Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2023, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds balances with banks which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net profit and net assets of the Class A for the year ended would have been higher / lower by Rs. 7.94 million (2022: Rs. 4.55 million) and the net loss and net assets of the Class B for the year ended would have been higher / lower by Rs. 2.71 million (2022: Rs. 2.76 million).

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

As at June 30, 2023, the Fund does not hold any fixed rate instrument that may expose the Fund to fixed interest rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2023 can be determined as follows:

As at June 30, 2023						
Effective Yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
CLASS A	%	Rupees in '000				
On-balance sheet financial instruments						
Financial assets						
Bank balances	8% to 22.25%	794,036	-	-	-	794,036
Investments		-	-	-	3,427,984	3,427,984
Dividend and profit receivable		-	-	-	24,327	24,327
Deposits		-	-	-	100	100
		794,036	-	-	3,452,411	4,246,447

**CLASS A**

-----As at June 30, 2023-----					
Effective Yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
%	-----			Rupees in '000	

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company  
Payable to the Central Depository Company of Pakistan Limited - Trustee  
Accrued expenses and other liabilities  
Dividend payable

-	-	-	7,716	7,716
-	-	-	481	481
-	-	-	486	486
-	-	-	340,200	340,200

**On-balance sheet gap (a)**

-	-	-	348,883	348,883
794,036	-	-	3,103,528	3,897,564

**Off-balance sheet financial instruments**

-	-	-	-	-
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**Off-balance sheet gap (b)**

-	-	-	-	-
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**Total interest rate sensitivity gap (a+b)**

794,036	-	-	-	-
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**Cumulative interest rate sensitivity gap**

794,036	794,036	794,036	-	-
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**CLASS B**

**On-balance sheet financial instruments**

**Financial assets**

Bank balances 8% to 22.25%  
Investments  
Dividend and profit receivable  
Deposits  
Receivable from HBL Asset Management Limited - Management Company  
Receivable against sale of investments

271,151	-	-	-	271,151
-	-	-	829,835	829,835
-	-	-	4,105	4,105
-	-	-	2,924	2,924
-	-	-	5,895	5,895
-	-	-	134,606	134,606
271,151	-	-	977,365	1,248,516

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company  
Payable to the Central Depository Company of Pakistan Limited - Trustee  
Payable against purchase of investments  
Accrued expenses and other liabilities  
Unclaimed dividend

-	-	-	4,439	4,439
-	-	-	185	185
-	-	-	76,614	76,614
-	-	-	2,511	2,511
-	-	-	131,741	131,741
-	-	-	215,490	215,490

**On-balance sheet gap (a)**

271,151	-	-	761,875	1,033,026
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**Off-balance sheet financial instruments**

-	-	-	-	-
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**Off-balance sheet gap (b)**

-	-	-	-	-
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**Total interest rate sensitivity gap (a+b)**

271,151	-	-	-	-
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**Cumulative interest rate sensitivity gap**

271,151	271,151	271,151	-	-
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Effective Yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
<b>CLASS A</b>					
	%				
<b>On-balance sheet financial instruments</b>					
<b>Financial assets</b>					
Bank balances	5.5% to 17%	455,453	-	-	455,453
Investments		-	-	5,041,449	5,041,449
Dividend and profit receivable		-	-	14,076	14,076
Deposits		-	-	100	100
		455,453	-	5,055,625	5,511,078
<b>Financial liabilities</b>					
Payable to HBL Asset Management Limited - Management Company		-	-	9,832	9,832
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	588	588
Accrued expenses and other liabilities		-	-	396	396
		-	-	10,816	10,816
<b>On-balance sheet gap (a)</b>		455,453	-	5,044,809	5,500,262
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-
<b>Total interest rate sensitivity gap (a+b)</b>		455,453	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		455,453	455,453	455,453	-

**CLASS B**

**On-balance sheet financial instruments**

<b>Financial assets</b>					
Bank balances	5.5% to 17%	275,981	-	-	275,981
Investments		-	-	1,024,391	1,024,391
Dividend and profit receivable		-	-	2,536	2,536
Deposits		-	-	2,924	2,924
Receivable against sale of investments		-	-	10,444	10,444
		275,981	-	1,040,295	1,316,276

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company		-	-	8,998	8,998
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	276	276
Payable against purchase of investments		-	-	1,614	1,614
Unclaimed dividend		-	-	131,967	131,967
Accrued expenses and other liabilities		-	-	1,333	1,333
		-	-	144,188	144,188
<b>On-balance sheet gap (a)</b>		275,981	-	896,107	1,172,088
<b>Off-balance sheet financial instruments</b>		-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-
<b>Total interest rate sensitivity gap (a+b)</b>		275,981	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		275,981	275,981	275,981	-

**(ii) Currency risk**

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

**(iii) Price risk**

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

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations also limit individual equity securities to no more than 10% of net assets and issued capital of the investee company and sector exposure limit to 35% of the net assets. However, relaxation in this regard has been obtained from the regulators in respect of frozen investments classified as fair value through comprehensive income as disclosed in note 5.1.1.

In case of 5% increase / decrease in the fair value of the Fund's Class A equity securities on June 30, 2023, net assets of the Fund would have increased / decreased by Rs. 171.399 million (2022: Rs. 252.072 million) as a result of gains / losses on equity securities in 'at fair value through other comprehensive income' category, with corresponding effect on other comprehensive income reported in 'Statement of comprehensive income'.

In case of 5% increase / (decrease) in the fair value of the Fund's Class B equity securities on June 30, 2023, net assets of the Fund would have increased / (decreased) by Rs. 41.492 million (2022: Rs. 51.220 million).

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 100 index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 Index.

**21.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to daily settlement of equity securities and daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has a policy to invest the majority of its assets in investments that are traded in an active market and can be readily disposed off. The Fund's listed securities are considered readily realisable, as they are listed on the Pakistan Stock Exchange Limited.

The Fund is not materially exposed to liquidity risk as all obligations / commitments of the Fund are short-term in nature and are restricted to the extent of available liquidity and significant assets of the Fund are readily disposable in the market.

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

----- Class A -----						
2023						
Within 1 month	More than one month and upto three	More than three months and upto	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
<b>Financial assets</b>						
Bank balances	794,036	-	-	-	-	794,036
Investments	-	-	-	-	3,427,984	3,427,984
Dividend and profit receivable	24,327	-	-	-	-	24,327
Deposits	-	-	-	-	100	100
	818,363	-	-	-	3,428,084	4,246,447
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company	7,716	-	-	-	-	7,716
Payable to the Central Depository Company of Pakistan Limited - Trustee	481	-	-	-	-	481
Accrued expenses and other liabilities	-	486	-	-	-	486
Dividend payable	340,200	-	-	-	-	340,200
	348,397	486	-	-	-	348,883
<b>Net financial assets / (liabilities)</b>	469,966	(486)	-	-	3,428,084	3,897,564

----- Class B -----						
2023						
Within 1 month	More than one month and upto three	More than three months and upto	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
<b>Financial assets</b>						
Bank balances	271,151	-	-	-	-	271,151
Investments	-	-	-	-	829,835	829,835
Dividend and profit receivable	4,105	-	-	-	-	4,105
Receivable from HBL Asset Management Limited - Management Company	5,895	-	-	-	-	5,895
Receivable against sale of investments	134,606	-	-	-	-	134,606
Deposits	-	-	-	-	2,924	2,924
	415,757	-	-	-	832,759	1,248,516
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company	4,439	-	-	-	-	4,439
Payable to the Central Depository Company of Pakistan Limited - Trustee	185	-	-	-	-	185
Accrued expenses and other liabilities	2,420	91	-	-	-	2,511
Payable against purchase of investments	76,614	-	-	-	-	76,614
Unclaimed dividend	131,741	-	-	-	-	131,741
	215,399	91	-	-	-	215,490
<b>Net financial assets / (liabilities)</b>	200,358	(91)	-	-	832,759	1,033,026

Class A						
2022						
Within 1 month	More than one month and upto three	More than three months and upto	More than one year and upto five years	More than 5 years	Financial instrument s with no fixed maturity	Total

Rupees in '000

**Financial assets**

Bank balances	455,453	-	-	-	-	455,453
Investments	-	-	-	-	5,041,449	5,041,449
Dividend and profit receivable	14,076	-	-	-	-	14,076
Deposits	-	-	-	-	100	100
	469,529	-	-	-	5,041,549	5,511,078

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company	9,832	-	-	-	-	9,832
Payable to the Central Depository Company of Pakistan Limited - Trustee	588	-	-	-	-	588
Accrued expenses and other liabilities	-	396	-	-	-	396
	10,420	396	-	-	-	10,816

**Net financial assets / (liabilities)**

	459,109	(396)	-	-	-	5,041,549	5,500,262
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Class B						
2022						
Within 1 month	More than one month and upto three	More than three months and upto	More than one year and upto five years	More than 5 years	Financial instrument s with no fixed maturity	Total

Rupees in '000

**Financial assets**

Bank balances	275,981	-	-	-	-	275,981
Investments	-	-	-	-	1,024,391	1,024,391
Dividend and profit receivable	2,536	-	-	-	-	2,536
Receivable against sale of investments	10,444	-	-	-	-	10,444
Deposits	-	-	-	-	2,924	2,924
	288,961	-	-	-	1,027,315	1,316,276

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company	8,998	-	-	-	-	8,998
Payable to the Central Depository Company of Pakistan Limited - Trustee	276	-	-	-	-	276
Accrued expenses and other liabilities	1,183	150	-	-	-	1,333
Payable against purchase of investments	1,614	-	-	-	-	1,614
Unclaimed dividend	131,967	-	-	-	-	131,967
	144,038	150	-	-	-	144,188

**Net financial assets / (liabilities)**

	144,923	(150)	-	-	-	1,027,315	1,172,088
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**21.3 Credit risk**

21.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:



**CLASS A**

	2023		2022	
	Balance as per statement of assets and	Maximum exposure to credit risk	Balance as per statement of assets	Maximum exposure to credit risk
Rupees in '000				
Bank balances	794,036	794,036	455,453	455,453
Investments	3,427,984	-	5,041,449	-
Dividend and profit receivable	24,327	24,327	14,076	14,076
Deposits	100	100	100	100
	<u>4,246,447</u>	<u>818,463</u>	<u>5,511,078</u>	<u>469,629</u>

**CLASS B**

	2023		2022	
	Balance as per statement of assets and	Maximum exposure to credit risk	Balance as per statement of assets	Maximum exposure to credit risk
Rupees in '000				
Bank balances	271,151	271,151	275,981	275,981
Investments	829,835	-	1,024,391	-
Dividend and profit receivable	4,105	4,105	2,536	2,536
Deposits	2,924	2,924	2,924	2,924
Receivable from HBL Asset Management Limited - Management Company	5,895	5,895	-	-
Receivable against sale of investments	134,606	134,606	10,444	10,444
	<u>1,248,516</u>	<u>418,681</u>	<u>1,316,276</u>	<u>291,885</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2023 is the carrying amount of the financial assets. The difference is because of investment in equity securities which are not exposed to credit risk.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

**21.3.2 Credit quality of financial assets**

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit receivable thereon, dividend receivable and receivable against sale of units. The credit rating profile of balances with banks is as follows:

	Class A		Class B	
	2023	2022	2023	2022
%				
AAA	0.02%	0.003%	20.01%	16.17%
AA+	0.0002%	0.0001%	0.00%	0.001%
AA-	0.75%	0.44%	1.90%	0.43%
A+	18.14%	0.02%	0.02%	0.001%
A	0.001%	0.0002%	0.00%	0.001%
A-	0.13%	7.92%	0.10%	4.54%
	<u>19.04%</u>	<u>8.38%</u>	<u>22.03%</u>	<u>21.15%</u>

### 21.3.3 Concentration of credit risk

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

The Fund does not have any collateral against any of the aforementioned assets.

## 22 FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

### Fair value hierarchy

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

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

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

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

As at June 30, 2023 and June 30, 2022, the Fund held the following financial instruments measured at fair values:

Note		-----2023-----			
		Level 1	Level 2	Level 3	Total
		----- (Rupees in '000) -----			
Class A					
At fair value through other comprehensive income					
Quoted equity securities	5.1.1	<u>3,427,984</u>	<u>-</u>	<u>-</u>	<u>3,427,984</u>
Class B					
At fair value through profit or loss					
Quoted equity securities	5.1.2	<u>829,835</u>	<u>-</u>	<u>-</u>	<u>829,835</u>

**Class A**

**At fair value through other comprehensive income**

Quoted equity securities	5.1.1	5,041,449	-	-	5,041,449
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**Class B**

**At fair value through profit or loss**

Quoted equity securities	5.1.2	1,024,391	-	-	1,024,391
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23

**UNIT HOLDERS' FUND RISK MANAGEMENT**

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

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**UNIT HOLDING PATTERN OF THE FUND**

Category	Class A			
	2023			
	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total (%)
Rupees in '000'				
Associated Company and Director	2	6,484,800	89,150	2.29%
NIT and ICP	6	3,000	41	0.00%
Individuals	8,142	121,188,262	1,666,048	42.75%
Foreign Individuals	467	23,090,362	317,437	8.14%
Banks, DFI and NBF	13	53,351,824	733,460	18.82%
Insurance Companies	4	42,445,625	583,526	14.97%
Mutual Funds	1	62,512	859	0.02%
Modarba	1	15,000	206	0.01%
Others	73	36,835,965	506,406	12.99%
Foreign Companies	2	22,650	311	0.01%
	8,711	283,500,000	3,897,444	100%

Category	-----Class B-----			
	-----2023-----			
	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total (%)
Rupees in '000'				
Individuals	8,195	41,943,592	513,654	56.56%
Insurance Companies	4	27,399,017	335,536	36.94%
Banks and DFIs	2	1,084,631	13,283	1.46%
Associated Company and Director	2	164,124	2,010	0.22%
Retirement Funds	6	755,073	9,246	1.02%
Trust	7	528,519	6,472	0.71%
Others	70	2,287,200	28,010	3.08%
	8,286	74,162,156	908,211	100%

Category	-----Class A-----			
	-----2022-----			
	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total (%)
Rupees in '000'				
Individuals	8,215	121,854,212	2,364,076	42.98%
Associated Company and Director	2	6,484,800	125,810	2.29%
Insurance Companies	4	42,445,625	823,483	14.97%
Banks and DFIs	13	53,326,824	1,034,587	18.81%
NBFCs	7	65,512	1,271	0.02%
Foreign Companies	2	22,650	439	0.01%
Modarba	1	15,000	291	0.01%
Others	79	37,228,965	722,274	13.13%
Foreign Individuals	464	22,056,412	427,912	7.78%
	8,787	283,500,000	5,500,143	100%

Category	-----Class B-----			
	-----2022-----			
	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total (%)
Rupees in '000'				
Individuals	8,334	47,391,909	611,122	58.34%
Associated Company and Director	2	164,124	2,116	0.20%
Banks and DFIs	3	2,087,256	26,915	2.57%
Insurance Companies	4	27,399,017	353,313	33.73%
Retirement Funds	6	755,072	9,737	0.93%
Trust	7	528,519	6,815	0.65%
Others	74	2,906,502	37,480	3.58%
	8,430	81,232,399	1,047,498	100%

**25 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

-----2023-----	-----2022-----
Name of broker	Name of broker
Intermarket Securities Limited	JS Global Capital Limited
Arif Habib Limited	Multiline Securities Limited
JS Global Capital Limited	Ismail Iqbal Securities (Private) Limited
Sherman Securities (Private) Limited	AKD Securities Limited
EFG Hermes Pakistan Limited	Intermarket Securities Limited
DJM Securities Limited	IGI Finex Securities Limited
KTrade Securities Limited (Formerly) Khadim Ali Shah B	DJM Securities Limited
Optimus Capital Management (Private) Limited	EFG Hermes Pakistan Limited
AL Falah CLSA Securities (Private) Limited	Topline Securities (Private) Limited
Next Capital Limited	Habib Metropolitan Financial Services Limited

**26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE**

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. No.	Name	Designation	Qualification	Overall experience
1	Mir Adil Rashid	Chief Executive Officer	BSc	24+ years
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27+ years
3	Wamiq Sakrani	Head of Fixed Income	MBA	13+ years
4	Imad Ansari	Head of Risk	MBA	16+ years
5	Umair Naseer	Head of Research	MBA	10+ years
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15 years
7	Raza Abbas	Senior Fund Manager	M.Com	20 years
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7+ years

**27 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of director	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29, 2022, January 16, 2023 January 23, 2023 and february 13 2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19, 2022

**28 GENERAL**

28.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosures.

28.2 Figures have been rounded off to the nearest thousand rupees.

28.3 Units have been rounded off to the nearest decimal place.

**29 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 25, 2023.

**For HBL Asset Management Limited  
(Management Company)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



**HBL** Investment Fund

<b>NAME OF FUND</b>	HBL INVESTMENT FUND
<b>NAME OF AUDITOR</b>	A.F. Ferguson & Co.
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited.
<b>NAME OF BANKERS</b>	Allied Bank limited Habib Bank Limited Habib Metro Bank Limited HBL Micro Finance Bank JS Bank Limited Khushali Micro Finance Bank MCB Bank Limited Mobillink Micro Finance Bank National Bank Limited Soneri Bank limited U Micro Finance Bank Limited Zarai Taraqati Bank Limited



# FUND MANAGER'S REPORT – HBL INVESTMENT FUND

As at June 30, 2023

## Type and Category of Fund

Equity / Open-end

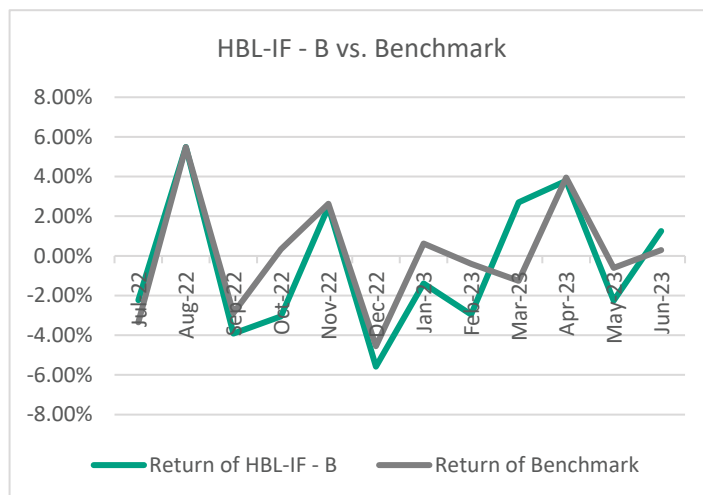
## Investment Objective and Accomplishment of Objective

The objective of HBL Investment Fund is to maximize the wealth of the unit holders by investing primarily in listed equities in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations. The Collective Investment Scheme achieved its stated objective.

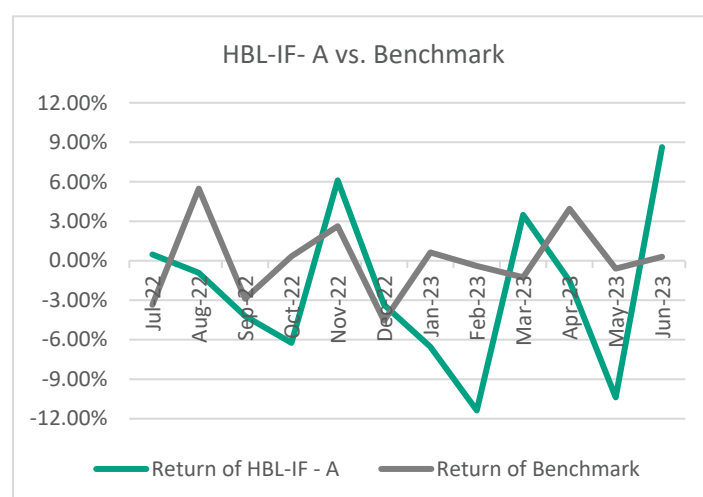
## Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is KSE-100 Index.

Month	Return of Fund	
	HBL-IF - B	Benchmark
Jun-23	1.25%	0.30%
May-23	-2.26%	-0.60%
Apr-23	3.79%	3.95%
Mar-23	2.70%	-1.26%
Feb-23	-2.95%	-0.40%
Jan-23	-1.39%	0.62%
Dec-22	-5.59%	-4.55%
Nov-22	2.48%	2.63%
Oct-22	-3.05%	0.33%
Sep-22	-3.92%	-2.89%
Aug-22	5.49%	5.48%
Jul-22	-2.23%	-3.35%



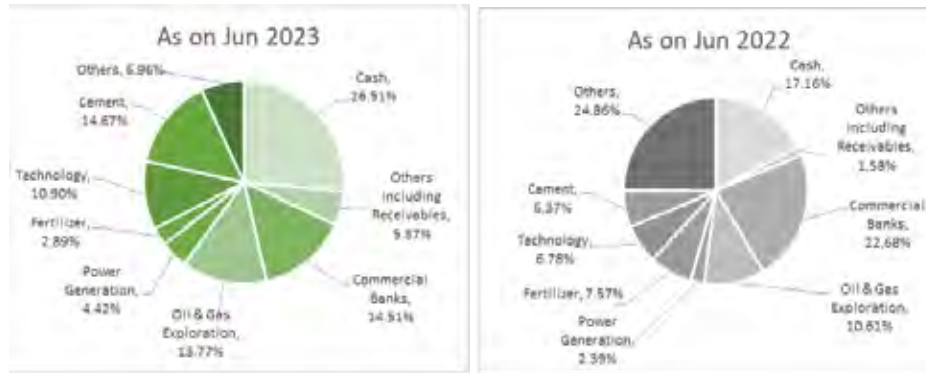
Month	Return of Fund	
	HBL-IF - A	Benchmark
Jun-23	8.63%	0.30%
May-23	-10.38%	-0.60%
Apr-23	-1.53%	3.95%
Mar-23	3.49%	-1.26%
Feb-23	-11.38%	-0.40%
Jan-23	-6.55%	0.62%
Dec-22	-3.34%	-4.55%
Nov-22	6.11%	2.63%
Oct-22	-6.24%	0.33%
Sep-22	-4.20%	-2.89%
Aug-22	-0.92%	5.48%
Jul-22	0.48%	-3.35%



## Strategies and Policies employed during the Year

During the year under review, the Fund reduced its exposure in equities from 81% on June 30, 2022 to 68% on June 30, 2023. Furthermore, sector-wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in oil & gas exploration, cement, and technology sector was increased, while exposure in commercial banks and fertilizer companies was decreased.

### Asset Allocation HBL Investment Fund - B



### HBL Investment Fund – A



### Significant Changes in Asset Allocation during the Year

The following table shows a comparison of top sector wise allocation of equity investments in the Fund as on June 30, 2023 and June 30, 2022.

#### HBL Investment Fund – B

Sector Name	As on Jun 2023	As on Jun 2022
Cash	26.51%	17.16%
Others Including Receivables	5.37%	1.58%
Commercial Banks	14.51%	22.68%
Oil & Gas Exploration	13.77%	10.61%
Power Generation	4.42%	2.39%
Fertilizer	2.89%	7.57%
Technology	10.90%	6.78%
Cement	14.67%	6.37%
Others	7.0%	24.9%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

#### HBL Investment Fund - A

Sector Name	As on Jun 2023	As on Jun 2022
Cash	17.68%	7.69%
Others Including Receivables	0.57%	0.25%
Oil & Gas Marketing	81.75%	92.06%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The Fund as a whole earned a total and net income of Rs. 157.36 million and Rs. 86.82 million respectively during the year under review. The fund size of the fund stood at Rs. 1.84 billion as on June 30, 2023.

Performance review of each class is presented below:

### HBL Investment Fund – Class ‘A’

HBL Investment Fund – Class ‘A’ earned a total income and net income of Rs. 162.33 million and Rs. 117.31 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Class ‘A’ was Rs. 4.8996 per unit as on June 30, 2023 as compared to Rs. 7.0325 as at June 30, 2022 (after incorporating dividend of Rs. 0.40 per unit), thereby giving a negative return of 24.64%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Class ‘A’ was Rs. 1.39 billion as on June 30, 2023 as compared to Rs. 2.00 billion at the start of the year.

### HBL Investment Fund – Class ‘B’

HBL Investment Fund – Class ‘B’ incurred a total and net loss of Rs. 4.97 million and Rs. 30.50 million respectively during the year ended June 30, 2023. The Net Asset Value (NAV) per unit of the Class ‘B’ was Rs. 6.0678 per unit as on June 30, 2023 as compared to Rs. 6.4666 as at June 30, 2022, thereby giving a negative return of 6.17%. During the year the benchmark KSE 100 index yielded a negative return of 0.21%. The size of Class ‘B’ was Rs. 0.45 billion as on June 30, 2023 as compared to Rs. 0.71 billion at the start of the year.

## Review of Market invested in

Economic uncertainties also impacted the stock market sentiments and performance during FY23 as after making a high of 43,677 index points on Aug 17, 2023 (up 5% since June-2022), the index declined to 41,452 (down 5% from peak) by June-2023, which is flat when compared to June-2022. The lack luster activity at the bourse was due to delay in IMF program where the 9th review (scheduled for Sep-22) was not completed. To note, the 3-year Extended Fund Facility (EFF) with IMF was supposed to conclude in June 2023. This delay led to economic uncertainty especially on external account front where depleting foreign exchange reserves had raised fears of default. Pakistan, later during the year raised electricity tariff, increased sales tax and made amendments in finance bill that eventually led to signing of a new standby agreement (SB) for 9-month for USD 3bn at June-2023 end. The delay in IMF program along with rising inflation and interest rates also led to pressure on equity market where investors switched to fixed income market.

During the year, total traded volume and value was down 34% and 37% to 191mn shares and PKR 6.1trn. On the flows front, foreigners were net buyers of USD 1.6mn during FY23 as against selling of USD 297mn during the previous year. Amongst locals, mutual funds and insurance companies were net sellers to the tune of USD 145mn and USD 124mn, respectively.

## Distribution

HBL Investment Fund – A, the Board of Directors approved Rs. 0.40 dividend per unit to the unit holders for the year ended June 30, 2023. The Board of Directors approved NIL distribution for the year ended June 30, 2023 from HBL Investment Fund Class ‘B’.

## Significant Changes in the State of Affairs

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

### Breakdown of Certificate Holding by Size

From – To (No. of Certificates)	No. of Certificate Holders (Class 'A' Units)	Total No. of Certificates Held (Class 'A' Units)	No. of Certificate Holders (Class 'B' Units)	Total No. of Certificates Held (Class 'B' Units)
1 – 100	3,138	196,575	2,413	127,258
101 – 500	6,721	1,708,950	7,286	1,744,759
501 – 1,000	2,125	1,563,428	2,028	1,445,559
1,001 – 10,000	2,357	7,480,645	2,278	6,216,226
10,001 – 100,000	488	15,551,861	442	11,565,930
100,001 – 500,000	93	19,205,309	60	10,876,300
500,001 – 1,000,000	27	19,626,666	4	3,299,140
1,000,001 – 5,000,000	16	39,609,101	7	17,821,326
5,000,001 and above	10	179,182,465	3	21,268,999
<b>Total</b>	<b>14,975</b>	<b>284,125,000</b>	<b>14,521</b>	<b>74,365,497</b>

### Certificate Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Certificate Holders

Investments are subject to market risk.

### Soft Commission

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

# PERFORMANCE TABLE – HBL INVESTMENT FUND

As at June 30, 2023

	2023		2022		2021		2020		2019		2018
	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	Class A	Class B	
Net assets at the period end(Rs'000)	1,392,100	451,234	1,998,102	713,289	2,492,208	1,386,597	1,844,924	1,155,705	1,721,698	2,340,009	5,435,289
<b>NET ASSETS VALUE PER UNIT/CERTIFICATE AT 30 JUNE - RUPEES</b>	4.8996	6.0678	7.0325	6.4666	8.7715	10.2262	6.4934	7.8872	6.0597	8.4072	19.13
Redemption - Class B unit type B	-	6.0678	-	6.4666	-	10.2262	-	7.8872	-	7.9868	-
Redemption - Class B unit type C	-	6.0678	-	6.4666	-	10.2262	-	7.8872	-	8.4072	-
Offer - Class B unit type C	-	6.2049	-	6.6127	-	10.4573	-	8.0655	-	8.5972	-
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>											
Highest offer price per unit - Class B unit type C	-	7.0042	-	10.5531	-	10.6571	-	10.8780	-	10.7063	-
Lowest offer price per unit - Class B unit type C	-	5.6102	-	6.5924	-	8.2026	-	6.8247	-	8.4074	-
Highest redemption price per unit - Class B unit type B	-	N/A	-	N/A	-	N/A	-	10.6376	-	9.8040	-
Lowest redemption price per unit - Class B unit type B	-	N/A	-	N/A	-	N/A	-	6.6739	-	7.8105	-
Highest redemption price per unit - Class B unit type C	-	6.8494	-	10.3199	-	10.4216	-	10.6376	-	10.4697	-
Lowest redemption price per unit - Class B unit type C	-	5.4862	-	6.4467	-	8.0213	-	6.6739	-	8.2216	-
<b>RETURN ( % )</b>											
Total return	-24.64%	-6.17%	-19.83%	-36.76%	35.08%	29.66%	7.16%	-2.94%	*-33.34%	*-16.26%	-8.54%
Income distribution	0.40%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%	0.00%	0.00%	0.00%
Capital growth	-24.24%	-6.17%	-19.83%	-36.76%	35.08%	29.66%	7.16%	-3.21%	*-33.34%	*-16.26%	-8.54%
<b>DISTRIBUTION</b>											
First Interim dividend distribution	0.40%	-	-	-	-	-	-	0.27	-	-	-
Date of Income Distribution	30-06-23	-	-	-	-	-	-	26-Jun-20	-	-	-
Total dividend distribution for the year/ period	0.00	-	-	-	-	-	-	0.27	-	-	-
<b>AVERAGE RETURNS ( % )</b>											
Average annual return 1 year	-24.64%	-6.17%	-19.83%	-36.76%	35.08%	29.66%	7.16%	-2.94%	-33.34%	-16.26%	-8.54%
Average annual return 2 year	-22.27%	-22.97%	4.06%	-9.45%	20.31%	12.18%	-15.48%	-9.85%	N/A	N/A	2.84%
Average annual return 3 year	-6.55%	-8.37%	5.09%	-7.33%	-1.18%	1.76%	N/A	N/A	N/A	N/A	3.26%
<b>PORTFOLIO COMPOSITION - ( % )</b>											
Percentage of Assets as at 30 June:											
Bank Balances	17.68%	26.51%	7.69%	17.16%	3.23%	13.49%	5.32%	13.61%	2.86%	15.17%	6.59%
GoP Ijarah Sukuks							-	-	-	-	-
Placement with Banks and DFIs							-	-	-	-	-
Corporate Sukuks							-	-	-	-	-
Stock / Equities	81.75%	68.12%	92.06%	81.26%	96.67%	83.67%	94.56%	84.72%	93.58%	83.72%	91.93%
Others	0.57%	5.37%	0.25%	1.58%	0.10%	2.84%	0.12%	1.67%	3.56%	1.11%	1.49%

## Note:

The Fund converted to open end fund on July 02, 2018

\* Since conversion from Closed-End to Open-End

## Disclaimer:

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

## Summary of Actual Proxy voted by CIS

HBL Invetment Fund	Meetings	Resolutions	For	Against
Number	6	22	22	-
(%ages)			100%	-

(h) AMC did not participate in shareholders' meetings

Scrip	AGM Meeting Dt	EOGM Meeting Dt
Octopus Digital Limited		
AGP Limited	28-Jul-22	
AT-Tahur Limited		
Attock Cement Pakistan Ltd	19-Oct-22	27-05-23
Attock Petroleum Ltd	20-Sep-22	
Attock Refinery Ltd	20-Sep-22	
Avanceon Limited		
Azgard Nine Ltd		
Bank Al-Falah Ltd	20-Mar-23	
Bank Al-Habib Limited		
BankIslami Pakistan Limited		10/10/2022 10 MAY 2023
Cherat Cement Company Ltd.	12-Oct-22	
D G Khan Cement Co.Ltd.		20-Jun-23
Descon Oxychem Ltd	20-Oct-22	28-02-23
Engro Corporation Ltd	30-Mar-23	
Engro Fertilizers Limited	28-Mar-23	
Engro Polymer & Chemicals Ltd		
Fauji Cement Company Limited		
Fauji Fertilizer Co Ltd		
Faysal Bank Limited		
Ferozsons Laboratories Ltd	30-Sep-22	
Gul Ahmed Textile Mills Ltd		31-Mar-23
Habib Bank Ltd	29-Mar-23	
Habib Metropolitan Bank Ltd	30-Mar-23	
Highnoon Laboratories Limited		
Hub Power Company Ltd	29/09/2022 4-Oct-2022	20-02-23
IGI Holdings Limited		
IGI LIFE INSURANCE LIMITED		
Interloop Limited		
Kohat Cement Ltd		21-Feb-23
Lotte Chemical Pakistan Ltd		
Lucky Cement Ltd	28-Sep-22	20-Sep-22
Maple Leaf Cement Factory Ltd		30/12/2022 20 June 2023
Mari Petroleum Company Ltd		
MCB Bank Ltd		
Meezan Bank Ltd	29-Mar-23	
Millat Tractors Ltd		29-08-22
Mughal Iron & Steel Inds Ltd	31-Oct-22	
National Refinery Ltd	19-Oct-22	
Netsol Technologies		

Scrip	AGM Meeting Dt	EOGM Meeting Dt
Pakistan Oilfields Ltd	20-Sep-22	12-Jun-23
Pakistan Petroleum Ltd		30-11-22
Pakistan State Oil Company Ltd		
Pioneer Cement Limited		
Shell Pakistan Ltd		
Standard Chartered Bank (Pakistan) Ltd	29-Mar-23	
Sui Northern Gas Pipeline Ltd	29-Jul-22	
Systems Limited		01-Jul-22
Tariq Glass Industries Ltd		
The Organic Meat Company Limited		20-06-23
The Searle Company Ltd		
TPL Insurance Limited		06/07/2022 19 Sep 2022
TPL Properties Limited		
TPL Trakker Limited	24-Oct-22	
TRG Pakistan Ltd		
United Bank Limited		
Unity Foods Limited		

The proxy voting policy is available on the website of HBL Asset Management Limited (the Management Company) and detailed information regarding actual proxies in respect of the Fund would be available to all the unit holders without charge upon a request to be submitted at our head office located at 7th Floor, Emerald Tower, Block-5, Clifton, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDIC House, 99-B, Block-B,  
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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL INVESTMENT FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Investment Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023







A.F. FERGUSON & Co.

## INDEPENDENT AUDITOR'S REPORT

To the Unit holders of HBL Investment Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of HBL Investment Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value</b> (Refer notes 4 and 5 to the financial statements)	
	The bank balances and investments constitute the most significant component of the net asset value (NAV). The bank balances and investments of the Fund as at June 30, 2023 amounted to Rs. 428.830 million and Rs. 1,650.192 million respectively.  The existence and proper valuation of investments for the determination of NAV of the Fund as at June 30, 2023 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"><li>• tested the design and operating effectiveness of the key controls for valuation of investments;</li><li>• obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2023 and traced balances in these confirmations with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li><li>• re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and</li><li>• obtained bank reconciliation statements and tested reconciling items on a sample basis.</li></ul>

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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#### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the Management Company is responsible for overseeing the Fund's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


We also provide board of directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

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

  
A. F. Ferguson & Co.  
Chartered Accountants  
Karachi  
Dated: September 22, 2023  
UDIN: AR202310061fReIGd9A

**HBL Investment Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2023*

		2023			2022		
		Class A	Class B	Total	Class A	Class B	Total
Note	Rupees in '000						
<b>ASSETS</b>							
Bank balances	4	266,918	161,912	428,830	154,016	148,160	302,176
Investments	5	1,233,972	416,220	1,650,192	1,843,635	701,672	2,545,307
Dividend and profit receivable	6	8,476	2,603	11,079	4,967	5,441	10,408
Receivable against sale of investments		-	23,625	23,625	-	4,384	4,384
Advance and deposits	7	111	3,819	3,930	111	3,819	3,930
Receivable from HBL Asset Management Limited - Management Company	8	-	2,654	2,654	-	-	-
<b>Total assets</b>		<b>1,509,477</b>	<b>610,833</b>	<b>2,120,310</b>	<b>2,002,729</b>	<b>863,476</b>	<b>2,866,205</b>
<b>LIABILITIES</b>							
Payable to HBL Asset Management Limited - Management Company	9	2,735	2,240	4,975	3,574	6,694	10,268
Payable to the Central Depository Company of Pakistan Limited - Trustee	10	231	94	325	273	187	460
Payable to the Securities and Exchange Commission of Pakistan	11	354	103	457	428	227	655
Payable against purchase of investments		-	13,630	13,630	-	-	-
Accrued expenses and other liabilities	12	407	58,246	58,653	352	57,707	58,059
Dividend payable		113,650	-	113,650	-	-	-
Unclaimed dividend		-	85,285	85,285	-	85,372	85,372
<b>Total liabilities</b>		<b>117,377</b>	<b>159,598</b>	<b>276,975</b>	<b>4,627</b>	<b>150,187</b>	<b>154,814</b>
<b>NET ASSETS</b>		<b>1,392,100</b>	<b>451,235</b>	<b>1,843,335</b>	<b>1,998,102</b>	<b>713,289</b>	<b>2,711,391</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,392,100</b>	<b>451,235</b>	<b>1,843,335</b>	<b>1,998,102</b>	<b>713,289</b>	<b>2,711,391</b>
<b>CONTINGENCIES AND COMMITMENTS</b>							
	13	-----Number of units-----			-----Number of units-----		
<b>NUMBER OF UNITS IN ISSUE</b>	18	<b>284,125,000</b>	<b>74,365,497</b>		<b>284,125,000</b>	<b>110,303,665</b>	
		-----Rupees-----			-----Rupees-----		
<b>NET ASSET VALUE PER UNIT</b>	3.6	<b>4.8996</b>	<b>6.0678</b>		<b>7.0325</b>	<b>6.4666</b>	

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



# HBL Investment Fund

## Income Statement

For the year ended June 30, 2023

		2023			2022		
		Class A	Class B	Total	Class A	Class B	Total
Note		Rupees in '000					
INCOME							
Dividend income		120,995	39,634	160,629	117,263	66,771	184,034
Income from government securities - Market Treasury Bills		3,504	-	3,504	2,637	22	2,659
Profit on savings accounts with banks		37,860	25,730	63,590	11,188	13,812	25,000
Loss on sale of investments - net		(30)	(62,611)	(62,641)	(8)	(249,814)	(249,822)
Net unrealised diminution on re-measurement of investments classified as 'financial asset at fair value through profit or loss'	5.1.1.2	-	(7,724)	(7,724)	-	(295,175)	(295,175)
		(30)	(70,335)	(70,365)	(8)	(544,989)	(544,997)
Total Income		162,329	(4,971)	157,358	131,080	(464,384)	(333,304)
EXPENSES							
Remuneration of HBL Asset Management Limited - Management Company	9.1	26,571	10,335	36,906	32,137	22,689	54,826
Sindh Sales Tax on remuneration of the Management Company	9.2	3,454	1,344	4,798	4,178	2,950	7,128
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	9,743	2,842	12,585	11,783	8,281	20,064
Selling and marketing expenses	9.4	-	5,426	5,426	-	13,954	13,954
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	2,541	718	3,259	2,746	1,444	4,190
Sindh Sales Tax on remuneration of the Trustee	10.2	330	93	423	410	216	626
Annual fee to the Securities and Exchange Commission of Pakistan	11	354	103	457	428	227	655
Brokerage and securities transaction costs		904	6,244	7,148	904	3,761	4,665
Auditors' remuneration	14	469	286	755	444	246	690
Fees and subscription charges		637	556	1,193	573	500	1,073
Legal fees		-	-	-	109	-	109
Settlement and bank charges		15	231	246	19	379	398
Reimbursement from HBL Asset Management Limited - Management Company		-	(2,654)	(2,654)	-	-	-
Total operating expenses		45,018	25,524	70,541	53,731	54,647	108,378
Net income / (loss) from operating activities		117,311	(30,495)	86,817	77,349	(519,031)	(441,682)
Reversal of provision for Sindh Workers' Welfare Fund		-	-	-	634	29,166	29,800
Net income / (loss) for the year before taxation		117,311	(30,495)	86,817	77,983	(489,865)	(411,882)
Taxation	16	-	-	-	-	-	-
Net income / (loss) for the year after taxation		117,311	(30,495)	86,817	77,983	(489,865)	(411,882)
Earnings / (loss) per unit	17						
Allocation of net income for the year							
Net income for the year after taxation		117,311	-		77,983	-	
Income already paid on redemption of units		-	-		-	-	
		117,311	-		77,983	-	
Accounting income available for distribution:							
- Relating to capital gains		-	-		-	-	
- Excluding capital gains		117,311	-		77,983	-	
		117,311	-		77,983	-	

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	2023			2022			
	Class A	Class B	Total	Class A	Class B	Total	
Note	Rupees in '000						
Net income / (loss) for the year after taxation	117,311	(30,495)	86,816	77,983	(489,865)	(411,882)	
Items that will not be reclassified to income statement							
Net unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through other comprehensive income'	5.1.1.2	(609,663)	-	(609,663)	(572,089)	-	(572,089)
Total comprehensive loss for the year	(492,352)	(30,495)	(522,847)	(494,106)	(489,865)	(983,971)	

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL Investment Fund**  
**Statement of Movement In Unitholders' Fund**  
For the year ended June 30, 2023

2023						
Class A				Class B		
Capital value	Accumulated loss	Unrealised appreciation/ (diminution) on revaluation of fair value through OCI	Total	Capital value	Accumulated loss	Total
Rupees in '000						
2,841,250	(2,169,291)	1,326,143	1,998,102	1,311,779	(598,490)	713,289
-	-	-	-	13,710	-	13,710
-	-	-	-	(834)	-	(834)
-	-	-	-	12,876	-	12,876
-	-	-	-	(246,107)	-	(246,107)
-	-	-	-	1,672	-	1,672
-	-	-	-	(244,435)	-	(244,435)
-	117,311	(609,663)	(492,352)	-	(30,495)	(30,495)
-	(113,650)	-	(113,650)	-	-	-
-	3,661	(609,663)	(606,002)	-	(30,495)	(30,495)
2,841,250	(2,165,630)	716,480	1,392,100	1,080,220	(628,985)	451,235
	(2,169,291)				(303,315)	
	-				(295,175)	
	(2,169,291)				(598,490)	
	-				-	
117,311					-	
117,311					-	
-					(30,495)	
(113,650)					-	
(2,165,630)					(628,985)	
	(2,165,630)				(621,261)	
	-				(7,724)	
(2,165,630)					(628,985)	
		(Rupees)				(Rupees)
		7.0325				6.4666
		4.8996				6.0678

**Note:** Consequent to the conversion of the Fund from a closed-end scheme to an open-end scheme with effect from July 02, 2018, the comparative figures disclosed above have been prepared in accordance with the requirements of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 as applicable to an open-end scheme.

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

**Chief Financial Officer**

**Chief Executive Officer**

**Director**

**HBL Investment Fund**  
**Statement of Movement In Unitholders' Fund**  
For the year ended June 30, 2023

2022						
Class A				Class B		
Capital value	Accumulated loss	Unrealised appreciation / (diminution) on revaluation of fair value	Total	Capital value	Accumulated loss	Total

Rupees in '000

**Net assets at beginning of the year** 2,841,250 (2,247,274) 1,898,232 2,492,208 1,495,225 (108,625) 1,386,600

Issuance of Class A: nil units (2021: nil units)  
and Class B: 5,591,776 units (2021: 517,213 units)

- Capital value (at net asset value per unit at the beginning of the year)
- Element of loss

-	-	-	-	57,183	-	57,183
-	-	-	-	(8,018)	-	(8,018)

**Total proceeds on issuance of units**

- - - - 49,165 - 49,165

Redemption of Class A: nil units (2021: nil units)  
and Class B: 30,880,706 units (2021: 11,453,249 units)

- Capital value (at net asset value per unit at the beginning of the year)
- Element of income

-	-	-	-	(315,793)	-	(315,793)
-	-	-	-	83,182	-	83,182

**Total proceeds on redemption of units**

- - - - (232,611) - (232,611)

Total comprehensive income / (loss) for the year  
Distribution for the year

-	77,983	(572,089)	(494,106)	-	(489,865)	(489,865)
-	-	-	-	-	-	-

Net comprehensive income / (loss) for the year  
less distribution

- 77,983 (572,089) (494,106) - (489,865) (489,865)

**Net assets at the end of the year**

2,841,250 (2,169,291) 1,326,143 1,998,102 1,311,779 (598,490) 713,289

**Accumulated loss brought forward comprising of:**

- Unrealised gain (2,247,274) (228,362)  
- 119,737  
(2,247,274) (108,625)

**Accounting income available for distribution**

- Relating to capital gains -  
- Excluding to capital gains 77,983 -

Net loss for the year after taxation - (489,865)

Distribution during the year -

**Accumulated loss carried forward** (2,169,291) (598,490)

**Accumulated loss carried forward comprising of:**

- Realised loss (2,169,291) (303,315)  
- Unrealised loss - (295,175)  
(2,169,291) (598,490)

(Rupees)

**Net asset value per unit at the beginning of the year**

8.7715

(Rupees)

**Net asset value per unit at the end of the year**

7.0325

10.2262

6.4666

**Note:** Consequent to the conversion of the Fund from a closed-end scheme to an open-end scheme with effect from July 02, 2018, the comparative figures disclosed above have been prepared in accordance with the requirements of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 as applicable to an open-end scheme.

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



**HBL Investment Fund**  
**Statement of Cash Flow**  
For the year ended June 30, 2023

	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
Note	Rupees in '000					
	117,311	(30,495)	86,816	77,983	(489,865)	(411,882)
	30	62,611	62,641	8	249,814	249,822
	(3,504)	-	(3,504)	(2,637)	(22)	(2,659)
5.1.1.2	-	7,724	7,724	-	295,175	295,175
	(120,995)	(39,634)	(160,629)	(117,263)	(66,771)	(184,034)
	(37,860)	(25,730)	(63,590)	(11,188)	(13,812)	(25,000)
	-	-	-	(634)	(29,166)	(29,800)
	(45,018)	(25,524)	(70,542)	(53,731)	(54,647)	(108,378)
	(30)	209,506	209,476	(8)	88,556	88,548
	-	-	-	49	6,939	6,988
	-	(2,654)	(2,654)	-	-	-
	(30)	206,852	206,822	41	95,495	95,536
	(839)	(4,454)	(5,293)	(1,175)	(50)	(1,225)
	(42)	(93)	(135)	(59)	(72)	(131)
	(74)	(124)	(198)	(48)	(39)	(87)
	55	539	594	(356)	(1,116)	(1,472)
	-	(87)	(87)	-	(48)	(48)
	(900)	(4,219)	(5,119)	(1,638)	(1,325)	(2,963)
	120,143	42,649	162,792	116,410	63,675	180,085
	35,204	25,553	60,757	9,499	12,110	21,609
	3,504	-	3,504	2,637	22	2,659
	158,851	68,202	227,053	128,546	75,807	204,353
	112,903	245,311	358,214	73,218	115,330	188,548
	-	12,876	12,876	-	49,165	49,165
	-	(244,435)	(244,435)	-	(232,611)	(232,611)
	-	(231,559)	(231,559)	-	(183,446)	(183,446)
	112,903	13,752	126,655	73,218	(68,116)	5,102
	154,016	148,160	302,176	80,798	216,276	297,074
4	266,918	161,912	428,830	154,016	148,160	302,176

The annexed notes from 1 to 29 form an integral part of these financial statements.

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 HBL Investment Fund (The Fund), an Open End Scheme that was initially constituted as a Closed End Fund under the name of PICIC Investment Fund vide a registered Trust Deed 'Initial Trust Deed' dated April 02, 2004, as amended vide First Supplemental Trust Deed dated June 28, 2004. The Fund has been converted into an Open End Scheme through a registered Restated Trust Deed (the Deed) dated April 24, 2018 under the Trusts Act, 1882 entered into and between HBL Asset Management Limited ("the Management Company") and the Central Depository Company of Pakistan Limited ("the Trustee"). During the year ended June 30, 2021, the Trust Act, 1882 was repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the "Sindh Trust Act 2020". Accordingly, on 17 August 2021, the above-mentioned Trust Deed has been registered under the Sindh Trust Act 2020.
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.
- 1.3 The objective of the Fund is to maximize the wealth of the unit holders by investing primarily in listed equities in the best available opportunities, while considering acceptable risk parameters and applicable rules and regulations.
- 1.4 As per Regulation 65 of the NBFC Regulations, all closed end funds were required to convert into open end schemes upon expiry of five years from November 21, 2007 i.e. by November 21, 2012. However closed end funds whose portfolios were frozen as a result of Consent Agreements with Government of Pakistan were allowed to be converted into open end schemes within three months from the date of the removal of the freezing of the portfolios. Since the Fund has frozen portfolio comprising shares of Pakistan State Oil Company Limited and Sui Northern Gas Pipelines Limited, its conversion into an open end scheme was deferred.
- 1.5 The Board of the Management Company (HBL Asset Management Limited) of the Fund in its meeting held on November 23, 2017 approved the conversion plan of the Fund for the conversion of the Fund into an open end scheme, with the approval of the certificate holders of the Fund to fulfill the requirements of the merger order dated August 31, 2016. For this purpose, the plan was presented to and approved by the certificate holders of the Fund in its general meeting dated January 10, 2018. The Plan was also approved by Securities and Exchange Commission of Pakistan (SECP) on February 16, 2018.
- 1.6 The replacement trust deed and replacement offering document were approved by SECP vide its letter no. SCD/AMCW/HIF/339/2018 dated April 18, 2018 and letter no. SCD/AMCW/HIF/398/2018 dated June 7, 2018 respectively. As per the approved plan, the conversion took place on July 2, 2018 and every certificate holder of the closed end fund was entitled to following for each certificate held:
- One Class-A unit of the Fund was issued to every certificate holders of Fund for each certificate held representing frozen portfolio and related assets and liabilities.
  - One Class-B unit of the Fund was issued to the every certificate holder of Fund for each certificate held representing unfrozen portfolio and related assets and liabilities.
- 1.7 The plan also envisages that Class-A units would not be redeemable and would be traded on the Pakistan Stock Exchange Limited. Whereas Class-B units can be redeemed at the redemption price.
- 1.8 VIS Credit Rating Company Limited (VIS) has upgraded the Management Quality Rating to AM-I (2022: AM2++) and the outlook on the rating has been assigned as 'Stable'

1.9 The title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year**

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2022. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

### **2.3 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective**

There are certain new standards, interpretations and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2023. However, these are not expected to have any significant effects on the Fund's operations and are, therefore, not detailed in these financial statements.

### **2.4 Critical accounting estimates and judgments**

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, impairment and valuation of financial assets (notes 3.2 and 5), provision for federal excise duty (note 12.1).

**2.5 Accounting convention**

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair values.

**2.6 Functional and presentation currency**

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

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**3.1 Cash and cash equivalents**

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

**3.2 Financial assets**

**3.2.1 Initial recognition and measurement**

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

**3.2.2 Classification and subsequent measurement**

**3.2.2.1 Debt instruments**

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

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

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

**3.2.2.2 Equity instruments**

The investment of the Fund in equity securities is valued on the basis of quoted market price available at the stock exchange.

All equity investments are measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognised in the "Income Statement".

The dividend income for equity securities classified under FVOCI are to be recognised in the Income Statement. However, any surplus / (deficit) arising as a result of subsequent movement in the fair value of equity securities classified as FVOCI is to be recognised in other comprehensive income and is not recycled to the Income Statement on derecognition.

### **3.2.3 Impairment**

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

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

### **3.2.4 Regular way contracts**

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

### **3.2.5 Derecognition**

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

### **3.3 Financial liabilities**

All financial liabilities are recorded at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is discharged when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

### **3.4 Offsetting of financial assets and financial liabilities**

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

### **3.5 Provisions**

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

**3.6 Net asset value per unit**

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

**3.7 Issue and redemption of units**

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

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

**3.8 Distribution to the unit holders**

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes income already paid on units redeemed during the year.

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

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

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

**3.10 Revenue recognition**

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are recorded in the year in which these arise.
- Dividend income is recognised when the Fund's right to receive the same is established.
- Profit on saving accounts with bank and income on government securities are recognised on a time proportion basis using the effective yield method.

### 3.11 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee and annual fee to the SECP are recognised in the Income Statement on an accrual basis.

### 3.12 Taxation

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

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

### 3.13 Earnings / (loss) per unit

Earnings / (loss) per unit is calculated by dividing the net income of the year before taxation of the Fund by the weighted average number of units outstanding during the year. The determination of earning per unit is not practicable as disclosed in note 17.

### 3.14 Foreign currency translation

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

Note	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total

Rupees in '000

#### 4. BANK BALANCES

Balances with banks in:

Savings accounts	4.1	266,918	161,912	428,830	154,016	148,160	302,176
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- 4.1 These include a balance of Rs. 0.580 million (2022: Rs. 0.507 million) with Habib Bank Limited (a related party) carrying profit at the rate of 14.50% to 19.50% (2022: 5%) per annum, Rs. 44.305 million (2022: Rs. 0.008 million) with HBL Microfinance Bank Limited (a related party) carrying profit at the rate of 16.25% to 22.25% (2022: 11.25%) and Rs. 152.726 million (2022: Rs. 132.236 million) with MCB Bank Limited (a related party) carrying profit at the rate of 8% to 18% (2022: 8%). Other saving accounts of the Fund carry profit at the rates ranging from 14.75% to 21.85% (2022: 5.35% to 17.35%) per annum.

5	INVESTMENTS	Note	2023			2022		
			Class A	Class B	Total	Class A	Class B	Total
			Rupees in '000					
	At fair value through other comprehensive income							
	- Quoted equity securities	5.1.1 & 5.1.4	1,233,972	-	1,233,972	1,843,635	-	1,843,635
	At fair value through profit or loss							
	- Quoted equity securities	5.1.2, 5.1.3 & 5.1.4	-	416,220	416,220	-	701,672	701,672
	At fair value through profit or loss							
	- Market Treasury Bills	5.2	-	-	-	-	-	-
			1,233,972	416,220	1,650,192	1,843,635	701,672	2,545,307

## 5.1 Quoted equity securities

### 5.1.1 Class A - At fair value through other comprehensive income

Name of the Investee Company	As at July 01, 2022	Purchased during the year	Bonus / right issue	Sold of during the year	As at June 30, 2023	Balance as at June 30, 2023			Market value as a percentage of		Holding as a percentage of paid-up capital of investee company
						Carrying value	Market value	Unrealised appreciation / (diminution)	total market value of investments of Class A	net assets of Class A	
(Number of shares)						(Rupees in '000)			%		
Oil and gas marketing companies											
Sui Northern Gas Pipeline Limited	2,488,024	-	-	-	2,488,024	33,053	97,954	64,901	7.94%	7.04%	0.39%
Pakistan State Oil Company Limited (note 5.1.4)	10,233,471	-	-	-	10,233,471	484,438	1,136,018	651,580	92.06%	81.60%	2.18%
Total as at June 30, 2023						517,491	1,233,972	716,481			
Total as at June 30, 2022						517,491	1,843,635	1,326,144			

- 5.1.1.1 The above mentioned shares of Sui Northern Gas Pipelines Limited and Pakistan State Oil Company Limited are frozen / blocked by an order of the Government of Pakistan (GoP) as the same form part of a strategic shareholding under the control of the GoP. As a result, the Fund is restricted from selling, transferring, encumbering or otherwise disposing of or dealing with any interest in the said shares, including any future bonus / right shares in respect thereof. Consequently, the exposure limit mentioned in regulation 55 of the NBFC Regulations, 2008 does not apply to the above frozen shares.



**5.1.1.2 Net unrealised diminution on re-measurement of investments classified as 'financial asset at fair value through other comprehensive income'**

Note

Class A	
2023	2022
----- Rupees in '000 -----	
1,233,972	1,843,635
(517,491)	(517,491)
716,481	1,326,144
-	-
1,326,144	1,898,233
-	-
1,326,144	1,898,233
(609,663)	(572,089)

Market value of investments

5.1.1

Less: Cost of investments

5.1.1

Add: changes in fair value of investments disposed of during the year

Less: net unrealised appreciation in the fair value of investments at the beginning of the year

Less: amount of appreciation pertaining to disposed of securities

**5.1.2 Class B - At fair value through profit or loss**

Name of the investee company	As at July 01, 2022	Purchased during the year	Bonus / rights issue	Sold during the year	As at June 30, 2023	Balance as at June 30,2023			Market value as a percentage of		Holding as a percentage of paid-up capital of investee company
						Carrying value	Market value	Unrealised appreciation / (diminution)	total market value of investments of Class B	net assets of Class B	
Insurance											
IGI Holdings Limited	189,400	-	-	189,400	-	-	-	-	-	-	-
IGI Life Insurance Limited	307,500	-	-	307,500	-	-	-	-	-	-	-
TPL Insurance Limited (note 5.1.4)	538,189	-	109,791	422,500	225,480	5,621	4,670	(951)	1.12%	1.03%	0.11%
						5,621	4,670	(951)	1.12%	1.03%	
Textile composite											
Gul Ahmed Textile Mills Limited	387,900	-	-	387,900	-	-	-	-	-	-	-
Azgard Nine Limited	921,500	-	-	921,500	-	-	-	-	-	-	-
Interloop Limited	139,576	-	-	139,576	-	-	-	-	-	-	-
						-	-	-	-	-	-
Textile Spinning											
Sunshine Cotton Mills Limited	50,000	-	-	-	50,000	-	17	-	-	-	-
						-	17	-	-	-	-
Balance carried forward						5,621	4,687	(951)			
Balance brought forward						5,621	4,687	(951)			
Textile Weaving											
Mohib Exports Limited	40,820	-	-	-	40,820	6	6	-	-	-	-
						6	6	-	-	-	-
Cement & material											
Attock Cement Pakistan Limited	552,600	-	-	552,600	-	-	-	-	-	-	-
Cherat Cement Company Limited	-	365,000	-	232,084	132,916	15,571	15,987	416	3.84%	3.54%	0.07%
D.G. Khan Cement Company Limited	-	1,502,705	-	1,285,174	217,531	11,416	11,159	(257)	2.68%	2.47%	0.05%
Kohat Cement Limited	32,300	117,481	-	149,781	-	-	-	-	-	-	-
Lucky Cement Limited (note 5.1.3)	20,000	293,552	-	232,752	80,800	40,501	42,185	1,684	10.14%	9.35%	0.03%
Fauji Cement Company Limited	-	3,011,500	69,125	3,080,625	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited (note 5.1.3)	177,900	3,177,100	-	2,642,000	713,000	19,957	20,199	242	4.85%	4.48%	0.07%
Pioneer Cement Limited	-	849,304	-	849,304	-	-	-	-	-	-	-
						87,445	89,530	2,085	21.51%	19.84%	
Power generation & Distribution											
The Hub Power Company Limited	302,307	587,813	-	502,307	387,813	27,345	26,984	(361)	6.48%	5.98%	0.03%
Nishat Power Limited (note 5.1.3)	-	456,000	-	456,000	-	-	-	-	-	-	-
						27,345	26,984	(361)	6.48%	5.98%	
Engineering											
Mughal Iron & Steel Industries Limited	188,251	237,046	-	425,297	-	-	-	-	-	-	-
						-	-	-	-	-	-
Automobile Assembler											
Millat Tractors Limited	-	7,890	-	7,890	-	-	-	-	-	-	-
						-	-	-	-	-	-
Pharmaceuticals											
The Searle Company Limited* (note 5.1.4)	1,901	122,500	475	122,500	2,376	135	91	(44)	0.02%	0.02%	-
Ferozsons Laboratories Limited	27,900	-	-	27,900	-	-	-	-	-	-	-
Highnoon Laboratories Limited	8,730	-	-	8,730	-	-	-	-	-	-	-
AGP Limited	-	200,000	-	200,000	-	-	-	-	-	-	-
						135	91	(44)	0.02%	0.02%	
Property											
TPL Properties Limited	505,000	1,533,235	-	2,038,235	-	-	-	-	-	-	-
						-	-	-	-	-	-

# HBL Investment Fund

## Notes to the financial statements

For the year ended June 30, 2023

Name of the Investee Company	As at July 01, 2022	Purchased during the year	Bonus / rights issue	Sold during the year	As at June 30, 2023	Balance as at June 30, 2023			Market value as a percentage of		Holding as a percentage of paid-up capital of investee company
						Carrying value	Market value	Unrealised appreciation / (diminution)	total market value of investments of Class B	net assets of Class B	
						(Rupees in '000)			%		
<b>Glass &amp; Ceramics</b>											
Tariq Glass Industries Limited	-	285,500	-	165,500	120,000	8,545	8,172	(373)	1.96%	1.81%	0.07%
						8,545	8,172	(373)	1.96%	1.81%	
<b>Miscellaneous</b>											
Pakistan Aluminium Beverage Cans Limited	-	120,000	-	120,000	-	-	-	-	-	-	-
						-	-	-	-	-	
<b>Refinery</b>											
Attock Refinery Limited	82,000	235,000	-	243,574	73,426	12,295	12,602	307	3.03%	2.79%	0.07%
National Refinery Limited	76,797	29,700	-	106,497	-	-	-	-	-	-	-
						12,295	12,602	307	3.03%	2.79%	
<b>Oil &amp; gas exploration companies</b>											
Mari Petroleum Company Limited (note 5.1.3)	13,966	12,884	-	12,564	14,286	22,589	21,638	(951)	5.20%	4.80%	0.01%
Oil & Gas Development Company Limited (note 5.1.3)	406,500	1,137,000	-	1,104,965	438,535	35,613	34,206	(1,407)	8.22%	7.58%	0.01%
Pakistan Oilfields Limited	36,375	46,500	-	82,875	-	-	-	-	-	-	-
Pakistan Petroleum Limited (note 5.1.3)	306,200	1,241,276	-	1,069,110	478,366	30,680	28,291	(2,389)	6.80%	6.27%	0.02%
						88,882	84,135	(4,747)	20.22%	18.65%	
<b>Oil &amp; gas marketing companies</b>											
Pakistan State Oil Company Limited	174,992	81,500	-	256,492	-	-	-	-	-	-	-
Attock Petroleum Limited	-	23,650	-	23,650	-	-	-	-	-	-	-
Sui Northern Gas Pipeline Limited	-	2,046,082	-	1,612,500	433,582	18,337	17,070	(1,267)	4.10%	3.78%	0.07%
Shell Pakistan Limited	-	72,000	-	72,000	-	-	-	-	-	-	-
						18,337	17,070	(1,267)	4.10%	3.78%	
<b>Commercial banks</b>											
Faysal Bank Limited* (note 5.1.4)	400,500	293,500	-	685,236	8,764	203	177	(26)	0.04%	0.04%	-
Habib Bank Limited (note 5.1.3)	573,391	1,425,206	-	1,837,489	161,108	11,429	11,798	369	2.83%	2.61%	0.01%
MCB Bank Limited	198,753	39,000	-	237,753	-	-	-	-	-	-	-
Standard Chartered Bank (Pak) Ltd	1,848,500	-	-	1,848,500	-	-	-	-	-	-	-
BankIslami Pakistan Limited	-	965,000	-	724,000	241,000	3,930	4,280	350	1.03%	0.95%	0.02%
United Bank Limited (note 5.1.3)	431,433	835,795	-	983,296	283,932	32,499	33,373	874	8.02%	7.40%	0.02%
Bank Alfalah Limited	345,000	1,108,978	-	1,453,978	-	-	-	-	-	-	-
Habib Metropolitan Bank Limited	-	285,000	-	285,000	-	-	-	-	-	-	-
Meezan Bank Limited (note 5.1.3)	-	602,500	-	331,549	270,951	24,481	23,402	(1,079)	5.62%	5.19%	0.02%
Bank AL Habib Limited	252,000	442,000	-	332,000	362,000	16,131	15,646	(485)	3.76%	3.47%	0.03%
						88,673	88,676	3	21.30%	19.66%	
<b>Fertilizer</b>											
Engro Corporation Limited	68,394	349,000	-	383,221	34,173	9,868	8,881	(987)	2.13%	1.97%	0.01%
Engro Fertilizers Limited (note 5.1.3)	48,363	507,114	-	448,700	106,777	8,781	8,813	32	2.12%	1.95%	0.01%
Fauji Fertilizer Company Limited	394,063	247,000	-	641,063	-	-	-	-	-	-	-
						18,649	17,694	(955)	4.25%	3.92%	
<b>Chemical</b>											
Descon Oxychem Limited	-	1,476,500	-	1,476,500	-	-	-	-	-	-	-
Engro Polymer & Chemicals Limited	91,500	377,408	-	468,908	-	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	274,000	-	274,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Technology &amp; communication</b>											
Avanceon Limited	87,225	581,160	21,087	689,472	-	-	-	-	-	-	-
NetSol Technologies Limited	-	321,136	-	321,136	-	-	-	-	-	-	-
Systems Limited	-	178,533	-	135,600	42,933	19,797	17,316	(2,481)	4.16%	3.84%	0.01%
TPL Trakker Limited (note 5.1.3)	5,981,500	75,500	-	483,000	5,574,000	48,214	49,257	1,060	11.84%	10.92%	2.98%
TRG Pakistan Limited	-	95,400	-	95,400	-	-	-	-	-	-	-
Octopus Digital Limited	-	194,000	-	194,000	-	-	-	-	-	-	-
						68,011	66,573	(1,421)	16.00%	14.76%	
<b>Foods &amp; personal care products</b>											
At-Tahur Limited	-	92,500	7,850	100,350	-	-	-	-	-	-	-
The Organic Meat Company Limited	1,174,729	371,000	-	1,545,729	-	-	-	-	-	-	-
Unity Foods Limited	448,816	764,108	-	1,212,924	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Total as at June 30, 2023</b>						423,944	416,220	(7,724)			
<b>Total as at June 30, 2022</b>						996,847	701,672	(295,175)			

\* Nil figures due to Rounding off

5.1.1.1 All shares have a face value of Rs 10 each .

5.1.1.2 Net unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss'

Market value of investments  
Less: carrying value of investments

Note

Class B	
2023	2022
----- Rupees in '000 -----	
416,220	701,672
(423,944)	(996,847)
(7,724)	(295,175)

- 5.1.3 The above investments in Class B include shares of the following companies which have been pledged with National Clearing Company of Pakistan for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 of 2007 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan. The details of shares which have been pledged are as follows:

	2023 -- (Number of shares) --	2022	2023 ----- Rupees in '000 -----	2022
Engro Fertilizers Limited	10,000	-	825	-
Habib Bank Limited	63,000	90,000	4,613	8,221
United Bank Limited	100,000	390,000	11,754	44,121
TPL Trakker Limited	100,000	100,000	884	865
Oil & Gas Development Company Limited	140,000	-	10,920	-
Pakistan Petroleum Limited	76,000	-	4,495	-
Lucky Cement Limited	4,000	-	2,088	-
Mari Petroleum Company Limited	3,000	-	4,544	-
Meezan Bank Limited	49,000	-	4,232	-
Maple Leaf Cement Factory Limited	40,000	-	1,133	-
Attock Cement Pakistan Limited	-	100,000	-	6,650
Bank Alfalah Limited	-	100,000	-	3,200
Bank Al Habib Limited	-	100,000	-	5,806
The Hub Power Company Limited	-	300,000	-	20,451
Pakistan State Oil Company Limited	-	135,000	-	23,198
Unity Foods Limited	-	100,000	-	2,007
Mughal Iron & Steel Industries Limited	-	20,000	-	1,153
	<u>585,000</u>	<u>1,435,000</u>	<u>45,488</u>	<u>115,672</u>

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

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

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

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

As at June 30, 2023, the following bonus shares of Class A and Class B have been withheld by certain companies at the time of declaration of bonus shares respectively.

Name of the company	Class A			
	2023		2022	
	----- Bonus shares -----			
	Number of shares withheld	Market value as at June 30, 2023	Number of shares withheld	Market value as at June 30, 2022
	Rupees in '000		Rupees in '000	
Pakistan State Oil Company Limited	85,273	9,466	85,273	14,653

Name of the company	Class B			
	2023		2022	
	----- Bonus shares -----			
	Number of shares withheld	Market value as at June 30, 2023	Number of shares withheld	Market value as at June 30, 2022
	Rupees in '000		Rupees in '000	
The Searle Company Limited	2,376	91	1,901	207
Faysal Bank Limited	8,764	177	8,764	202
TPL Insurance Limited	768	16	569	19
		284		428

## 5.2 Market Treasury Bills - At fair value through profit or loss

Class 'A'											
Particulars	Issue date	Face value				Balance as at June 30, 2023			Market value as a		
		As at July 1, 2022	Purchased during the year	Sold / matured during the year	As at June 30, 2023	Carrying value	Market value	Unrealised appreciation / (diminution)	percentage of		
									net assets	total investments	
----- (Rupees in '000) -----										----- (%) -----	
Market Treasury Bills- 3-months											
Market treasury bills	June 2, 2022	-	130,000,000	130,000,000	-	-	-	-	-	-	
Market treasury bills	August 25, 2022	-	130,000,000	130,000,000	-	-	-	-	-	-	
Market treasury bills	October 6, 2022	-	135,000,000	135,000,000	-	-	-	-	-	-	
Total as at June 30, 2023						<u>-</u>			-	-	
Total as at June 30, 2022						<u>-</u>			-	-	

6	DIVIDEND AND PROFIT RECEIVABLE	Note	-----2023-----			-----2022-----		
			Class A	Class B	Total	Class A	Class B	Total
			-----Rupees in '000-----					
	Profit receivable on bank balances		4,746	2,507	7,253	2,089	2,330	4,419
	Dividend receivable		3,730	96	3,826	2,878	3,111	5,989
			8,476	2,603	11,079	4,967	5,441	10,408

7	ADVANCE AND DEPOSITS							
			2023			2022		
	Security deposits with:							
	- National Clearing Company of Pakistan Limited		-	2,500	2,500	-	2,500	2,500
	- Central Depository Company of Pakistan Limited		100	200	300	100	200	300
	Advance tax	7.1	11	1,119	1,130	11	1,119	1,130
			111	3,819	3,930	111	3,819	3,930

- 7.1 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend and profit on bank deposits paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced by the withholder. The tax withheld on dividends and profit on bank deposits amounts to Rs. 1.130 million (2022: Rs. 1.130 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. A petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgment of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividends and profit on bank deposits has been shown as other receivables as at June 30, 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

## 8 RECEIVABLE FROM HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY

As per SECP's direction No. SCD/PRDD/Direction/18/2016 all AMCs are required to calculate the TER in respect of each CIS to ensure the TER is not in breach of the required maximum percentage. The AMCs are required to adjust the NAV of the CIS on the basis of TER at the end of each Quarter during the financial year for the amount of expenses in excess of the TER limit prescribed in regulation 60(5) of the NBFC Regulations.

During the year ended June 30, 2023, the Fund was in breach of the TER ratio of maximum 4.5% as prescribed under NBFC Regulations for a CIS categorised as equity scheme. As a result the Fund has recorded receivable from Management Company to comply with the TER.

9	PAYABLE TO HBL ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	2023			2022		
			Class A	Class B	Total	Class A	Class B	Total
			Rupees in '000					
	Remuneration payable	9.1	1,827	740	2,567	2,388	1,333	3,721
	Sindh Sales Tax on remuneration of the Management Company	9.2	238	96	334	310	173	483
	Allocation of expenses related to registrar services, accounting, operation and valuation services payable	9.3	670	204	874	876	918	1,794
	Selling and marketing expenses payable	9.4	-	1,200	1,200	-	4,270	4,270
			2,735	2,240	4,975	3,574	6,694	10,268

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 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. During the year, the remuneration is charged at the rate of 1.5% and 2% (2022: 1.5% and 2%) of average annual net assets of the Fund for Class A and Class B, respectively.

9.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

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

The Management Company based on its discretion has charged 0.55% of the average annual net assets of the Fund during the year ended June 30, 2023 (2022: 0.55% for Class A and 0.55% to 1.35% for Class B) for Class A and Class B.

9.4 In accordance with Circular 11 dated July 5, 2019 with respect to charging selling and marketing expenses, the Management Company, based on its own discretion, has charged selling and marketing expenses at the rates Nil (2022: Nil) for Class A and 1.05% (2022: 1.05% to 1.85%) for Class B during the year ended June 30, 2023 while keeping in view the overall return and Total Expense Ratio limit of the Fund as defined under the NBFC Regulations

9.4.1 As per the instructions of SECP via letter No. SCD/AMCW/HBLAML/9/2020 dated October 19, 2020, the Management Company ceased to charge selling and marketing expenses to the certificate holders of Class A with effect from November 01, 2020.

**10 PAYABLE TO THE CENTRAL  
DEPOSITORY COMPANY OF  
PAKISTAN LIMITED - TRUSTEE**

Note	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
Rupees in '000						
10.1	204	74	278	241	134	375
10.2	27	10	37	31	17	49
	-	10	10	-	36	36
	231	94	325	273	187	460

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

The tariff structure applicable to the Fund for the year ended June 30, 2023 and June 30, 2022 is as follows:

Tariff structure	
Net assets (Rs.)	Fee
- Up to Rs 1,000 million	0.02% of the net assets or Rs. 700,000 per annum whichever is higher
- From Rs 1,000 million to Rs 5,000 million	Rs. 2.0 million plus 0.10% exceeding Rs. 1,000 million

10.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2022: 13%) on the remuneration of Trustee through the Sindh Sales Tax on Services Act, 2011.

11	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF 'PAKISTAN	Note	2023			2022		
			Class A	Class B	Total	Class A	Class B	Total
			Rupees in '000					
	Annual fee payable	11.1	354	103	457	428	227	655

- 11.1 In accordance with the NBFC Regulations, 2008, a collective investment scheme is required to pay annual fee to the Securities and Exchange Commission of Pakistan at the rate of 0.02% (2022: 0.02%) per annum of average annual net assets of the Fund.

12	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2023			2022		
			Class A	Class B	Total	Class A	Class B	Total
			Rupees in '000					
	Provision for Federal excise duty payable on the Management Company's remuneration	12.1	-	55,961	55,961	-	55,961	55,961
	Auditors' remuneration		402	137	539	326	182	508
	Security transaction costs		-	43	43	-	362	362
	Brokerage payable		-	706	706	-	-	-
	Withholding tax		5	289	294	26	89	115
	Zakat payable		-	47	47	-	47	47
	Other payables		-	1,063	1,063	-	1,066	1,066
			407	58,246	58,653	352	57,707	58,059

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

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 55.961 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the Net Asset Value of the Fund for Class B would have been higher by Re 0.75 (2022: Re 0.51) per unit.

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2023 and June 30, 2022.

**14 AUDITORS' REMUNERATION**

	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
	Rupees in '000					
Annual audit fee	306	174	480	266	151	417
Half yearly review	89	67	156	77	58	135
Other certifications and out of pocket expenses	39	24	63	69	19	88
Sales tax	35	21	56	32	18	50
	469	286	755	444	246	690

**15 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at June 30, 2023 of is 2.54% and 4.94% (2022: 2.51% and 4.82%) which includes 0.23% and 0.44% (2022: 0.23% and 0.34%) representing government levies on the Fund such as Sales Taxes and annual fee to the SECP etc for Class A and Class B respectively. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Equity Scheme.

**16 TAXATION**

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2023 to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements during the year.

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

**17 EARNINGS / (LOSS) PER UNIT**

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

**18 NUMBER OF UNITS IN ISSUE**

	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
	Number of units in '000					
Total outstanding as of July 01	284,125	110,304	394,429	284,125	135,593	419,718
Add: Issued during the year	-	2,120	2,120	-	5,592	5,592
Less: Redemptions during the year	-	(38,058)	(38,058)	-	(30,881)	(30,881)
Total units in issue as of June 30	284,125	74,366	358,491	284,125	110,304	394,429



## 19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Connected persons / related parties 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 the officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

Transactions with connected persons essentially comprise of sale and redemption of units, fee on account of managing the affairs of the Fund, sales load, other charges and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates. The management considers that the transactions between the related parties / connected persons are executed in accordance with the parameters defined in the offering document, trust deed and the NBFC regulations and hence, the transactions are considered to be on an arm's length basis.

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

Allocated expenses and selling and marketing expenses are charged to the Fund by the Management Company subject to the maximum prescribed Total Expense Ratio.

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

19.1 Transactions during the year	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
	Rupees in '000					
<b>HBL Asset Management Limited</b>						
- Management Company						
Remuneration of the Management Company	26,571	10,335	36,906	32,137	22,689	54,826
Sindh Sales Tax on remuneration of the Management Company	3,454	1,344	4,798	4,178	2,950	7,128
Allocation of expenses related to registrar services, accounting, operation and valuation services	9,743	2,842	12,585	11,783	8,281	20,064
Selling and marketing expense	-	5,426	5,426	-	13,954	13,954
<b>Habib Bank Limited - Sponsor</b>						
Dividend income	-	1,840	1,840	-	4,757	4,757
Bank profit	-	73	73	-	34	34
Redemption of 31,371,160 (2022: 17,290,369) units	-	203,605	203,605	-	115,000	115,000
<b>HBL Micro Finance Bank (formerly The First Microfinance Bank) - Associate</b>						
Bank profit	26,991	286	27,277	-	-	-

	2023			2022		
	Class A	Class B	Total	Class A	Class B	Total
Rupees in '000						
<b>Central Depository Company of Pakistan Limited - Trustee</b>						
Trustee remuneration	2,541	718	3,259	2,746	1,444	4,190
Sindh Sales Tax payable on Trustee remuneration	330	93	423	410	216	626
CDC connection charges	904	216	1,120	904	282	1,186
<b>MCB Bank Limited - Connected Person due to holding more than 10% units</b>						
Bank profit	24	21,849	21,872	10	9,982	9,992
Dividend income	-	1,515	1,515	-	3,476	3,476
<b>Directors and Executives of the Management Company</b>						
Issuance of Nil (2022: 100,000) units	-	-	-	-	854	854
Redemption of Nil (2022: 305,885) units	-	-	-	-	2,890	2,890
<b>HBL Islamic Equity Fund- Fund under common management</b>						
Purchase of 100,000 ACPL Equity Securities	-	-	-	-	13,676	13,676
<b>19.2 Balances outstanding at the year end</b>						
<b>HBL Asset Management Limited - Management Company</b>						
Management remuneration payable	1,827	740	2,567	2,388	1,333	3,721
Sindh Sales Tax payable on Management remuneration payable	238	96	334	310	173	483
Allocation of expenses related to registrar services, accounting, operation and valuation services payable	670	204	874	876	918	1,794
Selling and marketing expense payable	-	1,200	1,200	-	4,270	4,270
<b>Habib Bank Limited - Sponsor</b>						
Outstanding 48,662,161 (2022: 48,662,161) units	75,426	-	75,426	97,324	-	97,324
Outstanding 373 (2022: 31,371,533) units	-	2	2	-	202,867	202,867
Bank balance	-	580	580	-	507	507
<b>HBL Micro Finance Bank (formerly The First Microfinance Bank) - Associate</b>						
Bank balance	43,610	695	44,305	-	8	8
Profit receivable	3,219	105	3,324	-	-	-

**CDC - Trustee National Investment  
(Unit) Trust**

Outstanding 10,108,128  
(2022: 10,108,128) units

2023			2022		
Class A	Class B	Total	Class A	Class B	Total

Rupees in '000

15,668	-	15,668	20,216	-	20,216
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**Directors and Executives of the  
Management Company**

Outstanding 26,195  
(2022: 26,195) units

Outstanding 26,812  
(2022: 26,812) units

41	-	41	52	-	52
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-	163	163	-	173	173
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**FINANCIAL INSTRUMENTS BY CATEGORY**

**Financial assets**

Bank balances  
Investments  
Dividend and profit receivable  
Deposits

Class A		
2023		
At amortised cost	At fair value through other comprehensive income	Total

Rupees in '000

266,918	-	266,918
-	1,233,972	1,233,972
8,476	-	8,476
100	-	100
275,494	1,233,972	1,509,466

**Financial liabilities**

Payable to HBL Asset Management Limited -  
Management Company  
Payable to the Central Depository Company of  
Pakistan Limited - Trustee  
Accrued expenses and other liabilities  
Dividend payable

2,735	-	2,735
231	-	231
402	-	402
113,650	-	113,650
117,018	-	117,018

**Financial assets**

Bank balances  
Investments  
Dividend and profit receivable  
Receivable against sale of investments  
Deposits  
Receivable from HBL Asset Management Limited - Management Company

Class B		
2023		
At amortised cost	At fair value through profit or loss	Total

Rupees in '000

161,912	-	161,912
-	416,220	416,220
2,603	-	2,603
23,625	-	23,625
2,700	-	2,700
2,654	-	2,654
193,494	416,220	609,714

**Financial liabilities**

Payable to HBL Asset Management Limited -  
Management Company  
Payable to the Central Depository Company of  
Pakistan Limited - Trustee  
Accrued expenses and other liabilities  
Unclaimed dividend

2,240	-	2,240
94	-	94
1,948	-	1,948
85,285	-	85,285
89,567	-	89,567

**Financial assets**

Bank balances
Investments
Dividend and profit receivable
Deposits

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Accrued expenses and other liabilities

Class A		
2022		
At amortised cost	At fair value through other comprehensive income	Total
Rupees in '000		
154,016	-	154,016
-	1,843,635	1,843,635
4,967	-	4,967
100	-	100
159,083	1,843,635	2,002,718
3,574	-	3,574
273	-	273
326	-	326
4,173	-	4,173

**Financial assets**

Bank balances
Investments
Dividend and profit receivable
Receivable against sale of investments
Deposits

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company
Payable to the Central Depository Company of Pakistan Limited - Trustee
Accrued expenses and other liabilities
Unclaimed dividend

Class B		
2022		
At amortised cost	At fair value through profit or loss	Total
Rupees in '000		
148,160	-	148,160
-	701,672	701,672
5,441	-	5,441
4,384	-	4,384
2,700	-	2,700
160,685	701,672	862,357
6,694	-	6,694
187	-	187
1,610	-	1,610
85,372	-	85,372
93,863	-	93,863

**21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

## **21.1 Market risk**

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

The Management Company manages the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

Market risk comprises of three types of risks: yield / interest rate risk, currency risk, and price risk.

### **(i) Yield / interest rate risk**

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2023, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

Presently, the Fund holds bank balances which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in applicable rates on the last repricing date with all other variables held constant, the net profit and net assets of the Class A for the year ended would have been higher / lower by Rs. 2.67 million (2022: Rs. 1.54 million) and the net loss and net assets of the Class B for the year ended would have been higher / lower by Rs. 1.62 million (2022: Rs. 1.48 million).

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

As at 30 June 2023, the Fund does not hold any fixed rate instrument that may expose the Fund to fair value interest rate risk.

The composition of the Fund's investment portfolio and profit rates are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2023 can be determined as follows:

**CLASS - A**

CLASS - A	As at June 30, 2023					
	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
On-balance sheet financial instruments						
Financial assets						
Bank balances	8% to 22.25%	266,918	-	-	-	266,918
Investments		-	-	-	1,233,972	1,233,972
Dividend and profit receivable		-	-	-	8,476	8,476
Deposits		-	-	-	100	100
		266,918	-	-	1,242,548	1,509,466
Financial liabilities						
Payable to HBL Asset Management Limited - Management Company		-	-	-	2,735	2,735
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	231	231
Accrued expenses and other liabilities		-	-	-	402	402
Dividend payable		-	-	-	113,650	113,650
		-	-	-	117,018	117,018
On-balance sheet gap (a)		266,918	-	-	1,125,530	1,392,448
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a+b)		266,918	-	-		
Cumulative interest rate sensitivity gap		266,918	266,918	266,918		

**CLASS - B**

CLASS - B

-----As at June 30, 2023-----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one	More than one year		
%	-----Rupees in '000-----				
On-balance sheet financial instruments					
Financial assets					
Bank balances	8% to 22.25%	161,912	-	-	161,912
Investments		-	-	416,220	416,220
Dividend and profit receivable		-	-	2,603	2,603
Receivable against sale of investments		-	-	23,625	23,625
Deposits		-	-	2,700	2,700
Receivable from HBL Asset Management Limited - Management Company		-	-	2,654	2,654
		161,912	-	447,802	609,714
Financial liabilities					
Payable to HBL Asset Management Limited - Management Company		-	-	2,240	2,240
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	94	94
Accrued expenses and other liabilities		-	-	1,948	1,948
Unclaimed dividend		-	-	85,285	85,285
		-	-	89,567	89,567
On-balance sheet gap (a)		161,912	-	358,234	520,146
Off-balance sheet financial instruments		-	-	-	-
Off-balance sheet gap (b)		-	-	-	-
Total interest rate sensitivity gap (a+b)		161,912	-	-	-
Cumulative interest rate sensitivity gap		161,912	161,912	161,912	-

**CLASS - A**

-----As at June 30, 2022-----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one	More than one year		
%	----- Rupees in '000 -----				
5.35% to 17.35%	154,016	-	-	-	154,016
	-	-	-	1,843,635	1,843,635
	-	-	-	4,967	4,967
	-	-	-	100	100
	154,016	-	-	1,848,702	2,002,718
	-	-	-	3,574	3,574
	-	-	-	273	273
	-	-	-	326	326
	-	-	-	4,173	4,173
	154,016	-	-	1,844,529	1,998,545
	-	-	-	-	-
	-	-	-	-	-
	154,016	-	-		
	154,016	154,016	154,016		

**CLASS - B**

-----As at June 30, 2022-----					
Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		
%	----- Rupees in '000 -----				
5.35% to 17.35%	148,160	-	-	-	148,160
	-	-	-	701,672	701,672
	-	-	-	5,441	5,441
	-	-	-	4,384	4,384
	-	-	-	2,700	2,700
	148,160	-	-	714,197	862,357
	-	-	-	6,694	6,694
	-	-	-	187	187
	-	-	-	1,610	1,610
	-	-	-	85,372	85,372
-	-	-	93,863	93,863	
148,160	-	-	620,334	768,494	
-	-	-	-	-	
-	-	-	-	-	
148,160	-	-			
148,160	148,160	148,160			

**(ii) Currency risk**

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

**(iii) Price risk**

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

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed. The NBFC Regulations, 2008 also limit individual equity securities to no more than 10% of net assets and issued capital of the investee company and sector exposure limit to 35% of the net assets.

In case of 5% increase/decrease in the fair value of the Fund's Class A equity securities on June 30, 2023, net assets of the Fund would have decreased / increased by Rs. 61.699 million (2022: Rs. 92.182 million) as a result of losses / gains on equity securities in 'at fair value through other comprehensive income' category, with corresponding effect on other comprehensive income reported in 'statement of comprehensive income'.

In case of 5% increase/decrease in the fair value of the Fund's Class B equity securities on June 30, 2023, net assets of the Fund would have increased / decreased by Rs. 20.811 million (2022: Rs. 35.083 million) as a result of gains/losses on equity securities in 'fair value through profit and loss' category, with corresponding effect on operating income reported in 'Income statement'.

The analysis is based on the assumption that 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 100 Index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

**21.2 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 to the Fund.

The Fund is exposed to daily settlement of equity securities and daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has a policy to invest the majority of its assets in investments that are traded in an active market and can be readily disposed off. The Fund's listed securities are considered readily realisable, as they are listed on the Pakistan Stock Exchange Limited.



The Fund is not materially exposed to liquidity risk as all obligations / commitments of the Fund are short-term in nature and are restricted to the extent of available liquidity and significant assets of the Fund are readily disposable in the market.

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

----- Class A -----						
----- 2023 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
<b>Financial assets</b>						
Bank balances	266,918	-	-	-	-	266,918
Investments	-	-	-	-	1,233,972	1,233,972
Dividend and profit receivable	8,476	-	-	-	-	8,476
Deposits	-	-	-	-	100	100
	275,394	-	-	-	1,234,072	1,509,466
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company	2,735	-	-	-	-	2,735
Payable to the Central Depository Company of Pakistan Limited - Trustee	231	-	-	-	-	231
Accrued expenses and other liabilities	-	402	-	-	-	402
Dividend payable	113,650	-	-	-	-	113,650
	116,616	402	-	-	-	117,018
<b>Net financial assets / (liabilities)</b>	158,778	(402)	-	-	1,234,072	1,392,448

----- Class B -----						
----- 2023 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
----- Rupees in '000 -----						
<b>Financial assets</b>						
Bank balances	161,912	-	-	-	-	161,912
Investments	-	-	-	-	416,220	416,220
Dividend and profit receivable	2,603	-	-	-	-	2,603
Receivable against sale of investments	23,625	-	-	-	-	23,625
Deposits	-	-	-	-	2,700	2,700
Receivable from HBL Asset Management Company - Management Company	2,654	-	-	-	-	2,654
	190,794	-	-	-	418,920	609,714
<b>Financial liabilities</b>						
Payable to HBL Asset Management Limited - Management Company	2,240	-	-	-	-	2,240
Payable to the Central Depository Company of Pakistan Limited - Trustee	94	-	-	-	-	94
Accrued expenses and other liabilities	1,812	137	-	-	-	1,948
Unclaimed dividend	85,285	-	-	-	-	85,285
	89,431	137	-	-	-	89,567
<b>Net financial assets / (liabilities)</b>	101,363	(137)	-	-	418,920	520,146

**Financial assets**

Bank balances	154,016	-	-	-	-	-	154,016
Investments	-	-	-	-	-	1,843,635	1,843,635
Dividend and profit receivable	4,967	-	-	-	-	-	4,967
Deposits	-	-	-	-	-	100	100
	158,983	-	-	-	-	1,843,735	2,002,718

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company	3,574	-	-	-	-	-	3,574
Payable to the Central Depository Company of Pakistan Limited - Trustee	273	-	-	-	-	-	273
Accrued expenses and other liabilities	-	326	-	-	-	-	326
	3,847	326	-	-	-	-	4,173

**Net financial assets / (liabilities)**

Class A						
2022						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
154,016	-	-	-	-	-	154,016
-	-	-	-	-	1,843,635	1,843,635
4,967	-	-	-	-	-	4,967
-	-	-	-	-	100	100
158,983	-	-	-	-	1,843,735	2,002,718
3,574	-	-	-	-	-	3,574
273	-	-	-	-	-	273
-	326	-	-	-	-	326
3,847	326	-	-	-	-	4,173
155,136	(326)	-	-	-	1,843,735	1,998,545

**Financial assets**

Bank balances	148,160	-	-	-	-	-	148,160
Investments	-	-	-	-	-	701,672	701,672
Dividend and profit receivable	5,441	-	-	-	-	-	5,441
Receivable against sale of investments	4,384	-	-	-	-	-	4,384
Deposits	-	-	-	-	-	2,700	2,700
	157,985	-	-	-	-	704,372	862,357

**Financial liabilities**

Payable to HBL Asset Management Limited - Management Company	6,694	-	-	-	-	-	6,694
Payable to the Central Depository Company of Pakistan Limited - Trustee	187	-	-	-	-	-	187
Accrued expenses and other liabilities	1,428	182	-	-	-	-	1,610
Unclaimed dividend	85,372	-	-	-	-	-	85,372
	93,681	182	-	-	-	-	93,863

**Net financial assets / (liabilities)**

Class B						
2022						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
148,160	-	-	-	-	-	148,160
-	-	-	-	-	701,672	701,672
5,441	-	-	-	-	-	5,441
4,384	-	-	-	-	-	4,384
-	-	-	-	-	2,700	2,700
157,985	-	-	-	-	704,372	862,357
6,694	-	-	-	-	-	6,694
187	-	-	-	-	-	187
1,428	182	-	-	-	-	1,610
85,372	-	-	-	-	-	85,372
93,681	182	-	-	-	-	93,863
64,304	(182)	-	-	-	704,372	768,494

## 21.3 Credit risk

21.3.1 Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Fund by failing to discharge its obligation as it falls due. The table below analyses the Fund's maximum exposure to credit risk:

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

	2023		2022	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
Rupees in '000				
<b>CLASS A</b>				
Bank balances	266,918	266,918	154,016	154,016
Investments	1,233,972	-	1,843,635	-
Dividend and profit receivable	8,476	8,476	4,967	4,967
Deposits	100	100	100	100
	1,509,466	275,494	2,002,718	159,083

2023		2022	
Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
----- Rupees in '000 -----			

#### CLASS B

Bank balances	161,912	161,912	148,160	148,160
Investments	416,220	-	701,672	-
Dividend and profit receivable	2,603	2,603	5,441	5,441
Receivable against sale of investments	23,625	23,625	4,384	4,384
Deposits	2,700	2,700	2,700	2,700
Receivable from HBL Asset Management Limited - Management Company	2,654	2,654	-	-
	<u>609,714</u>	<u>193,494</u>	<u>862,357</u>	<u>160,685</u>

The maximum exposure to credit risk before any credit enhancement as at June 30, 2023 is the carrying amount of the financial assets. The difference is because of investment in equity securities which are not exposed to credit risk.

There is a possibility of default by participants or failure of the financial market / stock exchanges, the depositories, the settlements or clearing systems, etc. Settlement risk on equity securities is considered minimal because of inherent controls established in the settlement process. The Fund's policy is to enter into financial contracts in accordance with internal risk management policies and instruments guidelines approved by the Investment Committee.

### 21.3.2 Credit quality of financial assets

The Fund's significant credit risk (excluding credit risk relating to settlement of equity securities) arises mainly on account of its placements in banks and profit accrued thereon, dividend receivable and receivable against sale of units. The credit rating profile of balances with banks is as follows:

Rating category	Class A		Class B	
	2023	2022	2023	2022
AAA	0.11%	0.01%	26.07%	15.47%
A+	3.17%	0.05%	0.13%	-
AA-	14.24%	0.18%	0.75%	1.20%
A-	0.47%	7.56%	0.01%	0.78%
	<u>17.99%</u>	<u>7.80%</u>	<u>26.96%</u>	<u>17.45%</u>

### 21.3.3 Concentration of credit risk

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

The Fund does not have any collateral against any of the aforementioned assets.

## 22 FAIR VALUE MEASUREMENT

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

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

### Fair value hierarchy

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

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

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

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

As at June 30, 2023 and June 30, 2022, the Fund held the following financial instruments measured at fair values:

#### Financial assets 'at fair value through Other Comprehensive Income'

Quoted equity securities

Class 'A			
2023			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			

1,233,972	-	-	1,233,972
-----------	---	---	-----------

#### Financial assets 'at fair value through profit or loss'

Quoted equity securities

Class 'B			
2023			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			

416,220	-	-	416,220
---------	---	---	---------

**Financial assets 'at fair value through  
Other Comprehensive Income'**

Quoted equity securities

Class 'A'			
2022			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			
1,843,635	-	-	1,843,635

**Financial assets 'at fair value through  
profit or loss'**

Quoted equity securities

Class 'B'			
2022			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			
701,672	-	-	701,672

## 23 UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund has no restriction on the subscription and redemption of units. As required under the NBFC Regulations, 2008 every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has historically maintained and complied with the requirement of minimum fund size at all times.

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

In accordance with the risk management policies as stated in note 21, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

## 24 UNIT HOLDING PATTERN OF THE FUND

-----Class A-----				
-----As at June 30, 2023-----				
Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000				
Associated Companies and Directors	7	49,030,810	240,231	17.26%
NIT and ICP	19	40,900	200	0.01%
Banks, DFI and NBF	25	76,366,997	374,168	26.88%
Insurance Companies	13	5,752,267	28,184	2.02%
Mutual Funds	1	4,748	23	-
Individual	14676	124,379,389	609,410	43.78%
Foreign Individual	146	13,636,511	66,813	4.80%
Others	84	14,907,294	73,040	5.25%
Modarabas	4	6,084	30	-
	14,975	284,125,000	1,392,099	100%

-----Class B-----				
-----As at June 30, 2023-----				
Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000				
Associated Companies and Directors	6	483,050	2,931	0.65%
Individuals	14,557	51,774,985	314,160	69.62%
NBFCs	12	5,912,073	35,873	7.95%
Bank/DFIs	5	518,744	3,148	0.70%
Director	15	7,808,436	47,380	10.50%
Trust	12	5,868,573	35,610	7.89%
Retirement Funds	5	1,419,199	8,611	1.91%
other	102	575,316	3,491	0.78%
Foreign Individuals	1	5,121	31	-
	14,715	74,365,497	451,235	100%

-----Class A-----				
-----As at June 30, 2022-----				
Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000				
Individuals	14,741	125,392,674	881,821	40.30%
Associated Companies and Directors	7	49,030,810	344,808	21.09%
Insurance Companies	13	5,752,267	40,453	2.02%
NBFCs	20	45,648	321	0.02%
Bank/DFIs	25	76,299,497	536,574	26.85%
Modarabas	4	6,084	43	0.00%
Foreign individuals	149	12,668,518	89,091	4.46%
Others	93	14,929,502	104,991	5.26%
	15,052	284,125,000	1,998,102	100%

-----Class B-----				
-----As at June 30, 2022-----				
Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000				
Individuals	14,469	56,762,916	367,063	51.40%
Associated Companies and Directors	7	31,854,210	205,988	28.94%
Insurance companies	12	5,912,073	38,231	5.36%
NBFCs	12	5,971,516	38,615	5.41%
Bank/DFIs	15	7,808,436	50,494	7.08%
Modarabas	5	1,419,199	9,177	1.29%
Foreign individuals	98	575,316	3,721	0.52%
	14,618	110,303,665	713,289	100%

25

**LIST OF TOP TEN BROKERS BY PERCENTAGE OF COMMISSION PAID**

-----2023-----	-----2022-----
Name of broker	Name of broker
Intermarket Securities Limited	Multiline Securities Limited
Ismail Iqbal Securities Private Limited	Intermarket Securities Limited
AL Falah CLSA Securities Private Limited	Spectrum Securities Private Limited
Chase Securities Pakistan Private Limited	IGI Finex Securities Limited
Sherman Securities Private Limited	DJM Securities Limited
EFG Hermes Pakistan Limited	AKD Securities Limited
DJM Securities Limited	Fortune Securities Limited
KTrade Securities Limited (Formerly) Khadim Ali Shah B	KTrade Securities Ltd (Formerly) Khadim Ali Shah B
JS Global Capital Limited	WE Financial Services Limited
Arif Habib Limited	JS Global Capital Limited

## 26 DETAILS OF MEMBERS OF THE INVESTMENT COMMITTEE

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. No.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	24 + years
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27 + years
3	Wamiq Sakrani	Head of Fixed Income	MBA	13 + years
4	Imad Ansari	Head of Risk	MBA	16 + years
5	Umair Naseer	Head of Research	MBA	10 + years
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15 years
7	Raza Abbas	Senior Fund Manager	M.Com	20 years
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7 + years

## 27 MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of director	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29, 2022, January 16, 2023, January 23, 2023 and February 13, 2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19, 2022

## 28 GENERAL

- 28.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosures.
- 28.2 Figures have been rounded off to the nearest thousand rupees.
- 28.3 Units have been rounded off to the nearest decimal place.

## 29 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 25, 2023.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



**HBL** Financial Sector  
Income Fund



<b>NAME OF FUND</b>	<b>FINANCIAL SECTOR INCOME FUND</b>
<b>NAME OF AUDITOR</b>	Yousuf Adil, Chartered Accountants
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited.
<b>NAME OF BANKERS</b>	Habib Bank Limited Soneri Bank Limited Allied Bank Limited Bank Alfalah Limited Finca Microfinance Bank Limited HBL Microfinance Bank Limited Khushali Microfinance Bank Limited Meezan Bank Limited Mobilink Microfinance Bank Limited U Microfinance Bank Limited

**FUND MANAGER'S REPORT – HBL FINANCIAL SECTOR INCOME FUND PLAN - 1**

**Type and Category of Fund**

Open end Income Fund

**Investment Objective and Accomplishment of Objective**

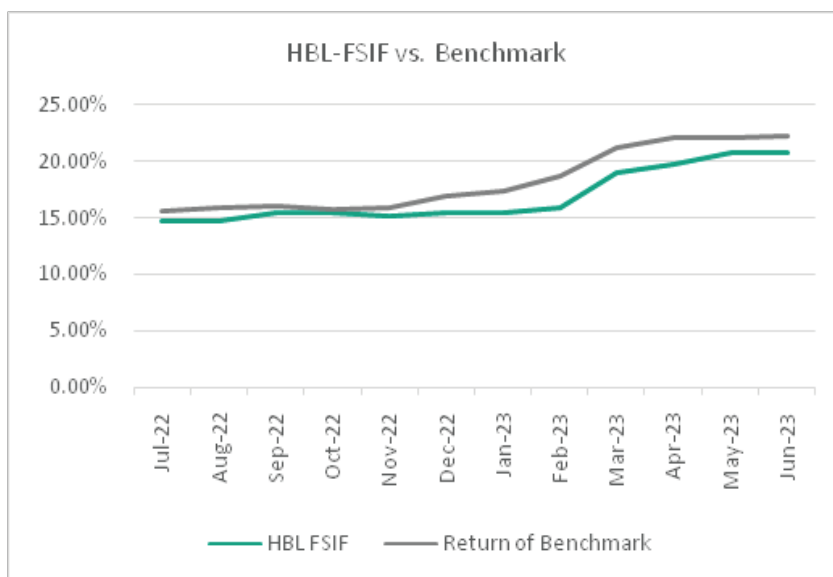
The objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs/Sukuks, Bank deposits and short-term money market instruments.

**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is average six month KIBOR Offer rate.

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

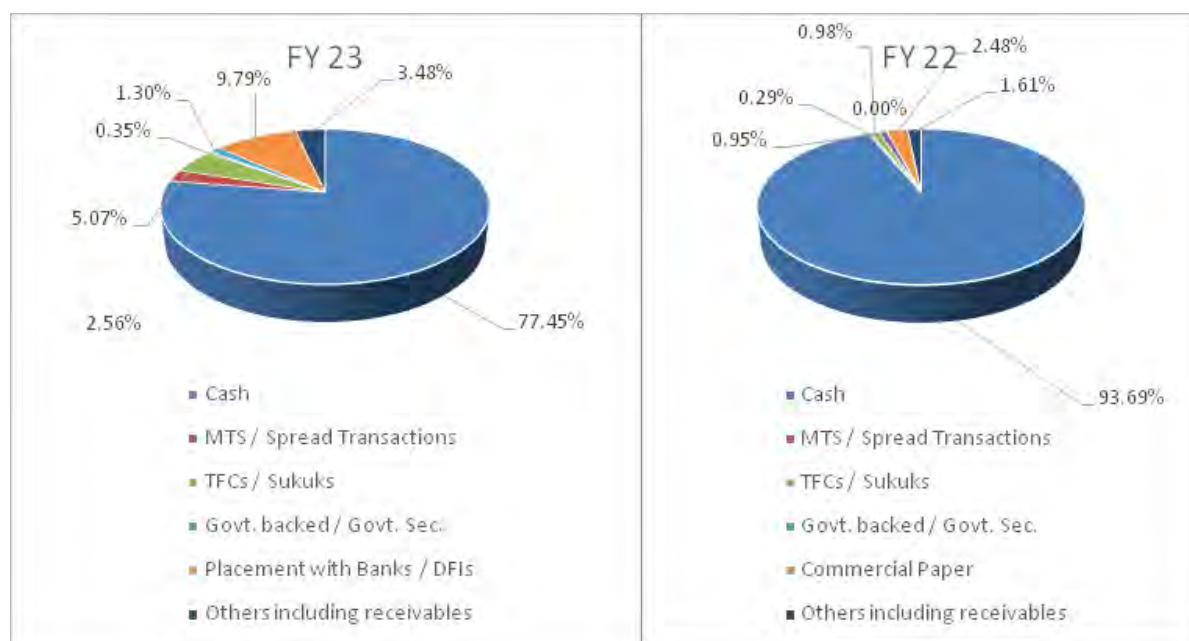
Month	HBL-FSIF	Benchmark
Jun-23	20.71%	22.24%
May-23	20.78%	22.08%
Apr-23	19.69%	22.09%
Mar-23	19.00%	21.20%
Feb-23	15.90%	18.73%
Jan-23	15.54%	17.38%
Dec-22	15.42%	17.00%
Nov-22	15.18%	15.96%
Oct-22	15.48%	15.82%
Sep-22	15.50%	16.05%
Aug-22	14.74%	15.96%
Jul-22	14.73%	15.64%



**Strategies and Policies employed during the Year**

During the year under review, HBL Financial Sector Income Fund – Plan 1 was able to retain the size of PKR 27.4bn. As at June end, combined exposure in Financial Sector Placements combined with bank deposits accounted for 82.52% of the total assets, MTS/ Spread transactions and TFCs/ Sukuk accounted for 2.56% and 5.07% of the portfolio. In order to capture the benefit from the increasing interest rates, fund invested majority of the amount in Cash with Commercial Banks and Micro Finance Banks.

## Asset Allocation



## Fund Performance

The total income and net income of the Fund was Rs. 5.02 billion and Rs. 4.66 billion respectively during the period ended June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 100.8692 per unit as on June 30, 2023 (after incorporating dividends of Rs. 16.0773 per unit), as compared to Rs. 100.0454 per unit as on June 30, 2022, thereby giving an annualized return of 18.26%. During the same period, the benchmark (6 Month KIBOR) return was 18.33%. The size of Fund was Rs. 27.43 billion as on June 30, 2023 as compared to Rs. 45.83 billion as at start of the year.

## Money Market Review

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

## Distribution

The Fund has distributed cash dividend up-to Rs. 16.0773 per unit for the year ended June 30, 2023.

## 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	119	1,150
101 – 500	59	12,059
501 – 1,000	36	25,531
1,001 – 10,000	281	1,259,880
10,001 – 100,000	460	16,846,002
100,001 – 500,000	185	40,260,927
500,001 – 1,000,000	33	22,238,121
1,000,001 – 5,000,000	30	61,428,087
5,000,001 and above	5	129,909,012
<b>Total</b>	<b>1,208</b>	<b>271,980,769</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

**PERFORMANCE TABLE –  
FINANCIAL SECTOR INCOME FUND**  
As at June 30, 2023

	2023	2022
Net assets at the period end (Rs'000)	27,434,480	45,830,084
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>		
Redemption	100.8692	100.0454
Offer	103.1488	102.3064
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>		
Highest offer price per unit	104.3315	103.4676
Lowest offer price per unit	100.3036	100.0000
Highest redemption price per unit	102.0257	101.1809
Lowest redemption price per unit	100.0454	100.0000
<b>RETURN ( % )</b>		
Total return	18.26%	13.26%
Income distribution	16.07%	5.77%
Capital growth	2.19%	7.49%
<b>DISTRIBUTION</b>		
First Interim dividend distribution (Rs)	-	-
Date of Income Distribution		
Second Interim dividend distribution (Rs)	-	-
Date of Income Distribution		
Third Interim dividend distribution (Rs)	-	-
Date of Income Distribution		
Final dividend distribution (Rs)	16.0773	5.7692
Date of Income Distribution	Various dates	Various dates
Total dividend distribution for the year/ period (Rs)	16.0773	5.7692
<b>AVERAGE RETURNS ( % )</b>		
Average annual return 1 year	18.26%	13.26%
Weighted average portfolio during (No. of days)	188	5
<b>PORTFOLIO COMPOSITION - (%)</b>		
Percentage of Total Assets as at 30 June:		
Bank Balances	77.45%	93.69%
TFCs	5.07%	0.98%
PIBs	1.30%	0.00%
Tbill	0.35%	0.95%
Placement with Banks and DFIs	9.79%	0.00%
MTS / Spread Transaction	2.56%	0.29%
Commercial Paper	0.00%	2.48%
Others Including receivables	3.48%	1.61%

**Note:**

The Launch date of the Fund is January 18, 2022

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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Karachi - 74400, Pakistan  
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Fax: (92-21) 34326021 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL FINANCIAL SECTOR INCOME FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Financial Sector Income Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023





## INDEPENDENT AUDITOR'S REPORT

To the unit holders of HBL Financial Sector Income Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **HBL Financial Sector Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and HBL Asset Management Limited (Management Company) in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<b>Valuation and existence of investments</b>  As disclosed in note 6.1 to the financial statements, investments held at fair value through profit or loss (FVTPL) amounted to Rs.2,303.59 million and in note 6.3 investments held at amortised cost amounted to Rs.2,730 million as at June 30, 2023, consisting of corporate sukuk bonds, Pakistan investment bonds, market treasury bills, investment in listed equity securities (spread based transaction) and Letter of placement, which represent significant item on the statement of assets and liabilities of the Fund.	We performed the following procedures during our audit of investments: <ul style="list-style-type: none"> <li>evaluated design and implementation of controls in place related to purchases and sales of investments;</li> <li>independently tested valuations to ensure that the investments are valued as per the valuation methodology disclosed in the accounting policies;</li> <li>Independently matched securities held by the Fund with the securities appearing in the CDC account statement and Investor Portfolio Securities account statement;</li> </ul>



S. No.	Key audit matter	How the matter was addressed in our audit
	We have identified the existence and valuation as the significant areas during our audit of investment.	<ul style="list-style-type: none"> <li>tested purchases and sales on a sample basis to obtain evidence regarding movement of the securities.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management Company and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
Chartered Accountants

**Place:** Karachi

**Date:** September 25, 2023

**UDIN:** AR202310057mTlof1e0z

**HBL Financial Sector Income Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2023*

		June 30, 2023	June 30, 2022
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Bank balances	5	21,368,472	43,918,633
Investments	6	5,034,081	2,047,101
Receivable against margin trading system		705,005	123,160
Profit / markup receivable	7	475,127	251,794
Deposits and prepayments	8	5,020	4,229
<b>TOTAL ASSETS</b>		<b>27,587,705</b>	<b>46,344,917</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	36,617	38,439
Payable to the Trustee	10	1,828	3,063
Payable to Securities and Exchange Commission of Pakistan	11	5,639	2,776
Payable against purchase of Investment		895	351,029
Accrued expenses and other liabilities	12	108,246	119,526
<b>TOTAL LIABILITIES</b>		<b>153,225</b>	<b>514,833</b>
<b>NET ASSETS</b>		<b>27,434,480</b>	<b>45,830,083</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND)</b>			
		<b>27,434,480</b>	<b>45,830,083</b>
<b>Contingencies and commitments</b>			
	13	----- (Number of units) -----	
<b>Number of units in issue</b>	14	<b>271,980,769</b>	<b>458,092,829</b>
		----- (Rupees in '000) -----	
<b>Net assets value per unit</b>		<b>100.8692</b>	<b>100.0454</b>

The annexed notes 1 to 29 form an integral part of this financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

# HBL Financial Sector Income Fund

## Income Statement

For the year ended June 30, 2023

		June 30, 2023	For the period from January 18, 2022 to June 30, 2022
	Note	----- (Rupees in '000) -----	
<b>INCOME</b>			
Capital (loss) / gain on sale of investments - net		(13,831)	810
Markup from market treasury bills		121,583	3,019
Markup from corporate sukuk bonds		215,976	19,517
Markup from Pakistan Investment Bonds		276,382	-
Markup from commercial papers and term deposit receipts		207,104	32,779
Markup from margin trading system		92,459	2,738
Profit on bank deposit		4,073,719	1,909,401
		4,973,392	1,968,264
Unrealised gain on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.2	47,209	429
		5,020,601	1,968,693
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	174,091	60,581
Sindh Sales Tax on remuneration of the Management Company	9.2	22,632	7,876
Remuneration of the Trustee	10.1	21,146	10,410
Sindh Sales Tax on remuneration of the Trustee	10.2	2,749	1,353
Annual fee to Securities and Exchange Commission of Pakistan	11.1	5,639	2,776
Selling and marketing expenses	9.4	63,050	22,525
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	63,050	22,525
Securities transaction costs and settlement charges		9,115	422
Fees and Subscription		100	195
Auditors' remuneration	15	503	368
Bank charges		722	266
Formation Cost		158	72
		362,955	129,369
<b>Net income for the year / period from operating activities</b>		4,657,646	1,839,324
<b>Net income for the year / period before taxation</b>		4,657,646	1,839,324
Taxation	16	-	-
<b>Net income for the year / period after taxation</b>		4,657,646	1,839,324
<b>Allocation of net income for the year / period</b>			
Net income for the year / period after taxation		4,657,646	1,839,324
Income already paid on units redeemed		(1,168,680)	(501,032)
		3,488,966	1,338,292
<b>Accounting income available for distribution:</b>			
Relating to capital gains		25,002	901
Excluding capital gains		3,463,964	1,337,391
		3,488,966	1,338,292
<b>Earnings per unit</b>	17		

The annexed notes 1 to 29 form an integral part of this financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

	<b>June 30, 2023</b>	<b>For the period from January 18, 2022 to June 30, 2022</b>
	----- (Rupees in '000) -----	
Net income for the year / period after taxation	<b>4,657,646</b>	1,839,324
Other comprehensive income for the year / period	-	-
<b>Total comprehensive income for the year / period</b>	<b>4,657,646</b>	<b>1,839,324</b>

The annexed notes 1 to 29 form an integral part of this financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL Financial Sector Income Fund**  
**Statement of Movement In Unitholders' Fund**  
For the year ended June 30, 2023

	June 30, 2023			For the period from January 18, 2022 to June 30, 2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the period	45,819,471	10,612	45,830,083	-	-	-
Issuance of 1,746,391,640 units (2022: 1,312,476,537 units)						
Capital value (at net asset value per unit at the beginning of the year)	175,598,101	-	175,598,101	131,247,654	-	131,247,654
Element of income	445,558	-	445,558	811,622	-	811,622
Total proceeds on issue of units	176,043,659	-	176,043,659	132,059,276	-	132,059,276
Redemption of 1,932,503,700 (2022: 854,383,708 units)						
Capital value (at net asset value per unit at the beginning of the year)	(193,338,106)	-	(193,338,106)	(85,438,371)	-	(85,438,371)
Income already paid on redemption of units	-	(1,168,680)	(1,168,680)	-	(501,032)	(501,032)
Element of loss	(415,093)	-	(415,093)	(132,859,58)	-	(132,860)
Total payments on redemption of units	(193,753,199)	(1,168,680)	(194,921,879)	(85,571,231)	(501,032)	(86,072,263)
Total comprehensive income for the year	-	4,657,646	4,657,646	-	1,839,324	1,839,324
Distribution during the year	-	(3,295,378)	(3,295,378)	-	(1,327,680)	(1,327,680)
Refund of capital	(879,651)	-	(879,651)	(668,574)	-	(668,574)
	(879,651)	1,362,268	482,617	(668,574)	511,644	(156,930)
Net assets at end of the year	27,230,280	204,200	27,434,480	45,819,471	10,612	45,830,083
Undistributed income brought forward						
Realised income		10,183			-	
Unrealised gain / (loss)		429			-	
		10,612				
Accounting income available for distribution						
Relating to capital gains		25,002			901	
Excluding capital gains		3,463,964			1,337,391	
		3,488,966			1,338,292	
Distribution during the year		(3,295,378)			(1,327,680)	
Undistributed income carried forward		193,588			10,612	
Undistributed income carried forward						
Realised income		146,379			10,183	
Unrealised income		47,209			429	
		193,588			10,612	
			Rupees			Rupees
Net assets value per unit at end of the year		100.8692			100.0454	

The annexed notes 1 to 29 form an integral part of this financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

# HBL Financial Sector Income Fund

## Statement of Cash Flow

For the year ended June 30, 2023

	June 30, 2023	For the period from January 18, 2022 to June 30, 2022
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year / period before taxation	4,657,646	1,839,324
Adjustments for:		
Capital loss / (gain) on sale of investments - net	13,831	(810)
Markup from market treasury bills	(121,583)	(3,019)
Markup from Pakistan Investment Bonds	(276,382)	-
Markup from corporate sukuk bonds	(215,976)	(19,517)
Markup from commercial papers and term deposit receipts	(207,104)	(32,779)
Markup from margin trading system	(92,459)	(2,738)
Profit on bank deposit	(4,073,719)	(1,909,401)
Unrealised gain on re-measurement of investments classified as financial asset at fair value through profit or loss - net	(47,209)	(429)
	(362,955)	(129,369)
<b>(Increase) / Decrease in assets</b>		
Investments - net	(2,953,602)	(2,045,862)
Receivable against margin trading system	(581,845)	(123,160)
Deposits and prepayments	(791)	(4,229)
	(3,536,238)	(2,173,251)
<b>Increase / (Decrease) in liabilities</b>		
Payable to the Management Company	(1,822)	38,439
Payable to the Trustee	(1,235)	3,063
Payable to the Securities and Exchange Commission of Pakistan	2,863	2,776
Payable against purchase of investment	(350,134)	351,029
Accrued expenses and other liabilities	(11,280)	119,526
	(361,608)	514,833
<b>Cash used in operations</b>	(4,260,801)	(1,787,787)
Income from market treasury bills	121,583	3,019
Income received from corporate sukuk bonds	218,813	-
Income received from commercial papers and term deposit receipts	207,095	32,779
Income received from margin trading system	84,961	1,272
Income received from Pakistan investment bonds	255,099	-
Profit received on bank deposits	3,876,338	1,678,590
	4,763,889	1,715,660
<b>Net cash generated / (used in) from operating activities</b>	503,088	(72,127)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	176,043,659	132,059,276
Payment against redemption of units	(194,921,879)	(86,072,263)
Dividend paid	(4,175,029)	(1,996,254)
<b>Net cash (used in) / generated from financing activities</b>	(23,053,249)	43,990,760
<b>Net increase in cash and cash equivalents</b>	(22,550,161)	43,918,633
Cash and cash equivalents at beginning of the year / period	43,918,633	-
<b>Cash and cash equivalents at end of the year / period</b>	21,368,472	43,918,633

The annexed notes 1 to 29 form an integral part of this financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

## **1. LEGAL STATUS AND NATURE OF BUSINESS**

HBL Financial Sector Income Fund ("the Fund") was established under a Trust Deed, dated November 16, 2021, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on December 14, 2021.

Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an open-ended mutual fund. The units are transferable and can also be redeemed by surrendering to the Fund.

The Fund has been categorised as a Compliant Income Scheme as per the criteria laid down by the SECP for categorization of open-end Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited. The units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Fund is to provide income enhancement and preservation of capital by investing in prime quality Financial Sector TFCs / Sukuks, bank deposits and short-term money market instruments.

Title to the assets of the Fund is held in the name of CDC as Trustee of the Fund.

VIS Credit Rating Company has assigned a management quality rating of AM1 (Stable Outlook) to the Management Company on December 31, 2022, while the fund is not currently rated.

Pursuant to the enactment of the Sindh Trusts Act, 2020 (as amended vide Sindh Trusts (Amended) Act, 2021), the Trusts including Collective Investment Schemes, Private Funds, etc, being Specialized Trusts are required to be registered with the Assistant Directorate of Industries and Commerce (Trust Wing), Government of Sindh under Section 12 of the Sindh Trusts Act, 2020. In this regard, the Fund was duly registered on December 06, 2021.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

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

Where the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, the directives issued by the SECP and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, the directions issued by the SECP and requirements of the Trust Deed have been followed.

- 2.1.2 The Income statement, statement of comprehensive income, statement of cash flows and statement of movement in unitholder's Fund for the period ended June 30, 2022 does not represent a full year's operation therefore the comparatives are not entirely comparable.

## **2.2 Basis of measurement**

This financial statements have been prepared under the historical cost convention except for the investments which are classified as fair value through profit and loss.

## **2.3 Functional and presentation currency**

This financial statements are presented in Pakistan Rupees which is the Fund's functional and presentation currency.

## **2.4 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, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which from the basis of making the judgment about the company values of assets and liabilities that are not readily apparent from other sources and actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- (a) classification and measurement of financial assets (Note 4.2.1.1)
- (b) impairment of financial assets (Note 4.2.1.2)
- (c) provisions (Note 4.3)
- (d) classification and measurement of financial liabilities (Note 4.2.2)
- (e) contingencies and commitments (Note 13)

## **3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

### **3.1 New amendments that are effective for the year ended June 30, 2023**

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting periods beginning on or after:</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022



**Effective from accounting periods  
beginning on or after:**

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022

**3.2 New amendments that are not yet effective**

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

**Effective from accounting periods  
beginning on or after:**

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IAS 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 7 'Financial instruments' - Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Other than the aforesaid amendments, IASB has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

**4. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of this financial statements are set out below.

#### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

#### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **4.2.1 Financial assets**

##### **4.2.1.1 Classification and measurement of financial assets**

On initial recognition, a financial asset is classified as measured at: amortised cost, or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
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<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income, foreign exchange gains and losses and impairment are recognised in income statement.
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##### **4.2.1.2 Impairment of financial assets**

Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

The SECP/Commission, through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017, has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore, the Fund will not be subject to the impairment provisions of IFRS 9.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

#### **4.2.1.3 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

#### **4.2.1.4 Derecognition**

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

#### **4.2.2 Classification and measurement of Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 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.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by accumulated losses and capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by accumulated losses and capital gains, whether realised or unrealised, to its unit holders.

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income**

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

#### **4.8 Net assets value per unit**

The net assets value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

#### **4.9 Revenue recognition**

- Capital gain / (loss) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Profit / return on Market treasury bills and investment in debt securities are recognised at a time apportionment basis using the effective interest method.
- Unrealised gain / (loss) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.
- Profit on bank balances is recognised on a time proportionate basis using bank's approved rates.

- Dividend income is recognised when the right to receive the dividend is established.

#### 4.10 Transactions with related parties / connected persons

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

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

#### 4.11 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee and annual fee of the SECP are recognised in the income statement on an accrual basis.

		June 30, 2023	June 30, 2022
	Note	(Rupees in '000)	
<b>5</b>	<b>BANK BALANCES</b>		
Savings accounts	5.1	<u>21,368,472</u>	<u>43,918,633</u>

5.1 These carry profits at the rates ranging between 13.50% to 22.65% per annum (June 30, 2022: 6% to 18%) and include Rs. 20,049.95 million (June 30, 2022: Rs 29,607.99 million) maintained with Habib Bank Limited and HBL Micro Finance Bank Limited (related party) which carries profit at the rates ranging between 13.50% to 19.50% (June 30, 2022: 17.25% to 17.52%)

		June 30, 2023	June 30, 2022
	Note	(Rupees in '000)	
<b>6</b>	<b>INVESTMENTS</b>		
Financial asset at fair value through profit or loss	6.1	2,303,589	901,012
Financial asset at amortised cost	6.3	2,730,492	1,146,089
		<u>5,034,081</u>	<u>2,047,101</u>

#### 6.1 Financial assets at fair value through profit or loss

Corporate sukuk bonds	6.1.1	1,400,506	450,000
GoP Ijara sukuk certificates	6.1.2	-	-
Pakistan Investments Bonds (PIBs)	6.1.3	357,713	-
Market treasury bills	6.1.4	95,969	438,724
Investments in listed equity securities	6.1.5	449,401	12,042
Future stock contracts		-	246
		<u>2,303,589</u>	<u>901,012</u>

**6.1.1 Corporate sukuk bond**

Name of the investee company	As at July 1, 2022	Purchases made during the year	Sale / Mature during the year	As at June 30, 2023	Market value as at June 30, 2023	Carrying value as at June 30, 2023	Un-realised Gain / (Loss)	Market value as a percentage of	
								Total investments	Net assets

----- (Number of units) ----- (Rupees in '000) -----

**Corporate sukuk bond - unlisted**

K-Electric Limited**	450	100,250	700	100,000	500,037	500,000	37	9.93%	1.82%
Bank of Punjab	-	500	500	-	-	-	-	0.00%	0.00%
Bank Al Habib*	-	100,000	-	100,000	508,687	499,900	8,787	10.10%	1.85%
Soneri Bank Limited*	-	4,000	-	4,000	391,782	399,920	(8,138)	7.78%	1.43%
Lucky Electric Power Company Limited	-	500	500	-	-	-	-	0.00%	0.00%
<b>Total - as at June 30, 2023</b>	<b>450</b>	<b>205,250</b>	<b>1,700</b>	<b>204,000</b>	<b>1,400,506</b>	<b>1,399,820</b>	<b>686</b>	<b>27.82%</b>	<b>5.10%</b>
Total - as at June 30, 2022	-	450	-	450	450,000	450,000	-	22.00%	1.00%

\*Term Finance Certificates (TFC)

\*\*Sukuk bonds

**6.1.1.1** These corporate sukuk bonds and TFC carry profit ranging between 11.65% to 23.83% (June 30, 2022: 11.65%) per annum.

**6.1.1.2** Significant terms and conditions of corporate sukuk bond as at June 30, 2023 is as follows:

Name of the investee company	Payment term	Remaining principal (per sukuk bond)	Profit rate (per annum)	Issue date	Maturity date
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**Corporate sukuk bond - Unlisted**

K-Electric Limited	(Semi - annually)	5,000	3 Month Kibor + 1.70%	November 23, 2022	November 23, 2029
Bank Al Habib*	(Semi - annually)	4,999	6 Month Kibor + 1.35%	December 23, 2022	December 23, 2032
Soneri Bank Limited*	(Semi - annually)	99,980	6 Month Kibor + 1.70%	December 26, 2022	December 26, 2032

**6.1.2 GoP Ijarah Sukuk certificate**

Particulars	Tenor	Issue date	Face value				Market value as at June 30, 2023	Carrying value as at June 30, 2023	Un-realised gain / (loss)	Market value as a	
			As at July 1, 2022	Purchased during the year	Sold / matured during the year	As at June 30, 2023				total investments	net assets

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

GOP Ijarah Sukuk -Floating	5Y	26-Oct-22	-	26,025,500	26,025,500	-	-	-	-	-	-
GOP Ijarah Sukuk -Floating	1Y	17-Apr-23	-	400,000	400,000	-	-	-	-	-	-
GOP Ijarah Sukuk -Floating	1Y	22-May-23	-	3,315,000	3,315,000	-	-	-	-	-	-
<b>Total - as at June 30, 2023</b>				<b>29,740,500</b>	<b>29,740,500</b>						
Total - as at June 30, 2022				-	-	-	-	-	-	-	-

**6.1.2.1** These corporate sukuk bonds and TFC carry profit ranging between 15.69% to 22.67% (June 30, 2022: nil) per annum.

**6.1.3 Pakistan Investments Bonds (PIBs)**

Particulars	Tenor	Issue date	Face value				Market value as at June 30, 2023	Carrying value as at June 30, 2023	Un-realised gain / (loss)	Market value as a	
			As at July 1, 2022	Purchased during the year	Sold / matured during the year	As at June 30, 2023				total investments	net assets

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

Pakistan Investment Bond-FRB	2Y	26-Aug-21	-	57,981,000	57,981,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	2Y	30-Dec-21	-	1,850,000	1,850,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	2Y	8-Sep-22	-	120,000	120,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	2Y	9-Feb-23	-	2,000,000	2,000,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	3Y	18-Jun-20	-	25,000	25,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	3Y	22-Oct-20	-	85,201,000	85,201,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	3Y	4-Aug-22	-	860,000	860,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	3Y	8-Sep-22	-	175,000	175,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	5Y	6-May-21	-	125,000	125,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	5Y	29-Apr-22	-	300,000	300,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	5Y	13-Oct-22	-	3,860,000	3,860,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	5Y	17-Nov-22	-	1,500,000	1,500,000	-	-	-	-	-	-
Pakistan Investment Bond-FRB	10Y	22-Aug-19	-	510,000	135,000	375,000	357,713	362,853	(5,140)	7.11%	1.30%
<b>Total - as at June 30, 2023</b>				<b>154,507,000</b>	<b>154,132,000</b>	<b>375,000</b>	<b>357,713</b>	<b>362,853</b>	<b>(5,140)</b>	<b>7.11%</b>	<b>1.30%</b>
Total - as at June 30, 2022				-	-	-	-	-	-	-	-

**6.1.3.1** These Pakistan Investment Bonds carry profit ranging between 13.19% to 21.06% (June 30, 2022: Nil) per annum.

			June 30, 2023	June 30, 2022
	Note		(Rupees in '000)	
<b>6.2</b>		<b>Unrealised gain on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net</b>		
		Market value of investments	2,303,589	901,012
		Carrying value of investments	(2,256,380)	(900,583)
			<b>47,209</b>	<b>429</b>

**6.3 Financial assets at amortised cost**

Commercial papers	6.3.1	-	1,146,089
Letter of placement	6.3.2	2,730,492	-
		<b>2,730,492</b>	<b>1,146,089</b>

**6.3.1 Commercial papers**

Name of investee company	Issue date	As at July 1, 2022	Placement made during the year	Income accrued	Sales / matured during the year	As at June 30, 2023	Percentage of total of investments	Percentage of net assets
(Rupees '000')								
Pak Elektron Limited	February 01, 2022	96,108	-	3,892	100,000	-	-	-
China Power Hub Generation Company	April 12, 2022	481,654	-	18,346	500,000	-	-	-
Lucky Electric Power Company	May 06, 2022	568,327	-	31,673	600,000	-	-	-
Lucky Electric Power Company	November 01, 2022	-	552,251	47,749	600,000	-	-	-
<b>Total as at June 30, 2023</b>		<b>1,146,089</b>	<b>552,251</b>	<b>101,660</b>	<b>1,800,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total as at June 30, 2022		-	1,114,643	1,114,643	-	1,146,089	56%	2.50%

6.3.1.1 These commercial papers carry profit rates ranging from 12.08% to 16.63% (June 30, 2022: 12.63% to 16.48%). The maturity date for commercial papers of Pak Elektron Limited, China Power Hub Generation Company and Lucky Electric Power Limited was October 29, 2022, October 09, 2022 and November 02, 2022 respectively.

**6.3.2 Letters of placement**

Name of investee company	Issue date	As at July 1, 2022	Placement made during the year	Income accrued	Sales / matured during the year	As at June 30, 2023	Percentage of total of investments	Percentage of net assets
(Rupees in '000)								
Pak Libya Holding Company limited	13-Jun-23	-	2,700,000	30,492	-	2,730,492	54.24%	9.95%
<b>Total - as at June 30, 2023</b>			<b>2,700,000</b>	<b>30,492</b>	<b>-</b>	<b>2,730,492</b>	<b>54.24%</b>	<b>9.95%</b>
Total - as at June 30, 2022		-	-	-	-	-	-	-

This letter of placement carry markup at the rate 22.90% per annum (June 30, 2022: Nil)

6.1.4 Market treasury bills

Particulars	Issue Date	Face value				Balance as at June 30, 2023			Market value as a percentage of	
		As at July 1, 2022	Purchased during the year	Sold / matured during the year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Un-realised loss	total investments	net assets
----- (Rupees '000') -----										
Market Treasury Bills - 3 -months										
Market treasury bills	April 21, 2022	100,000	-	100,000	-	-	-	-	-	-
Market treasury bills	June 30, 2022	350,000	-	350,000	-	-	-	-	-	-
Market treasury bills	July 28, 2022	-	5,000,000	5,000,000	-	-	-	-	-	-
Market treasury bills	September 8, 2022	-	100,000	100,000	-	-	-	-	-	-
Market treasury bills	October 6, 2022	-	100,000	100,000	-	-	-	-	-	-
Market treasury bills	March 27, 2023	-	1,500,000	1,500,000	-	-	-	-	-	-
Market treasury bills	April 6, 2023	-	3,994,000	3,994,000	-	-	-	-	-	-
Market treasury bills	June 15, 2023	-	1,791,000	1,691,000	100,000	96,099	95,969	(130)	1.91%	0.35%
Market Treasury Bills - 12 -months										
Market treasury bills	October 6, 2022	-	500,000	500,000	-	-	-	-	-	-
Total as at June 30, 2023		450,000	12,985,000	13,335,000	100,000	96,099	95,969	(130)	1.91%	0.35%
Total as at June 30, 2022		-	2,317,000	1,867,000	450,000	438,403	438,724	321	21.43%	0.96%

6.1.2.1 These market treasury bills carry profit at the rate ranging from 12.90% to 22.09% per annum (June 30, 2022: 10.12% to 14.3% per annum)

6.1.5 Investments in listed equity securities

Sectors / Companies	As at July 1, 2022	Purchased during the Year	Disposed during the Year	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Market value as a percentage of total investments	Market value as a percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the Investee Company
----- (Number of shares) ----- (Rupees in '000) -----									
<b>Mutual Funds</b>									
HBL Total Treasury Exchange Traded Fund	-	52,501,000	13,252,000	39,249,000	397,608	449,401	7.90%	1.64%	0.09%
<b>Investment as at June 30, 2023</b>	<b>-</b>	<b>52,501,000</b>	<b>13,252,000</b>	<b>39,249,000</b>	<b>397,608</b>	<b>449,401</b>	<b>7.90%</b>	<b>1.64%</b>	<b>0.09%</b>
Total as June 30, 2022	-	1,600,000	1,000,000	600,000	12,180	12,042	0.59%	0.03%	0.50%

All equity shares have a par value of Rs. 10 each unless stated otherwise

**7 PROFIT / MARK-UP RECEIVABLE**

Profit receivable on:

	Note	June 30, 2023	June 30, 2022
Bank deposits	7.1	428,191	230,811
Margin trading system Income		8,964	1,466
Corporate sukuk bonds		16,680	19,517
Pakistan Investments bonds		21,283	-
Gop Ijara		9	-
		<b>475,127</b>	<b>251,794</b>

7.1 This includes Rs. 6.06 million (June 30, 2022: Rs 35.75 million) and Rs 396.18 million (June 30, 2022: nil) receivable from Habib Bank Limited and HBL Micro Finance Bank Limited respectively, which are a (related parties).



		June 30, 2023	June 30, 2022
	Note	----- (Rupees in '000) -----	
<b>8</b>	<b>DEPOSITS AND PREPAYMENTS</b>		
Security deposits with:			
Central Depository Company of Pakistan Limited		100	100
National Clearing Company of Pakistan Limited		4,100	2,990
Margin trading system Security deposit		250	250
		<u>4,450</u>	<u>3,340</u>
Preliminary cost		570	728
Prepaid MTS fee		-	161
		<u>5,020</u>	<u>4,229</u>
<b>9</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
Remuneration payable to the Management Company	9.1	18,030	13,621
Sindh Sales Tax payable on Management Company's remuneration	9.2	2,344	1,771
Sales load payable		440	174
Formation cost payable		-	800
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	3,021	2,664
Selling and marketing expense payable	9.4	12,782	19,409
		<u>36,617</u>	<u>38,439</u>
9.1	As per Regulation 61 of the amended NBFC regulation, the Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document, further subject to the guidelines as may be issued by the Commission from time to time. During the year, the fee is being charged at the rate ranging from 0.45% to 1.05% pf the average annual net assets accordingly. The fee is payable monthly in arrears.		
9.2	The Sindh Government has levied Sindh Sales Tax (SST) at the rate of 13% (June 30, 2022: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.		
9.3	As per Regulation 60(3)(s) of the amended NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee is being charged at the rate ranging from 0.14% to 0.3% of the average annual net assets accordingly.		
9.4	As per Regulation 60(3)(v) of the amended NBFC Regulations, selling and marketing expenses is allowed on all categories of open end mutual funds, except fund of funds with no cap. During the year, the fee is being charged at the rate ranging from 0.14% to 0.30% of the average annual net assets accordingly.		

		June 30, 2022	June 30, 2022
	Note	----- (Rupees in '000) -----	
<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>		
Trustee fee payable	10.1	1,618	2,711
Sindh Sales Tax payable on remuneration of the Trustee	10.2	210	352
		<u>1,828</u>	<u>3,063</u>

10.1 As per CDC vide notification CDC/CEO/L-112/02/2019, dated June 27, 2019, Trustee fee shall be charged at the rate of 0.075% of the average annual net assets of the Fund. During the year, Management Company has charged the Trustee fee accordingly.

10.2 Sindh Sales Tax at the rate of 13% (June 30, 2022: 13%) is applicable on Trustee fee as per Sindh Sales Tax on Services Act, 2011.

		June 30, 2023	June 30, 2022
	Note	----- (Rupees in '000) -----	
<b>11</b>	<b>PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
Annual fee payable	11.1	<u>5,639</u>	<u>2,776</u>

11.1 As per Regulation 62 of the amended NBFC Regulations, a Collective Investment Scheme (CIS) categorised as an income scheme is required to pay as annual fee to the SECP, an amount equal to 0.02% of the average net assets of the Scheme. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

		June 30, 2023	June 30, 2022
		----- (Rupees in '000) -----	
<b>12</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Withholding tax payable		104,476	118,999
Auditors' remuneration		310	297
Brokerage payable		317	22
Margin trading system charges payable		2,291	78
Other payables		852	130
		<u>108,246</u>	<u>119,526</u>

### **13 CONTINGENCIES AND COMMITMENTS**

During the period on May 18, 2023, HBL Financial Sector Income Fund received a show cause notice from Deputy Commissioner Inland Revenue (DCIR) for the tax year 2022 as to why Super Tax under section 4C of Income Tax Ordinance, 2001 was not paid with the income tax return. Similar notices were raised across the industry and almost all AMCs. - The tax advisor timely responded to the show cause notice with basis that super tax is not applicable on mutual funds.

The Commissioner Inland Revenue (Appeals) has already annulled/ vacated the order issued by DCIR on mutual funds of certain other AMCs. The Management Company anticipates a favorable outcome, accordingly no provision has been recorded in the financial statement for the above matter.

	June 30, 2023	June 30, 2022
<b>14</b>	<b>NUMBER OF UNITS IN ISSUE</b>	
	<b>----- (Number of Units) -----</b>	
Total units in issue at the beginning of the year	<b>458,092,829</b>	-
Units issued during the year	<b>1,746,391,640</b>	1,312,476,537
Units redeemed during the year	<b>(1,932,503,700)</b>	(854,383,708)
Total units in issue at the end of the year	<b>271,980,769</b>	458,092,829

	June 30, 2022	June 30, 2022
<b>15</b>	<b>AUDITORS' REMUNERATION</b>	
	<b>----- (Rupees in '000) -----</b>	
Annual audit fee	<b>296</b>	270
Fee for half yearly review	<b>127</b>	-
Income certifications	-	40
Out of pocket expenses	<b>42</b>	31
Sindh sales tax on services	<b>38</b>	27
	<b>503</b>	368

**16** **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 its accounting income for the year, as reduced by accumulated losses and the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company has distributed atleast 90% of the Fund's accounting income as reduced by accumulated losses and capital gains (whether realised or unrealised) for the year ended June 30, 2023 to its unit holders.

**17** **EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed in this financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

**18. FINANCIAL INSTRUMENTS BY CATEGORY**

Particulars	As at June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
(Rupees in '000)			
<b>Financial assets</b>			
Bank balances	-	21,368,472	21,368,472
Investments			
Corporate sukuk bonds	1,400,506	-	1,400,506
Market treasury bills	95,969	-	95,969
Listed equity securities (spread transactions)	-	-	-
Future stock contracts	-	-	-
Letter of placement	-	2,730,492	2,730,492
Pakistan Investments Bonds (PIBs)	357,713	-	357,713
Investments in listed equity securities	449,401	-	449,401
Profit / markup receivable	-	475,127	475,127
Receivable against margin trading system	-	705,005	705,005
Deposits	-	4,450	4,450
	<b>2,303,589</b>	<b>25,283,546</b>	<b>27,587,135</b>

Particulars	As at June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
(Rupees in '000)			
<b>Financial liabilities</b>			
Payable to the Management Company	-	34,273	34,273
Payable to the Trustee	-	1,618	1,618
Payable against purchase of investment	-	895	895
Accrued expenses and other liabilities	-	3,770	3,770
	<b>-</b>	<b>40,557</b>	<b>40,557</b>

Particulars	As at June 30, 2022		
	Fair value through profit or loss	Amortised cost	Total
(Rupees in '000)			
<b>Financial assets</b>			
Bank balances		43,918,633	43,918,633
Investments			
Corporate sukuk bonds	450,000		450,000
Market treasury bills	438,724		438,724
Listed equity securities (spread transactions)	12,042		12,042
Future stock contracts	246		
Commercial Papers		1,146,089	1,146,089
Profit / markup receivable		251,794	251,794
Receivable against margin trading system		123,160	123,160
Deposits		3,340	3,340
	<b>901,012</b>	<b>45,443,016</b>	<b>46,343,782</b>

Particulars	----- As at June 30, 2022 -----		
	Fair value through profit or loss	Amortised cost	Total
	----- (Rupees in '000) -----		
Financial liabilities			
Payable to the Management Company	-	36,668	36,668
Payable to the Trustee	-	2,711	2,711
Payable against purchase of investment	-	351,029	351,029
Accrued expenses and other liabilities	-	527	527
	-	390,935	390,935

## 19. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Connected persons include HBL Asset Management Limited, being the Management Company, Habib Bank Limited, being the Sponsor, CDC, 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 and persons having 10% or more beneficial ownership of the units of the Fund.

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 are as follows:

	June 30, 2023	June 30, 2022
	----- (Rupees in '000) -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	174,091	60,581
Sindh Sales Tax on remuneration of the Management Company	22,632	7,876
Allocation of expenses related to registrar services, accounting, operation and valuation services	63,050	22,525
Selling and marketing expense	63,050	22,525
<b>HBL Asset Management Limited</b>		
Issue of 3,918,245 units (2022: 3,894,562 units)	395,000	390,847
Redemption of units 4,954,148 (2022: 2,498,624 units)	500,000	251,620
Dividend Reinvestment 183,097	18,318	2,987
Refund of Capital 29,000 units	-	-
<b>HBL Asset Management Ltd Employees Gratuity Fund</b>		
Issue of 51,441 units (2022: Nil)	5,200	-
Redemption of 990 units (2022: Nil)	100	-
Dividend Reinvestment 5,187	519	-
Refund Of Capital 535 units	-	-
<b>HBL Asset Management Ltd Employees Provident Fund</b>		
Issue of 163,227 units (2022: Nil)	16,500	-
Dividend Reinvestment 16,775 units	1,678	-
Refund Of Capital 1,698 units	-	-

	June 30, 2023	June 30, 2022
	(Rupees in '000)	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	21,146	10,410
Sindh Sales Tax payable on the Trustee fee	2,749	1,353
Central Depository Service charges	2,126	30
<b>Habib Bank Limited - Sponsors</b>		
Bank charges	722	266
Profit on bank deposit earned	34,080	108,700
<b>HBL Micro Finance Bank</b>		
Profit on bank deposit earned	2,663,319	1,033,707
<b>Directors and executives of the Management Company</b>		
Issue of 1,151,956 units (2022: 619,322 units)	116,624	62,101
Redemption of 1,208,964 units (2022: 447,907 units)	122,541	45,020
Dividend Reinvestment 5,584 units	559	1,216
Refund of capital 12,213 units	-	-
<b>Fauji Fertilizer Company Limited</b>		
<b>Connected person due to holding more than 10%</b>		
Issue of nil units (2022: 534,425,925 units)	-	53,882,530
Redemption of nil units (2022: 431,402,494 units)	-	43,544,406
Dividend paid	-	967
<b>Ibrahim Fibres Limited</b>		
<b>Connected person due to holding more than 10%</b>		
Issue of 50,350,049 units (2022: 55,802,802 units)	5,061,002	5,608,300
Redemption of 2,061,398 (2022: nil units)	210,000	-
Dividend Reinvestment 1,194,526 units	1,194,995	129,741
Refund of capital 237,006 units	-	-
<b>HBL Income Fund</b>		
Purchase of market treasury bill 3 months	-	7,000
<b>HBL Islamic Income Fund</b>		
Sale of GOP Ijara Bond	2,100,000	-
<b>HBL Government Securities Fund</b>		
Purchase of Term Finance Certificate	49,890	-
Purchase of Pakistan Investment Bond	225,000	-
<b>HBL IPF Debt sub Fund</b>		
Sale of GOP Ijara Bond	80,000	-
<b>HBL Money market Fund</b>		
Sale of Pakistan Investment Bond	450,000	-
<b>Riaz Textile Mills (Private) Limited</b>		
<b>Connected person due to holding more than 10%</b>		
Issue of 196,389,266 units (2022: 97,700,358 units)	4,200,970	9,822,103
Redemption of 317,059,161 units (2022: 45,499,465 units)	17,752,271	4,563,041
Dividend Reinvestment 2,213,303 units	427,568	317,689
Refund of capital 781,782 units	-	-

19.2	Balances outstanding as at period end	June 30, 2023	June 30, 2022
		----- (Rupees in '000) -----	
	<b>HBL Asset Management Limited - Management Company</b>		
	Remuneration payable to the Management Company	18,030	13,621
	Sindh Sales Tax payable on Management Company's remuneration	2,344	1,771
	Sales load payable	440	174
	Allocation of expenses related to registrar services, accounting, operation and valuation services	3,021	2,664
	Selling and marketing expense payable	12,782	19,409
	Preliminary cost payable	-	800
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Trustee fee payable	1,618	2,711
	Sindh Sales Tax payable on Trustee Fee	210	352
	Security deposit	100	100
	<b>Habib Bank Limited - Sponsor</b>		
	Bank balances	149,464	9,757,407
	<b>HBL Micro Finance Bank</b>		
	Bank balances	19,900,492	19,850,586
	<b>HBL Asset Management Limited</b>		
	Units 572,132 (2022: 1,395,938 units)	57,710	139,657
	<b>HBL Asset Management Limited Employees Gratuity Fund Associate</b>		
	Units held 56,174 : (2022: Nil units)	5,666	-
	<b>HBL Asset Management Limited Employees Provident Fund Associate</b>		
	Units held 181,700 : (2022: Nil units)	18,328	-
	<b>Fauji Fertilizer Company Limited</b>		
	<b>Connected person to holding more than 10%</b>		
	Units held Nil : (2022: 103,023,431 units)	-	10,307,020
	<b>Ibrahim Fibres Limited</b>		
	<b>Connected person due to holding more than 10%</b>		
	Units held 100,935,961 units (2022: 55,802,802 units)	10,181,330	5,582,814
	<b>Rafiuddin Zakir</b>		
	<b>Connected person due to holding more than 10%</b>		
	Units held 464,208 : (2022: nil units)	46,824	-
	<b>Riaz Textile Mills (Private) Limited</b>		
	<b>Connected person due to holding more than 10%</b>		
	Units held nil: (2022: 52,200,893 units)	-	5,222,459
	<b>Directors and executives of the Management Company</b>		
	Units 93,073 held (2022: 171,415 units)	9,388	17,149

## **20. FINANCIAL RISK MANAGEMENT**

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

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund primarily invests in prime quality Financial Sector Sukuks, Bank deposits, Listed equity spread based transactions and short-term money market instruments. These activities are exposed to a variety of financial risks, market risks, credit risks and liquidity risks.

### **20.1 Market risk**

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

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

#### **20.1.1 Currency risk**

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

#### **20.1.2 Interest rate risk**

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

##### **a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 6% and 22.65% per annum, and against investments in corporate sukuk bonds, the interest rate on which is range between 11.65% to 23.83%

In case of 100 basis points increase / decrease in interest rates on June 30, 2023, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 227.69 million (2022: Rs. 443.69 million).



**b) Fair value interest rate risk**

The Fund's investment in market treasury bills and Letter of placement is expose it to fair value interest rate risk.

In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan on June 30, 2023, with all other variables held constant, the net income for the year and the net assets would be lower by Rs 31.84 million (June 2022:Rs.15.85 million). In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan on June 30, 2023, with all other variables held constant, the net income for the year and the net assets would be higher by Rs 31.84 million (2022:Rs.15.85 million).

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

Particulars	----- As at June 30, 2023 -----					
	Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	----- Rupees in '000 -----				
On-balance sheet financial instruments						
Financial assets						
Bank balances	6 - 22.65	21,368,472	-	-	-	21,368,472
Investments						
Corporate sukuk bonds	11.65 - 23.83	1,400,506	-	-	-	1,400,506
Market treasury bills	12.90 - 22.09	-	-	-	95,969	95,969
Pakistan investment bonds	13.19 - 21.06	-	-	-	357,713	357,713
Letter of placement	22.90	-	-	-	2,730,492	2,730,492
Investments in listed equity securities		-	-	-	449,401	449,401
Profit / markup receivable		-	-	-	475,127	475,127
Receivable aginst margin trading system					705,005	705,005
Deposits		-	-	-	4,450	4,450
Sub total		22,768,978	-	-	4,818,157	27,587,135
Financial liabilities						
Payable to the Management Company		-	-	-	34,273	34,273
Payable to the Trustee		-	-	-	1,618	1,618
Payable against purchase of investment		-	-	-	895	895
Accrued expenses and other liabilities		-	-	-	3,770	3,770
Sub total		-	-	-	40,557	40,557
On-balance sheet gap (a)		22,768,978	-	-	4,777,600	27,546,578
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		22,768,978	-	-	4,777,600	27,546,578
Cumulative interest rate sensitivity gap		22,768,978	-	-		

Particulars	----- As at June 30, 2022 -----					
	Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
----- Rupees in '000 -----						
On-balance sheet financial instruments						
Financial assets						
Bank balances	6 - 18	43,918,633	-	-	-	43,918,633
Investments						
Corporate sukuk bonds	11.65	450,000	-	-	-	450,000
Market treasury bills	12.9 - 15.21	-	-	-	438,724	438,724
Commercial Papers	12.63 - 16.21	-	-	-	1,146,089	1,146,089
Listed equity securities		-	-	-	12,042	12,042
Profit / markup receivable		-	-	-	251,794	251,794
Receivable aginst margin trading system					123,160	123,160
Deposits		-	-	-	3,340	3,340
Sub total		44,368,633	-	-	44,368,633	46,343,782
Financial liabilities						
Payable to the Management Company		-	-	-	36,668	36,668
Payable to the Trustee		-	-	-	2,711	2,711
Payable against purchase of investment		-	-	-	351,029	351,029
Accrued expenses and other liabilities		-	-	-	527	527
Sub total		-	-	-	390,935	390,935
On-balance sheet gap (a)		44,368,633	-	-	43,977,698	45,952,846
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		44,368,633	-	-	43,977,698	45,952,846
Cumulative interest rate sensitivity gap		44,368,633	-	-		

### 20.1.3 Price risk

Price risk is a 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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund's overall exposure to price risk is limited to investment in listed equities.

The net assets of the Fund will increase / decrease by approximately Rs 4.49 million (2022:Rs. 0.12 million) if the prices of equity vary due to increase / decrease in the PSX 100 index. This is based on the assumption that the fair value of the Fund's portfolio moves according to their historical correlation with the PSX 100 index and that the PSX 100 index increases / decreases by 1% on PSX 100 index with all other factors held constant.

## 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to investment in debt securities, profit / markup receivable and bank balances. Risk attributable to investments in securities issue by the GOP Ijara sukuk certificates is limited, while the bank balances are maintained with bank with a reasonably high credit rating and investment in corporate sukuk are made in good rating companies.

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

Credit risk from balances with banks and financial institutions is managed in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors of the Management Company. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

20.2.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2023:

Name of banks / institutions	Balances held by the Fund as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
------------------------------	--	--	---------------

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

### Balances with banks by rating category

HBL Micro Finance Bank Limited	19,900,492	A-1	VIS
Soneri Bank Limited	1,294,096	A-1+	PACRA
Habib Bank Limited	149,464	A-1+	VIS
U Micro Finance Bank Limited	761	A-1	VIS
Mobilink Micro Bank Limited	15,686	A-1	PACRA
Bank Alfalah Limited	7,885	A-1+	PACRA
Khushhali Bank Limited	36	A-2	VIS
Meezan Bank Limited	30	A-1+	VIS
Finca Micro Finance Bank Limited	11	A-2	VIS
Allied Bank Limited	11	A-1+	PACRA
	<u>21,368,472</u>		

### Investments by rating category

Name of investee company	Balances held by the Fund as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
--------------------------	--	--	---------------

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

### Corporate sukuk bonds - Unlisted

K-Electric Limited	500,037	AA	PACRA
Bank Al Habib Limited	508,687	AAA	PACRA
Soneri Bank Limited	391,782	A+	PACRA
<b>Total Investments</b>	<u>1,400,506</u>		PACRA

Name of banks / institutions	Balances held by the Fund as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating agency
------------------------------	--	--	---------------

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

**Balances with banks by rating category**

HBL Micro Finance Bank	19,850,586	A-1	VIS
Soneri Bank Limited	21,551	A-1+	PACRA
Habib bank limited	9,757,407	A-1+	VIS
U Micro Finance Bank Limited	7,020,346	A-1	VIS
Mobilink Micro Bank Ltd	16,483	A-1	PACRA
Bank alfalah limited	3,898,580	A-1+	PACRA
Khushhali Bank limited	2,850,026	A-1	VIS
Finca Micro Finance Bank	503,653	A-1	VIS
Allied Bank Limited	1	A-1+	PACRA
	<u>43,918,633</u>		

**Investments by rating category**

Name of investee company	Balances held by the Fund as at June 30, 2022	Latest available published rating as at June 30, 2022	Rating agency
--------------------------	--	--	---------------

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

**Corporate sukuk bonds - Unlisted**

K-Electric Limited	<u>450,000</u>	AA+	VIS
	450,000		

**Commercial Paper**

Pak Elektron Limited	96,108	A1	PACRA
China Power Hub Generation Company	481,654	A1+	PACRA
Lucky Electric Power Company	568,327	A1+	PACRA

**Total Investments**

1,146,089

20.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure in relation to balances with banks:

	2023 (Percentage)	2022
<b>Rating by rating category</b>		
A-1+	6.79%	31.14%
A-1	93.21%	68.86%
A-2	-	-
	<u>100.00%</u>	<u>100.00%</u>

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in privately placed corporate sukuk and bank balances while the remaining transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk to counterparties other than the Government.

## 20.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund, through Management Company with prior approval of Trustee, has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings was made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instances were witnessed by the Fund during the current year .

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

Particulars	As at June 30, 2023			
	Upto three months	More than three months and upto one year	More than one year	Total
Rupees in '000				
<b>Financial liabilities</b>				
Payable to the Management Company	34,273	-	-	34,273
Payable to the Trustee	1,618	-	-	1,618
Payable against purchase of investment	895	-	-	895
Accrued expenses and other liabilities	3,770	-	-	3,770
	<b>40,557</b>	-	-	<b>40,557</b>

Particulars	As at June 30, 2022			
	Upto three months	More than three months and upto one year	More than one year	Total
Rupees in '000				
<b>Financial liabilities</b>				
Payable to the Management Company	36,668	-	-	36,668
Payable to the Trustee	2,711	-	-	2,711
Payable against purchase of investment	351,029	-	-	351,029
Accrued expenses and other liabilities	527	-	-	527
	<b>390,935</b>	-	-	<b>390,935</b>

## **21. UNITS HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund 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. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current period.

## **22. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the reporting 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.

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. 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.

		June 30, 2023						
Particulars		Carrying amount			Fair value			
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	Note	(Rupees in '000)						
Financial assets measured at fair value	22.1							
Corporate sukuk bonds		1,400,506	-	1,400,506	-	1,400,506	-	1,400,506
Market treasury bills		95,969	-	95,969	-	95,969	-	95,969
Investments in listed equity securities		449,401	-	449,401	449,401	-	-	449,401
Pakistan Investment Bonds		357,713	-	357,713	357,713	-	-	357,713
		2,303,589	-	2,303,589	807,114	1,496,475	-	2,303,589
Financial assets not measured at fair value	22.2							
Bank balances		-	21,368,472	21,368,472				
Letter of placement		-	2,730,492	2,730,492				
Profit / markup receivable		-	475,127	475,127				
Receivable against margin trading system		-	705,005	705,005				
Deposits		-	4,450	4,450				
		-	25,283,546	25,283,546				
Financial liabilities not measured at fair value	22.2							
Payable to the Management Company		-	34,273	34,273				
Payable to the Trustee		-	1,618	1,618				
Payable against purchase of investment		-	895	895				
Accrued expenses and other liabilities		-	3,770	3,770				
		-	40,557	40,557				

		June 30, 2022						
Particulars		Carrying amount			Fair value			
		Fair value through profit	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	Note	(Rupees in '000)						
Financial assets measured at fair value	22.1							
Corporate sukuk bonds		450,000	-	450,000	-	450,000	-	450,000
Market treasury bills		438,724	-	438,724	-	438,724	-	438,724
Listed equity securities (spread transactions)		12,042	-	12,042	12,288	-	-	12,288
		900,766	-	900,766	-	888,724	-	901,012
Financial assets not measured at fair value	22.2							
Bank balance		-	43,918,633	43,918,633				
Commercial Paper		-	1,146,089	1,146,089				
Profit / markup receivable		-	251,794	251,794				
Receivable aginst margin trading system		-	123,160	123,160				
Deposits		-	3,340	3,340				
		-	45,443,016	45,443,016				
Financial liabilities not measured at fair value	22.2							
Payable to the Management Company		-	36,668	36,668				
Payable to the Trustee		-	2,711	2,711				
Payable against purchase of investment		-	351,029	351,029				
Accrued expenses and other liabilities		-	527	527				
		-	390,935	390,935				

## 22.1 Valuation techniques

For level 2 investments at fair value through profit or loss - investment in respect of corporate sukuk bonds and market treasury bills, Fund uses rates which are prescribed by MUFAP at reporting date in accordance with the methodology prescribed by SECP vide its circular no. 1 of 2009 dated January 6, 2009 and circular no. 33 of 2012 dated October 24, 2012 at reporting date.

22.2 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 periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 23. LIST OF BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

Brokers during the year ended June 30, 2023

- 1 JS Global Capital Limited
- 2 Invest One Markets Limited
- 3 Summit Capital (Private) Limited
- 4 Magenta Capital (Private) Limited
- 5 Al Falah CLSA Securities (Private) Limited
- 6 Continental Exchange (Private) Limited
- 7 C & M Management (Private) Limited

Brokers during the year ended June 30, 2022

- 1 Sherman Securities (Private) Limited
- 2 AHM Securities (Private) Limited

## 24. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	24+
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27+
3	Wamiq Sakrani	Head of Fixed Income	MBA	13+
4	Imad Ansari	Head of Risk	MBA	16+
5	Umair Naseer	Head of Research	MBA	10+
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7	Raza Abbas	Senior Fund Manager	M.Com	20
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7+



## 25. PATTERN OF UNIT HOLDING

Pattern of unit holding as at June 30, 2023 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000'				
Individuals	1,418	125,474,343	12,656,494	46.13%
Foreign investor	9	2,671,775	269,500	0.98%
Retirement funds	45	4,660,395	470,090	1.71%
Trusts	6	3,410,088	343,973	1.25%
Associated Companies	3	810,006	81,705	0.30%
Other Corporate	52	134,954,163	13,612,718	49.62%
	1,533	271,980,769	27,434,480	100.00%

## 26. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Six meetings of the Board of Directors were held on August 29, 2022 , October 19, 2022, January 16, 2023 ,January 23, 2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29,2022, January 16,2023, January 23,2023, February 13,2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19,2022.

## 27. TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan the maximum limit of total expense ratio is 2.5% and the total expense ratio of the Fund for the year ended June 30, 2023 is 1.29% (June 30, 2022: 0.42%) which includes 0.11% (June 30, 2022: 0.04%) representing Government levy and SECP fee.

## 28. GENERAL

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

**29. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

**For HBL Asset Management Limited  
(Management Company)**

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**Chief Financial Officer**

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**Chief Executive Officer**

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**Director**



**HBL** Total Treasury  
Exchange Traded  
Fund

## FUND INFORMATION

**NAME OF FUND** HBL Total Treasury Exchange Traded Fund

**NAME OF AUDITOR** Yousuf Adil, Chartered Accountants

**NAME OF TRUSTEE** Central Depository Company of Pakistan Limited.

**NAME OF BANKERS** Soneri Bank limited

### Type and Category of Fund

Open end Exchange Traded Fund

### Investment Objective and Accomplishment of Objective

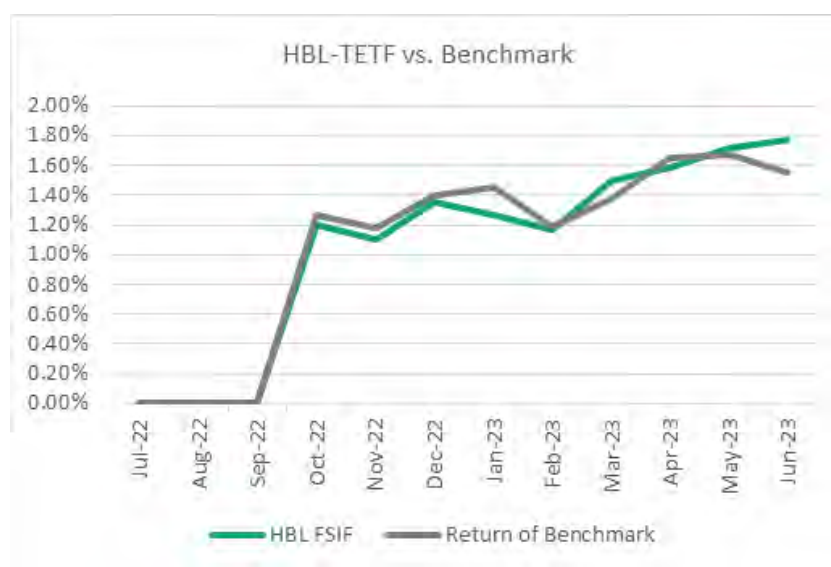
HBL Total Treasury Exchange Traded Fund (HBL TT ETF) is an open-ended scheme that is traded on Pakistan Stock Exchange and shall aim to track the performance of its specified Benchmark Index.

### Benchmark and Performance Comparison with Benchmark

The Benchmark of the Fund is HBL Total Treasury Index

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

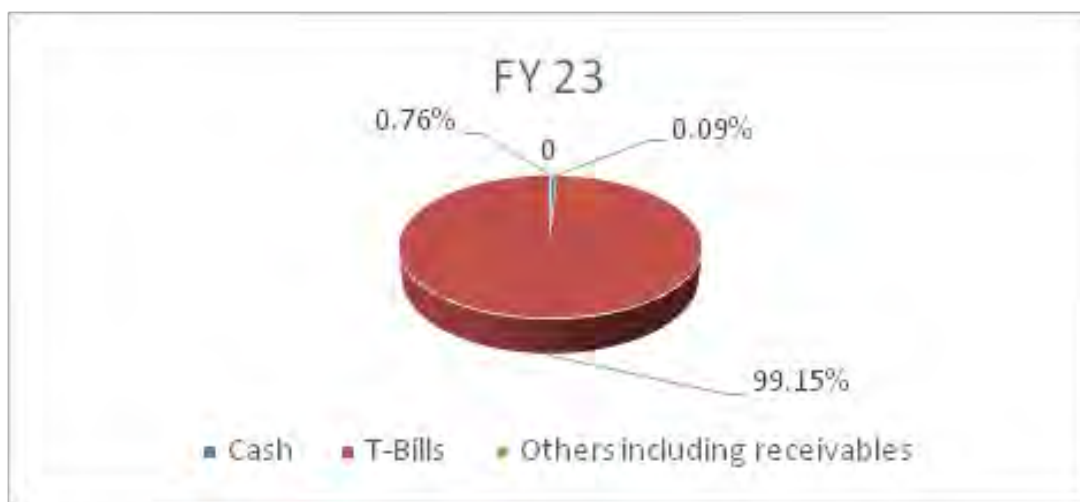
Month	HBL-TETF	Benchmark
Jun-23	1.77%	1.55%
May-23	1.72%	1.67%
Apr-23	1.58%	1.65%
Mar-23	1.50%	1.38%
Feb-23	1.17%	1.19%
Jan-23	1.27%	1.45%
Dec-22	1.35%	1.40%
Nov-22	1.10%	1.18%
Oct-22	1.20%	1.27%



### Strategies and Policies employed during the Year

During the year under review, HBL Total Treasury exchange Traded Fund was launched in September 2022 and had attained the size of PKR 571mn. As at June end, the fund tracked the index and nearly 99.15% of the net assets were deployed in T-bills while the cash exposure was recorded at 0.76%. The Fund's exposures move in tandem with the index.

### Asset Allocation



### Fund Performance

The Fund commences its operations on September 12, 2022.

The total income and net income of the Fund was Rs. 75.87million and Rs. 71.32million respectively for the period from September 12, 2022 to June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 10.0265 per unit as on June 30, 2023 (after incorporating dividend of Rs. 1.40 per unit), thereby giving an annualized return of 17.83%. During the same period, the benchmark return was 18.01%. The size of Fund was Rs. 501 million as on June 30, 2023.

### Money Market Review

Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

### Distribution

The Fund has distributed cash dividend of Rs. 1.40 per unit for the year ended June 30, 2023.

### 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 (No. of units)	No. of Unit Holders	Total No. of Units Held
1 – 100	-	-
101 – 500	10	5,000
501 – 1,000	10	10,000
1,001 – 10,000	10	49,000
10,001 – 100,000	8	497,000
100,001 – 500,000	3	797,000
500,001 – 1,000,000	2	1,141,000
1,000,001 – 5,000,000	4	8,342,000
5,000,001 and above	1	39,159,000
<b>Total</b>	<b>48</b>	<b>50,000,000</b>

### Unit Splits

There were no unit splits during the year.

### Circumstances materially affecting the Interest of Unit Holders

Investments are subject to market risk.

### Soft Commission

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

**2023**

**NET ASSETS AND PRICES**

Net assets at the period end(Rs'000)	501,324
Net asset value per unit at the period end/period end(Rs)	10.0265
Selling price/repurchasing price	10.0265

**OFFER / REDEMPTION DURING THE PERIOD - RUPEES**

Highest selling price per unit(Rs)	11.4055
Lowest selling price per unit(Rs)	10.0000
Highest repurchase price per unit(Rs)	11.4055
Lowest repurchasing price per unit(Rs)	10.0000

**RETURN ( % )**

Total return	17.83%
Income distribution	17.50%
Capital growth	0.33%

**DISTRIBUTION**

Final dividend distribution	1.40
Total dividend distribution for the year/ period	1.40

**AVERAGE RETURNS ( % )**

Average annual return 1 year	17.83%
Average annual return 2 year	N/A
Average annual return 3 year	N/A
Weighted average portfolio during (No. of days)	13

**PORTFOLIO COMPOSITION (%)**

Percentage of Total Assets as at 30 June:	
Bank Balances	0.76%
T. Bills	99.15%
Others including Receivables	0.09%

**Disclaimer:**

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



**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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URL: www.cdcPakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL TOTAL TREASURY EXCHANGE TRADED FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Total Treasury Exchange Traded Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund for the period from September 12, 2022 to June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 27, 2023



## INDEPENDENT AUDITOR'S REPORT

**To the unit holders of HBL Total Treasury Exchange Traded Fund**

**Report on the Audit of the Financial Statements**

### Opinion

We have audited the financial statements of **HBL Total Treasury Exchange Traded Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the period from September 12, 2022 to June 30, 2023 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2023, and of its financial performance and its cash flows for the period from September 12, 2022 to June 30, 2023 in accordance with accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund and HBL Asset Management Limited (Management Company) in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<b>Valuation and existence of investments</b>  As disclosed in note 6.1 to the financial statements, investments held at fair value through profit or loss (FVTPL) amounted to Rs. 568 million as at June 30, 2023, consisting of market treasury bills, which represent significant item on the statement of assets and liabilities of the Fund.	We performed the following procedures during our audit of investments: <ul style="list-style-type: none"> <li>evaluated design and implementation of controls in place related to purchases and sales of investments;</li> <li>independently tested valuations to ensure that the investments are valued as per the valuation methodology disclosed in the accounting policies;</li> </ul>

*[Signature]*

Yousuf Adil & Co.  
Chartered Accountants



S. No.	Key audit matter	How the matter was addressed in our audit
	We have identified the existence and valuation as the significant areas during our audit of investment.	<ul style="list-style-type: none"> <li>independently matched securities held by the Fund with the securities appearing in the CDC account statement and Investor Portfolio Securities account statement;</li> <li>tested purchases and sales on a sample basis to obtain evidence regarding movement of the securities.</li> </ul>

#### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of Management Company and Board of Directors of the Management Company for the Financial Statements

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of Directors of the Management Company are responsible for overseeing the Fund's financial reporting process.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

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.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

  
Chartered Accountants

Place: Karachi  
Date: September 25, 2023  
UDIN: AR2023100570sfWICtg5

**HBL Total Treasury Exchange Traded Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2023*

		June 30, 2023 (Rupees in '000)
<b>ASSETS</b>	<b>Note</b>	
Bank balances	5	2,306
Investments	6	567,830
Profit / markup receivable		55
Advance tax		2,056
Preliminary expenses and floatation costs	7	374
Deposits and prepayments	8	100
<b>TOTAL ASSETS</b>		<b>572,721</b>
<b>LIABILITIES</b>		
Payable to the Management Company	9	911
Payable to the Trustee	10	53
Payable to Securities and Exchange Commission of Pakistan	11	85
Dividend payable		70,000
Accrued expenses and other liabilities	12	348
<b>TOTAL LIABILITIES</b>		<b>71,397</b>
<b>NET ASSETS</b>		<b>501,324</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND)</b>		<b>501,324</b>
Contingencies and commitments	13	(Number of units)
Number of units in issue	14	50,000,000
		----- (Rupees) -----
Net assets value per unit		10.0265

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

# HBL TOTAL TREASURY EXCHANGE TRADED FUND

## Income Statement

For the year ended June 30, 2023

		For the period from September 12, 2022 to June 30, 2023 (Rupees in '000)
	Note	
<b>INCOME</b>		
Capital loss on sale of investments - net		(595)
Income from market treasury bills		67,555
Profit on bank deposit		9,118
		76,078
Unrealised loss on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.2	(212)
<b>TOTAL INCOME</b>		<b>75,866</b>
<b>EXPENSES</b>		
Remuneration of the Management Company	9.1	2,129
Sindh Sales Tax on remuneration of the Management Company	9.2	277
Remuneration of the Trustee	10.1	426
Sindh Sales Tax on remuneration of the Trustee	10.2	55
Annual fee to Securities and Exchange Commission of Pakistan	11.1	85
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	851
Brokerage and transaction charges		34
Printing & stationery		59
Auditors' remuneration	15	495
Bank charges		61
Formation Cost		71
		4,542
<b>Net income for the period from operating activities</b>		<b>71,324</b>
<b>Net income for the period before taxation</b>		<b>71,324</b>
Element of income and capital gains included in price of units issued less those in units redeemed - net		-
<b>Net income for the period before taxation</b>		<b>71,324</b>
Taxation	17	-
<b>Net income for the period after taxation</b>		<b>71,324</b>
<b>Accounting income available for distribution:</b>		
Relating to capital gains		-
Excluding capital gains		71,324
		71,324
<b>Earnings per unit</b>	18	<b>71,324</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**For the period from  
September 12, 2022  
to June 30, 2023**  
**(Rupees in '000)**

Net income for the period after taxation	71,324
Other comprehensive income for the period	-
<b>Total comprehensive income for the period</b>	<b>71,324</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**



For the period from September 12, 2022 to June 30, 2023

Capital value	Undistributed income	Total
(Rupees in '000)		

Net assets at beginning of the period

Issue of 50,000,000 units

Capital value (at net asset value per unit at the beginning of the period)

Element of income

Total proceeds on issue of units

500,000	-	500,000
-	-	-
500,000	-	500,000

Total comprehensive income for the period

Interim distribution of Rs 1.4 per unit declared on June 27, 2023 as cash dividend

-	71,324	71,324
-	(70,000)	(70,000)
-	1,324	1,324

Net assets at end of the period

500,000	1,324	501,324
---------	-------	---------

Accounting income available for distribution

Relating to capital gains

Excluding capital gains

-
71,324
71,324

Distribution for the period:

Interim distribution of Rs 1.4 per unit declared on June 27, 2023 as cash dividend

Undistributed income carried forward

(70,000)
1,324

Undistributed income carried forward

Realised income

Unrealised loss

1,536
(212)
1,324

Rupees

Net assets value per unit at end of the period

10.0265

The annexed notes 1 to 30 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

Chief Financial Officer

Chief Executive Officer

Director



**HBL Total Treasury Exchange Traded Fund**  
**Statement of Cash Flow**  
For the year ended June 30, 2023

For the period from  
September 12,  
2022 to June 30,  
2023  
(Rupees in '000)

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income for the period before taxation	71,324
Adjustments for:	
Profit on bank deposit	(9,118)
	62,206
<b>Increase in assets</b>	
Advance tax	(2,056)
Preliminary expenses and floatation costs	(374)
Deposits and prepayments	(100)
	(2,530)
<b>Increase in liabilities</b>	
Payable to the Management Company	911
Payable to the Trustee	53
Payable to the Securities and Exchange Commission of Pakistan	85
Accrued expenses and other liabilities	348
	1,397
<b>Cash used from operations</b>	61,073
Profit received on bank deposits	9,063
<b>Net cash used from operating activities</b>	70,136

**CASH FLOWS FROM FINANCING ACTIVITIES**

Amount received on issue of units	500,000
<b>Net cash generated from financing activities</b>	500,000
<b>Net increase in cash and cash equivalents</b>	570,136
Cash and cash equivalents at beginning of the period	-
<b>Cash and cash equivalents at end of the period</b>	570,136

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The annexed notes 1 to 30 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1 HBL Total Treasury Exchange Traded Fund (the Fund) was established under a Trust Deed, dated August 16, 2021, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan as a unit trust scheme on November 30, 2021. The Fund is registered on December 06, 2021 with Assistant Director of Industries and Commerce (Trust Wing) Government of Sindh under Section 12A of the Sindh Trusts Act, 2020.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

- 1.2 The Fund is a hybrid fund having features of both open and closed end fund. A new concept of Authorised Participants (APs) has been introduced who will act as market makers. The Management Company will only have contract with the APs for issuance and redemption of units. The units of the Fund are tradeable in the Pakistan Stock Exchange Limited (PSX). The APs to whom the units are issued may either hold units or trade them in the PSX. Consequently, upon trading, the holder of the units keeps on changing. Moreover, on issuance and redemption of units, the basket of shares will be exchanged between AP and Management Company and cash will be paid / received if there is a difference in the applicable net asset value of a creation unit and the market value of the portfolio deposit.
- 1.3 The Fund has been categorised as Exchange Traded Fund as per the criteria laid down by the SECP for categorization of open-end Collective Investment Schemes (CIS) and is listed on the Pakistan Stock Exchange Limited.
- 1.4 The objective of the Fund is to invest in a particular basket of Government Securities to track the performance of component securities of the Benchmark Index which is constituted and managed by the Management Company.

Title to the assets of the Fund is held in the name of CDC as Trustee of the Fund.

VIS Credit Rating Company has assigned a management quality rating of AM1 (Stable Outlook) to the Management Company on December 30, 2022, while the fund is currently not rated.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

- 2.1.1 This financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards as applicable in Pakistan comprise of:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
  - Provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and
  - NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations') and requirements of the Trust Deed.

Where the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, the directives issued by the SECP and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations, the directions issued by the SECP and requirements of the Trust Deed have been followed.

## **2.2 Basis of measurement**

This financial statements have been prepared under the historical cost convention except for the investments which are classified as fair value through profit and loss.

## **2.3 Functional and presentation currency**

This financial statements are presented in Pakistan Rupees which is the Fund's functional and presentation currency.

## **2.4 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, judgments and assumptions that affect the reported amounts of assets and liabilities and income and expenses. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the result of which from the basis of making the judgment about the company values of assets and liabilities that are not readily apparent from other sources and actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in the application of accounting policies are given below:

- (a) Classification and measurement of financial assets (Note 4.2.1.1)
- (b) Impairment of financial assets (Note 4.2.1.2)
- (c) Provisions (Note 4.3)
- (d) Classification and measurement of financial liabilities (Note 4.2.2)
- (e) Contingencies and Commitments (Note 13)

## **3. APPLICATION OF NEW AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

### **3.1 New amendments that are not yet effective**

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	Effective from Accounting period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IAS 12 'Income taxes' - International Tax Reform — Pillar Two Model Rules	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
	Effective from Accounting period beginning on or after
Amendments to IFRS 16 'Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' and 'IFRS 9 'Financial instruments disclosures'- Supplier Finance Arrangements	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
Other than the aforesaid amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:	
- IFRS 1 – First Time Adoption of International Financial Reporting Standards	
- IFRS 17 – Insurance Contracts	

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of this financial statements are set out below.

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

##### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 4.2.1 Financial assets

##### 4.2.1.1 Classification and measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income, foreign exchange gains and losses and impairment are recognised in income statement.

##### 4.2.1.2 Impairment of financial assets

The Management Company assesses at each reporting date whether there is objective evidence that the Fund's financial assets or a group of financial assets are impaired. If any such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognised whenever the carrying value of an asset exceeds its recoverable amount.

The SECP/Commission, through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017, has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore, the Fund will not be subject to the impairment provisions of IFRS 9.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

#### **4.2.1.3 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

#### **4.2.1.4 Derecognition**

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

#### **4.2.2 Classification and measurement of Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 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.

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by accumulated losses and capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the year as reduced by accumulated losses and capital gains, whether realised or unrealised, to its unit holders.

#### **4.5 Preliminary expenses and floatation costs**

The Fund has recorded all expenses incurred in connection with the incorporation, registration, establishment and authorization of the Fund as preliminary expenses and floatation costs which are to be amortised by the Fund over a period of five years commencing from September 12, 2022 in accordance with the Trust Deed and the NBFC Regulations.

**4.6 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

**4.7 Issue and redemption of units**

"Authorised Participants (APs) can purchase the units at the offer price and redeem at the redemption price at any of the authorised distribution offices during business hours.

The offer price shall be equal to the sum of:

- The Net Asset Value (NAV) as of the close of the previous business day (historical pricing); and
- Such amount as the Management Company may consider an appropriate provision for duties and charges.

Units of the Fund may be acquired or redeemed directly from the Fund only in Creation Units lot size or multiples thereof as mentioned in the Offering Document. Investors can sell the units at market prices on PSX which may be above or below actual NAV of the Fund."

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

"Element of income represents the difference between Net Asset Value (NAV) per unit on the issuance or redemption date, as the case may be, of units and the NAV per unit at the beginning of the relevant accounting period.

As clarified by the SECP vide its letter no. SCD/AMCW/ETF/240/2020 dated March 2, 2020, element of income in case of Exchange Traded Funds shall be taken to income statement both at the time of issuance and redemption of units to the extent it pertains to the income statement"

**4.9 Net assets value per unit**

The net assets value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the period end.

**4.10 Revenue recognition**

- Capital gain / (loss) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Profit / return on Market treasury bills and investment in debt securities are recognized at a time apportionment basis using the effective interest rate method.
- Unrealised gain / (loss) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.
- Profit on bank balances is recognised on a time proportionate basis using bank's approved rates.
- Dividend income is recognised when the right to receive the dividend is established.

**4.11 Transactions with related parties / connected persons**

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

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations and

#### 4.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee and annual fee of the SECP are recognised in the income statement on an accrual basis.

	Note	June 30, 2023 (Rupees in '000)
<b>5 BANK BALANCES</b>		
Saving account	5.1	<u>2,306</u>

5.1 This carry profit at the rates ranging between 14.75% to 22% per annum.

	Note	June 30, 2023 (Rupees in '000)
<b>6 INVESTMENTS</b>		
Financial asset at fair value through profit or loss	6.1	<u>567,830</u>

#### 6.1 Financial assets at fair value through profit or loss

Market treasury bills	6.1.1	<u>567,830</u>
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#### 6.1.1 Market treasury bills

Particulars	Issue Date	Face value				Balance as at June 30, 2023			Market value as a percentage of		
		As at September 12, 2022	Purchased during the period	Sold / matured during the period	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Un-realised loss	Total investments	Net assets	
----- (Rupees '000') -----										----- % -----	
Market Treasury Bills - 3 -months											
Market treasury bills	July 14, 2022	-	300,000	300,000	-	-	-	-	-	-	
Market treasury bills	July 28, 2022	-	350,000	350,000	-	-	-	-	-	-	
Market treasury bills	August 11, 2022	-	300,000	300,000	-	-	-	-	-	-	
Market treasury bills	August 25, 2022	-	300,000	300,000	-	-	-	-	-	-	
Market treasury bills	September 8, 2022	-	300,000	300,000	-	-	-	-	-	-	
Market treasury bills	September 22, 2022	-	300,000	300,000	-	-	-	-	-	-	
Market treasury bills	October 6, 2022	-	300,000	300,000	-	-	-	-	-	-	
Market treasury bills	October 20, 2022	-	300,000	300,000	-	-	-	-	-	-	
Market treasury bills	November 3, 2022	-	300,000	300,000	-	-	-	-	-	-	
Market treasury bills	November 17, 2022	-	50,000	50,000	-	-	-	-	-	-	
Market treasury bills	December 1, 2022	-	350,000	350,000	-	-	-	-	-	-	
Market treasury bills	December 15, 2022	-	400,000	400,000	-	-	-	-	-	-	
Market treasury bills	January 26, 2023	-	381,000	381,000	-	-	-	-	-	-	
Market treasury bills	March 9, 2023	-	160,000	160,000	-	-	-	-	-	-	
Market treasury bills	March 27, 2023	-	170,000	170,000	-	-	-	-	-	-	
Market treasury bills	April 6, 2023	-	350,000	350,000	-	-	-	-	-	-	
Market treasury bills	April 20, 2023		572,000	-	572,000	568,042	567,830	(212)	100%	113.27%	
Total as at June 30, 2023		-	5,183,000	4,611,000	572,000	568,042	567,830	(212)	100.00%	113.27%	



6.1.1.1 These market treasury bills carry profit at the rate ranging from 15.20% to 21.90% per annum.

6.2	Unrealized loss on re-measurement of investment classified as financial assets at 'fair value through profit or loss'-net	June 30, 2023 (Rupees in '000)
	Market value of investment	567,830
	Carrying value of investment	(568,042)
		(212)
		June 30, 2023 (Rupees in '000)

7	PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	
	Preliminary expenses and floatation costs	7.1	445
	Amortization during the period		(71)
			374

7.1 This represents all expenses incurred in connection with the incorporation, registration, establishment and authorization of the fund which is being amortized by the Fund over the period of five years commencing from September 12, 2022 in accordance with the Trust Deed and the NBFC Regulations.

#### 8 DEPOSITS AND PREPAYMENTS

Security deposits with:		
Central Depository Company of Pakistan Limited		100
		100

9	PAYABLE TO THE MANAGEMENT COMPANY	Note	
	Remuneration payable to the Management Company	9.1	233
	Sindh Sales Tax payable on Management Company's remuneration	9.2	30
	Formation cost payable		555
	Allocation of expenses	9.3	93
			911

9.1 As per Regulation 61 of the amended NBFC regulation, the Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the offering document, further subject to the guidelines as may be issued by the Commission from time to time. During the period, the fee is being charged at the rate of 0.5% of the average annual net assets accordingly. The fee is payable monthly in arrears.

9.2 The Sindh Government has levied Sindh Sales Tax (SST) at the rate of 13% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

9.3 As per Regulation 60(3)(s) of the amended NBFC Regulations, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the CIS. During the period, the fee is being charged at the rate of 0.2% of the average annual net assets accordingly

10	PAYABLE TO THE TRUSTEE	Note	June 30, 2023 (Rupees in '000)
	Trustee fee payable	10.1	47
	Sindh Sales Tax payable on remuneration of the Trustee	10.2	6
			53

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified there in, based on the daily Net Asset Value (NAV) of the Fund. As per the offering document of the Fund the maximum limit of trustee fee is 0.1% per annum of average annual net assets. Therefore trustee fee have been charged as 0.1% per annum of net assets calculated on daily basis. The remuneration is paid to the trustee monthly in arrears

10.2 Sindh Sales Tax at the rate of 13% is applicable on Trustee fee as per Sindh Sales Tax on Services Act, 2011.

		June 30, 2023 (Rupees in '000)
<b>11</b>	<b>PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	<b>Note</b>
	Annual fee payable	11.1 <u>85</u>
11.1	As per Regulation 62 of the amended NBFC Regulations, a Collective Investment Scheme (CIS) categorised as an income scheme is required to pay as annual fee to the SECP, an amount equal to 0.02% of the average net assets of the Scheme. During the period, Management Company has charged the fee accordingly. The fee is payable annually in arrears.	
		June 30, 2023 (Rupees in '000)
<b>12</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	
	Auditors' remuneration	344
	Brokerage payable	3
	Other payables	1
		<u>348</u>
<b>13</b>	<b>CONTINGENCIES AND COMMITMENTS</b>	
	There were no contingencies and commitments as at June 30, 2023.	
		For the period ended June 30, 2023 (Number of Units)
<b>14</b>	<b>NUMBER OF UNITS IN ISSUE</b>	
	Total units in issue at the beginning of the period	-
	Units issued during the period	50,000,000
	Units redeemed during the period	-
	Total units in issue at the end of the period	<u>50,000,000</u>
		For the period ended June 30, 2023 (Rupees in '000)
<b>15</b>	<b>AUDITORS' REMUNERATION</b>	
	Annual audit fee	290
	Half yearly review fee	127
	Out of pocket expenses	41
	Sindh sales tax on services	37
		<u>495</u>

			June 30, 2023 (Rupees in '000)
16	<b>CASH AND CASH EQUIVALENTS</b>	<b>Note</b>	
	Bank balances	5	2,306
	Market treasury Bills	6.1.1	567,830
			<u>570,136</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 its accounting income for the year, as reduced by accumulated losses and capital gains, whether realised or unrealised, is distributed to the unit holders in cash. Furthermore, Regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current period, as the Management Company has distributed at least 90% of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) for the period ended June 30, 2023 to its unit holders.

18 **EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed in this financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

19 **FINANCIAL INSTRUMENTS BY CATEGORY**

Particulars	As at June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
(Rupees in '000)			
<b>Financial assets</b>			
Bank balances	-	2,306	2,306
Market treasury bills	567,830	-	567,830
Profit / markup receivable	-	55	-
Deposits and prepayments	-	100	100
	<u>567,830</u>	<u>2,461</u>	<u>570,236</u>

Particulars	As at June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
(Rupees in '000)			
<b>Financial liabilities</b>			
Payable to the Management Company	-	851	851
Payable to the Trustee	-	47	47
Dividend payable	-	70,000	70,000
Accrued expenses and other liabilities	-	348	348
	<u>-</u>	<u>71,246</u>	<u>71,246</u>

**20 TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Connected persons include HBL Asset Management Limited, being the Management Company, Habib Bank Limited, being the Sponsor, CDC, 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 and persons having 10% or more beneficial ownership of the units of the Fund.

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 are as follows:

	June 30, 2023 (Rupees in '000)
<b>20.1 Transactions during the Period</b>	
<b>HBL Asset Management Limited - Management Company</b>	
Remuneration of the Management Company	2,129
Sindh Sales Tax on remuneration of the Management Company	277
Allocation of expenses related to registrar services, accounting, operation and valuation services	851
	June 30, 2023 (Rupees in '000)
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Trustee remuneration	426
Sindh Sales Tax payable on the Trustee fee	55
<b>HBL - Cash Fund</b>	
Purchase of Market Treasury Bills	167,306
Sale of Market Treasury Bills	386,933
<b>HBL - Pension Fund Money Market Sub Fund</b>	
Sale of Market Treasury Bills	596,328
<b>Habib Bank Limited - Authorized Participant</b>	
Issuance of 50,000,000 units	500,000
<b>20.2 Balances outstanding as at period end</b>	
<b>HBL Asset Management Limited - Management Company</b>	
Remuneration payable to the Management Company	233
Sindh Sales Tax payable on Management Company's remuneration	30
Allocation of expenses related to registrar services, accounting, operation and valuation services	93
Formation cost payable	555
<b>Central Depository Company of Pakistan Limited - Trustee</b>	
Trustee fee payable	47
Sindh Sales Tax payable on Trustee Fee	6
<b>Habib Bank Limited - Authorized Participant</b>	
Investment held in fund: 1,412,000 units	14,157

**21 FINANCIAL RISK MANAGEMENT**

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

**21.1 Market risk**

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

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

**21.1.1 Currency risk**

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

**21.1.2 Interest rate risk**

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

**a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 14.75% and 22% per annum.

In case of 100 basis points increase / decrease in interest rates on June 30, 2023, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 0.023 million.

**b) Fair value interest rate risk**

The Fund's investment in market treasury bills is expose it to fair value interest rate risk.

In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan on June 30, 2023, with all other variables held constant, the net income for the period and the net assets would be lower by Rs. 5.68 million. In case of 100 basis points decrease in rates announced by the Financial Market Association of Pakistan on June 30, 2023, with all other variables held constant, the net income for the period and the net assets would be higher by Rs. 5.68 million.

The composition of the Fund's investment portfolio and rates announced by Financial Market Association of Pakistan is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

Particulars	As at June 30, 2023					
	Effective yield / interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
Rupees in '000						
On-balance sheet financial instruments						
Financial assets						
Bank balances	14.75 - 22	2,306	-	-	-	2,306
Investments						
Market treasury bills	15.20 - 21.90	567,830	-	-	-	567,830
Profit / markup receivable		-	-	-	55	55
Deposits and prepayments		-	-	-	100	100
Sub total		570,136	-	-	155	570,291
Financial liabilities						
Payable to the Management Company		-	-	-	851	851
Payable to the Trustee		-	-	-	47	47
Dividend payable		-	-	-	70,000	70,000
Accrued expenses and other liabilities		-	-	-	348	348
Sub total		-	-	-	71,246	71,246
On-balance sheet gap (a)		570,136	-	-	(71,091)	499,045
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		570,136	-	-	(71,091)	499,045
Cumulative interest rate sensitivity gap		570,136	-	-		

### 21.1.3 Price risk

Price risk is a 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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, The fund does not hold any security which exposes the fund to price risk.

### 21.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to investment in debt securities, profit / markup receivable and bank balances. Risk attributable to investments in securities issue by the Market treasury bills is limited, while the bank balances are maintained with bank with a reasonably high credit rating.

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

Credit risk from balances with banks and financial institutions is managed in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors of the management company. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The maximum exposure to credit risk before considering any related collateral as at June 30, 2023 is the carrying amount of financial assets. None of these financial assets are 'impaired' nor 'past due but not impaired'. Investment in government securities (if any) are not exposed to credit risk as they are guaranteed by the Government of Pakistan.

21.2.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2023:

Name of banks / institutions	Balances held by the Fund as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
----- (Rupees in '000') -----			
<b>Bank balances and mark-up receivable thereon</b>			
Soneri Bank Limited	2,361	A-1+	PACRA
	2,361		

21.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure in relation to balances with banks:

	June 30, 2023 (Percentage)
<b>Rating by rating category</b>	
A-1+	100.00%

#### **Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is concentrated in bank balances other than the Government.

#### **21.3 Liquidity risk**

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund, through Management Company with prior approval of Trustee, has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to 15% of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current year no borrowings was made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instances were witnessed by the Fund during the current year .

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

Particulars	As at June 30, 2023			
	Upto three months	More than three months and upto one year	More than one year	Total
Rupees in '000				
<b>Financial liabilities</b>				
Payable to the Management Company	851	-	-	851
Payable to the Trustee	47	-	-	47
Dividend payable	70,000	-	-	70,000
Accrued expenses and other liabilities	348	-	-	348
	<b>71,246</b>	<b>-</b>	<b>-</b>	<b>71,246</b>

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## UNITS HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund 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's objective when managing unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide return for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e net asset of the Fund) of Rs. 100 million at all time during the life of scheme. In order to comply with the requirement and to maintain or adjust the unit holders' fund, the Fund's policy is to perform the following:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current period.



## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the reporting 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. "

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. 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.

		June 30, 2023							
Particulars	Note	Carrying amount			Fair value				
		Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total	
		(Rupees in '000)							
Financial assets measured at fair value	23.1								
Market treasury bills		567,830	-	567,830	-	567,830	-	567,830	
		567,830	-	567,830	-	567,830	-	580,118	
Financial assets not measured at fair value	23.2								
Bank balance		-	2,306	2,306					
Profit / markup receivable		-	55	55					
Deposits		-	100	100					
		-	2,461	2,461					
Financial liabilities not measured at fair value	23.2								
Payable to the Management Company		-	851	851					
Payable to the Trustee		-	47	47					
Dividend payable		-	70,000	70,000					
Accrued expenses and other liabilities		-	348	348					
		-	141,246	141,246					

**23.1 Valuation techniques**

For level 2 investments at fair value through profit or loss - investment in respect market treasury bills, Fund uses PKRV rates which are available on MUFAP's website.

23.2 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 periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**24. LIST OF BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

Brokers during the period ended June 30, 2023

- 1 C & M Management (Private) Limited
- 2 Optimus Markets (Private) Limited
- 3 Continental Exchange (Private) Limited
- 4 BMA Capital Management Limited
- 5 Magenta Capital (Private) Limited
- 6 Currency Market Associates (Private) Limited
- 7 Al Falah CLSA Securities (Private) Limited

**25 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	24+
2	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27+
3	Wamiq Sakrani	Head of Fixed Income	MBA	13+
4	Imad Ansari	Head of Risk	MBA	16+
5	Umair Naseer	Head of Research	MBA	10+
6	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7	Raza Abbas	Senior Fund Manager	M.Com	20
8	Abdul Samad Khanani	Senior Fund Manager	BBA	7+

**26 PATTERN OF UNIT HOLDING**

Pattern of unit holding as at June 30, 2023 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000'				
Mutual fund	1	39,159,000	392,628	78.32%
Individuals	44	7,503,500	75,234	15.01%
Joint stock companies	2	1,925,500	19,305	3.85%
Financial institutions	1	1,412,000	14,157	2.82%
	48	50,000,000	501,324	100.00%

**27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Six meetings of the Board of Directors were held on August 29,2022 , October 19, 2022, January 16,2023 ,January 23,2023 ,February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29,2022,January 16,2023,January 23,2023, February
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19,2022.

**28 TOTAL EXPENSE RATIO**

The total expense ratio of the Fund for the year is 0.85% and this includes 0.08% representing government levy, and SECP fee etc.This ratio is within the maximum limit of 1.5% prescribed under the NBFC Regulations for a Collective Investment Scheme categorized as an "Index" scheme.

**29 GENERAL**

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

**30 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

**For HBL Asset Management Limited  
(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**



**HBL** Mehfooz  
Munafa Fund

## FUND INFORMATION

NAME OF FUND	HBL Mehfooz Munafa Fund
NAME OF AUDITOR	BDO Ebrahim & Co. Chartered Accountants.
NAME OF TRUSTEE	Central Depository Company of Pakistan Limited.
NAME OF BANKERS	Habib Bank Limited Bank Al Habib Limited

#### Type and Category of Fund

Open end Fixed Rate Fund

#### Investment Objective and Accomplishment of Objective

The investment objective of the Fund is to provide competitive returns to its investors through active investment in low risk portfolio of short duration, while maintaining high liquidity. The Fund will aim to maximize returns through efficient utilization of investment and liquidity management tools.

#### Benchmark and Performance Comparison with Benchmark

The Fund's benchmark is 3 month PKRV at inception.

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

Month	HBL-MEMF	Benchmark
Jun-23	20.63%	21.90%
May-23	20.63%	21.90%
Apr-23	N/A	N/A
Mar-23	N/A	N/A
Feb-23	N/A	N/A
Jan-23	N/A	N/A
Dec-22	N/A	N/A
Nov-22	N/A	N/A
Oct-22	N/A	N/A
Sep-22	N/A	N/A
Aug-22	N/A	N/A
Jul-22	N/A	N/A

#### Strategies and Policies employed during the Year

During the year under review, HBL Mehfooz Munafa Fund was launched with the basic objective of providing a fixed rate return to the investors for the invested timeframe. The fund invested majority of the amount in shorter duration government securities to provide market competitive returns to the investors. The Tenor of the investment is generally in tandem to the tenor of the fund to avoid any mismatch.

#### Asset Allocation



## Fund Performance

The total income and net income of the Fund was Rs. 76.51 million and Rs. 71.72 million respectively for the period from May 18, 2023 to June 30, 2023. The Net Asset Value (NAV) per unit of the Fund was Rs. 100.2211 per unit as on June 30, 2023 (after incorporating dividend of Rs. 2.2492 per unit), thereby giving an annualized return of 20.63%. During the same period, the benchmark return was 21.90%. The size of Fund was Rs. 2.91 billion as on June 30, 2023.

## Money Market Review

Post-COVID, the SBP shifted its focus from catalyzing economic recovery toward sustaining it. Accordingly, Inflation during FY23 reached a peak of 38% in May-23 which is a multi-decade high and averaged 29% in FY23, forcing SBP to aggressively tighten the policy rate. As a result, SBP cumulatively increased the policy rate by 825bps to 22%. SBP has highlighted rising inflationary pressures, external account concerns and rising global interest rates as key factors behind aggressive monetary tightening during FY23. Secondary market yields have also moved in tandem with the Discount Rate i.e. for tenors up-to 1Y T-Bills rising by 763bps in FY23 to 22.93%. Similarly, 3Y and 5Y Bond yields were up 600bps and 315bps in FY23 to 19.5% and 16.1%, respectively as the inflationary pressures are expected to subside in the longer tenor.

During the last T-Bill auction held on 21st Jun-23, government raised PKR 2.4trn as against the target of PKR 2.3trn where cut-off yields remained largely flat as 3M, 6M and 12M T-Bills were yielding 22.0%, 21.97%, and 22.0%. It is also pertinent to note that during the last Sukuk auction held on 22nd June-2023, government raised PKR 76bn from Fixed Rental Rate (FRR) Sukuk against target of PKR 60bn. Yield on 1-year Sukuk stood at 21.29% whereas on 3-year Sukuk stood at 18.49% for FRR. In Variable Rate Sukuk (VRR) auction, government raised PKR 81bn against target of PKR 130bn. The cut-off for 1-Year VRR stood at 22.87%.

## Distribution

The Fund has distributed cash dividend up-to Rs. 2.2492 per unit for the year ended June 30, 2023.

## 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	-	-
101 – 500	-	-
501 – 1,000	-	-
1,001 – 10,000	13	67,763
10,001 – 100,000	56	2,019,341
100,001 – 500,000	42	9,508,618
500,001 – 1,000,000	11	7,496,268
1,000,001 – 5,000,000	5	9,983,271
5,000,001 and above	-	-
<b>Total</b>	<b>127</b>	<b>29,075,261</b>

#### Unit Splits

There were no unit splits during the year.

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

Investments are subject to market risk.

#### Soft Commission

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



**PERFORMANCE TABLE –**  
**MEHFOOZ MUNAFA FUND**  
*As at June 30, 2023*

	2023
Net assets at the period end (Rs'000)	2,913,953
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>	
Redemption	100.2210
Offer	102.4860
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>	
Highest offer price per unit	100.0000
Lowest offer price per unit	100.0000
Highest redemption price per unit	102.4310
Lowest redemption price per unit	100.0000
<b>RETURN ( % )</b>	
Total return	20.63%
Income distribution	2.25%
Capital growth	18.38%
<b>DISTRIBUTION</b>	
First Interim dividend distribution (Rs)	0.79
Date of Income Distribution	01-05-23
Second Interim dividend distribution (Rs)	1.46
Date of Income Distribution	27-06-23
Third Interim dividend distribution (Rs)	-
Date of Income Distribution	-
Final dividend distribution (Rs)	-
Date of Income Distribution	Various dates
Total dividend distribution for the year/ period (Rs)	<b>2.2492</b>
<b>AVERAGE RETURNS ( % )</b>	
Average annual return 1 year	13.26%
Weighted average portfolio during (No. of days)	41
<b>PORTFOLIO COMPOSITION - (%)</b>	
Percentage of Total Assets as at 30 June:	
Bank Balances	0.20%
TFCs	0.00%
PIBs	0.00%
Tbill	99.68%
Placement with Banks and DFIs	0.00%
MTS / Spread Transaction	0.00%
Commercial Paper	0.00%
Others Including receivables	0.12%

**Note:**

The Launch date of the Fund is January 18, 2022

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

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

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



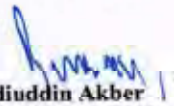
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL MEHFOOZ MUNAFA FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 Mehfooz Munafa Fund (the Fund) are of the opinion that HBL Asset Management Limited, being the Management Company of the Fund has in all material respects managed the Fund for the period from May 18, 2023 to June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

  
**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF HBL MEHFOOZ MUNAFA FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of HBL Mehfooz Munafa Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the period ended from May 18, 2023 to June 30, 2023 year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the period ended from May 18, 2023 to June 30, 2023 then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p><b>Existence and valuation of investments</b></p> <p>As disclosed in note 6 to the financial statements of the Fund for the year ended June 30, 2023, the investments held by the Fund comprised of government securities which represent 99.77% of the total assets of the Fund as at the year end.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We evaluated the design and implementation of key controls of investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li> </ul>

S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund. Further, the Fund is required to be compliant with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) with respect to investments.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on year-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices the Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("HBL Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the Board of Directors of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the Board of Directors of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: 25 SEP 2023

UDIN: AR202310166sZLFJKjyz

*BDO Ebrahim & Co.*  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

		2023
	Note	-- Rupees in '000' --
<b>ASSETS</b>		
Bank balances	5	6,513
Investments	6	2,925,325
Preliminary expenses and flotation costs	7	96
Profit / Mark-up receivable	8	139
<b>TOTAL ASSETS</b>		<u>2,932,073</u>
<b>LIABILITIES</b>		
Payable to the Management Company	9	4,157
Payable to the Trustee	10	298
Payable to Securities and Exchange Commission of Pakistan	11	70
Accrued expenses and other liabilities	12	13,595
<b>TOTAL LIABILITIES</b>		<u>18,120</u>
<b>NET ASSETS</b>		<u>2,913,953</u>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<u>2,913,953</u>
<b>CONTINGENCIES AND COMMITMENTS</b>	13	--Number of units--
<b>Number of units in issue</b>	14	<u>29,075,261</u>
		-----Rupees-----
<b>Net assets value per unit</b>		<u>100.2211</u>

The annexed notes from 1to 29 form an integral part of these financial statements.

For HBL Asset Management Limited  
(Management Company)

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director

		For the Period from May 18, 2023 to June 30, 2023
	Note	-- Rupees in '000 --
<b>Income</b>		
Income from Government securities		76,368
Profit / mark-up on bank deposits		138
		<u>76,506</u>
<b>Expenses</b>		
Remuneration of the Management Company	9.1	2,302
Sindh Sales Tax on remuneration of the Management Company	9.2	299
Remuneration of the Trustee	10.1	264
Sindh Sales Tax on remuneration of the Trustee	10.3	34
Annual fee to Securities and Exchange Commission of Pakistan	11.1	70
Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	9.3	282
Selling and marketing expense	9.4	1,070
Auditors' remuneration	15	280
Amortisation of preliminary expenses and flotation costs		108
Bank charges		19
Printing and stationary charges		62
		<u>4,790</u>
Net income for the period before taxation		71,716
Taxation	16	-
Net income for the period after taxation		<u>71,716</u>
<b>Allocation of net income for the year</b>		
Income already paid on redemption of units		32
Accounting income available for distribution:		
Relating to capital gain		-
Excluding capital gain		71,684
		<u>71,684</u>
		<u>71,716</u>
Earnings per unit	17	

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director



**For the Period**  
**from May 18, 2023**  
**to June 30, 2023**

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

Net income for the period	71,716
Other comprehensive income	-
Total comprehensive income for the period	<u>71,716</u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
**Chief Financial Officer**

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

\_\_\_\_\_  
**Director**

**HBL Mehfooz Munafa Fund**  
**Statement of Movement In Unitholders' Fund**  
For the year ended June 30, 2023

	Capital value	Undistributed income	Total
	Rupees in '000		
<b>Net assets at beginning of the year</b>	-	-	-
<b>Issuance of 29,757,713 units</b>			
Capital value (at net asset value per unit at the beginning of the year)	2,946,494	-	2,946,494
Element of income	-	-	-
<b>Total proceeds on issuance of units</b>	2,946,494	-	2,946,494
<b>Redemption of 682,452 units</b>			
Capital value (at net asset value per unit at the beginning of the year)	(38,968)	-	(38,968)
Income already paid on redemption of units	-	(32)	(32)
Element of loss	-	-	-
<b>Total payments on redemption of units</b>	(38,968)	(32)	(39,000)
<b>Total comprehensive income for the year</b>	-	71,716	71,716
<b>Interim distribution</b>			
Rs 0.7913 per unit declared on May 31, 2023 as cash dividend	-	-	-
Refund of capital	-	(22,873)	(22,873)
Distribution during the year	-	(22,873)	(22,873)
Rs 1.4579 per unit declared on June 26, 2023 as cash dividend	-	-	-
Refund of capital	-	(42,384)	(42,384)
Distribution during the year	-	(42,384)	(42,384)
	-	6,459	6,459
<b>Net assets at end of the year</b>	2,907,526	6,427	2,913,953
<b>Undistributed income brought forward</b>			
Realised income	-	-	-
Unrealised income	-	-	-
<b>Accounting income available for distribution</b>			
Relating to capital (loss) / gain	-	-	-
Excluding capital gain	71,684	71,684	71,684
<b>Distributions during the year:</b>			
Interim distribution of Rs 0.7913 per unit declared on May 31, 2023 as cash dividend	(22,873)	(22,873)	(22,873)
Interim distribution of Rs 1.4579 per unit declared on June 26, 2023 as cash dividend	(42,384)	(42,384)	(42,384)
	(65,257)	(65,257)	(65,257)
Undistributed income carried forward	6,427	6,427	6,427
<b>Undistributed income carried forward</b>			
Realised income	6,427	6,427	6,427
Unrealised income	-	-	-
	6,427	6,427	6,427
			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			-
<b>Net assets value per unit at end of the year</b>			100.2211

The annexed notes from 1 to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited  
(Management Company)**

Chief Financial Officer

Chief Executive Officer

Director

**For the Period**  
**from May 18, 2023**  
**to June 30, 2023**

**Note -- Rupees in '000 --**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income for the year before taxation	71,716
Adjustments for:	
Income from Government securities	(76,368)
Profit / mark-up on bank deposits	(138)
Amortisation of preliminary expenses and flotation costs	108
	(4,682)
<b>Increase in assets</b>	
Investments - net	(2,848,957)
Flotation cost	(204)
	(2,849,161)
<b>Increase in liabilities</b>	
Payable to the Management Company	4,157
Payable to the Trustee	298
Payable to Securities and Exchange Commission of Pakistan	70
Accrued expenses and other liabilities	13,593
	18,118
Net cash used in operating activities	(2,835,725)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Receipts from issue of units	2,946,495
Payment against redemption of units	(39,000)
Dividend paid	(65,257)
Net cash generated from financing activities	2,842,238
Net increase in cash and cash equivalents	6,513
Cash and cash equivalents at beginning of the period	-
Cash and cash equivalents at end of the period	6,513

5

The annexed notes from 1to 29 form an integral part of these financial statements.

**For HBL Asset Management Limited**  
**(Management Company)**

**Chief Financial Officer**

**Chief Executive Officer**

**Director**

## **1 LEGAL STATUS AND NATURE OF BUSINESS**

HBL Mehfooz Munafa Fund Fund (the Fund) was established under a Trust Deed executed between HBL Asset Management Limited as the Management Company, and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/AMCW/HBL-MEMF/298/2022 dated April 05, 2022 and the Trust Deed was executed on May 24, 2022.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is located at 7th Floor, Emerald Tower, G-19, Block 5, Main Clifton Road, Clifton, Karachi.

The Fund is an Open-End Fixed Rate/Return Scheme. The Management Company have the intention of launching 6 fixed return plans having maturity upto thirty six months from the date of closure of the IPO. The Allocation Plans shall be closed for new subscriptions after the close of the subscription period. Currently, HBL Mehfooz Munafa Fund Plan-II is active. The Units of which were initially offered for public subscription at a par value of Rs.100 per unit from April 26, 2023 to May 17, 2023.

The Fund has been categorised as a Fixed Rate/Return scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).

The Core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.

VIS Credit Rating Agency has assigned a management quality rating of 'AM1' (Stable outlook) to the Management Company as at December 30, 2022 while the fund is currently not rated.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations') and requirements of the Trust Deed.

Where the provisions of and directives issued under the Companies Act, 2017, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost basis, unless otherwise stated.

## 2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Fund's functional currency.

## 2.4 Use of judgments and estimates

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

### Classification and valuation of investment

For details please refer notes 4.2.1.1 and 6 to these financial statements.

### Impairment of investment

For details please refer note 4.2.1.2 to these financial statements.

## 3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

### 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the year ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Fund's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

Certain annual improvements have also been made to a number of IFRSs.

### 3.2 New accounting standards, amendments and interpretations that are not yet effective

The following accounting standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations are either not relevant to the Funds's operations or are not expected to have significant impact on the Funds's financial statements other than certain additional disclosures.

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
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Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
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**Effective date  
(annual periods  
beginning on or  
after)**

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
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Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
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Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
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Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
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Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
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Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
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Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
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Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023
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The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards; and
IFRS 17	Insurance Contracts

#### **4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied, unless otherwise stated.

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less.

##### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **4.2.1 Financial assets**

##### **4.2.1.1 Classification and measurement of financial assets and financial liabilities**

On initial recognition, a financial asset is classified and measured at amortised cost or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

##### **Financial assets at FVTPL**

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.

##### **Financial assets at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (refer note 4.2.1.2). Interest income and impairment are recognised in income statement.

#### **4.2.1.2 Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly investments and bank balances.

SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012 dated October 24, 2012 in relation to impairment of debt securities.

#### **4.2.1.3 Regular way purchase and sale of financial assets**

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset.

#### **4.2.1.4 Derecognition**

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

#### **4.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These 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.

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 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.



#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed in cash to the unit holders.

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

#### **4.5 Proposed distributions**

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are not recognised before the reporting date.

#### **4.6 Issue and redemption of units**

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

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

#### **4.7 Element of income**

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

#### **4.8 Net assets value per unit**

The net assets value (NAV) per unit as disclosed in the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

#### **4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Mark-up / profit / return on Government securities, bank profits and investment in debt securities are recognized using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

#### 4.10 Transactions with related parties / connected persons

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

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

**2023**  
**Note --- Rupees in '000 ---**

#### 5 BANK BALANCES

Cash at bank	
In savings accounts	5.1 <u>6,513</u>

5.1 These bank accounts carry mark-up at rates ranging between 13.83% to 19.51% per annum. This includes an amount held by a related parties, (Habib Bank Limited) amounting to Rs. 6.513 million on which return is earned at rate ranging between 16.58% to 19.51% per annum.

**2023**  
**Note --- Rupees in '000 ---**

#### 6 INVESTMENTS

Financial assets	
At amortised cost	6.1 <u>2,925,325</u>
	<u>2,925,325</u>

##### 6.1 Financial assets at amorised cost

Government securities	
Market Treasury Bills	6.1.1 <u>2,925,325</u>
	<u>2,925,325</u>

##### 6.1.1 Financial assets at amortised cost - Market Treasury Bills

Issue date	Tenure	Maturity Date	As at May 18, 2023	Placement made during the period	Income accrued	Sales / Matured during the period	As at June 30, 2023	Percentage of net assets	Percentage of total of investments
----- Rupees in '000 -----									
May 18, 2023	3 Months	10-Aug-2023	-	2,884,048	75,543	34,266	2,925,325	100.39%	100.00%
<b>Total - as at June 30, 2023</b>				<u>2,884,048</u>	<u>75,543</u>	<u>34,266</u>	<u>2,925,325</u>	<u>100.39%</u>	<u>100.00%</u>

per annum.

6.1.1.1 As at June 30, 2023, Market Treasury Bills has a face value of Rs. 2,994 million, carrying effective yield of 21.98% per annum.

**2023**  
**Note --- Rupees in '000 ---**

#### 7 PRELIMINARY EXPENSES AND FLOTATION COSTS

Opening Balance	-
Add: Incurred during the period	204
Less: Amortised during the period	<u>(108)</u>
Closing balance	<u>96</u>

7.1 Preliminary expenses and flotation costs represent expenditure incurred prior to the commencement of operation of the Fund and are being amortized over the period of 83 Days commencing from the end of the initial offering period as per the requirements set out in the Trust Deed of the Fund and NBFC Rules.

## 8 PROFIT / MARK-UP RECEIVABLE

Profit / mark-up receivable on:

Bank deposits	8.1	139
		<u>139</u>

8.1 This includes Rs. 0.139 million receivable from Habib Bank Limited which is a related party.

## 9 PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable to the Management Company	9.1	2,302
Sindh Sales Tax on Management Company's remuneration	9.2	299
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	282
Selling and marketing expense payable	9.4	1,070
Formation cost payable		<u>204</u>
		<u>4,157</u>

9.1 As per the Regulation 61 of the NBFC Regulations, Asset Management Company may charge variable fee or fixed fee or the combination of both which shall not exceed the limit disclosed in the Offering Document. The maximum limit disclosed in the Offering Document is 1.5% per annum of average annual net assets. During the period, the fee is being charged at the rate of the average annual net assets. The fee is payable monthly in arrears.

9.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

9.3 As per Regulation 60(3)(s) of NBFC Regulations, fees and expenses related to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS) are chargeable to the CIS. During the year, the fee is being charged at the rate of 0.08% of the average annual net assets.

9.4 As per Regulation 60(3)(v) of NBFC Regulations, selling and marketing expense may be charged for all categories of funds except fund of funds. During the period, the fee is being charged at the rate 0.304% of the average annual net assets.

		2023
	Note	--- Rupees in '000 ---
<b>10 PAYABLE TO THE TRUSTEE</b>		
Trustee fee payable	10.1	264
Sindh Sales Tax on remuneration of the Trustee	10.3	<u>34</u>
		<u>298</u>

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, as per the tariff specified therein, based on the average annual net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

10.2 As per the trust deed and offering document, the trustee remuneration shall consist of reimbursement of actual custodian expenses plus trustee tariff of 0.075% p.a. of net assets.

10.3 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

11.1 As per Regulation 62 of NBFC Regulations, An Asset Management Company managing a CIS shall pay SECP an annual fee of 0.02% of the average annual nets assets. The fee is payable annually in arrears.

## 12 ACCRUED EXPENSES AND OTHER LIABILITIES

Withholding tax payable	9,340
Pre-IPO profit payable	3,902
Auditors' remuneration	280
Printing charges	62
Others	11
	<u>13,595</u>

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2023.

---Number of Units ---

## 14 NUMBER OF UNITS IN ISSUE

Total units in issue at the beginning of the period	-
Add: Units issued	29,757,713
Less: Units redeemed	(682,452)
Total units in issue at the end of the period	<u>29,075,261</u>

## 15 AUDITORS' REMUNERATION

Annual audit fee	236
Other certifications and out of pocket expenses	44
	<u>280</u>

## 16 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 its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from the provision of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current year, as the Management Company has distributed at least 90% of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) to its unit holders.

**17 EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed in these financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable

**18 FINANCIAL INSTRUMENTS BY CATEGORY**

Particulars	As at June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
Rupees in '000			
<b>Financial assets</b>			
Bank balances	-	6,513	6,513
Investments			
Market Treasury Bills	-	2,925,325	2,925,325
Profit / mark-up receivable	-	139	139
	-	2,931,977	2,931,977

Particulars	As at June 30, 2023		
	Fair value through profit or loss	Amortised cost	Total
Rupees in '000			
<b>Financial liabilities</b>			
Payable to the Management Company	-	3,858	3,858
Payable to the Trustee	-	264	264
Accrued expenses and other liabilities	-	4,253	4,253
	-	8,375	8,375

**19 TRANSACTIONS AND BALANCES WITH RELATED PARTIES / 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, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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 are as follows:

**2023**  
--- Rupees in '000 ---

**19.1 Transactions during the period**

**HBL Asset Management Limited - Management Company**

Remuneration of Management Company	2,302
Sindh Sales Tax on remuneration of the Management company	299
Allocation of expenses related to registrar services, accounting, operation and valuation services	282
Selling and marketing expense	1,070
Formation cost payable	204

**Central Depository Company of Pakistan Limited - Trustee**

Remuneration	264
Sindh Sales Tax on remuneration of the Trustee	34

**2023**  
--- Rupees in '000 ---

**Habib Bank Limited - Sponsor**

Bank charges paid	19
Profit / mark-up on deposits accounts	139

**19.2 Balance outstanding as at the period end**

**HBL Asset Management Limited - Management Company**

Remuneration payable to the Management Company	2,302
Sindh Sales Tax payable on Management Company's	299
Allocation of expenses related to registrar services, accounting, operation and valuation services	282
Selling and marketing expense payable	1,070
Formation cost payable	204

**Central Depository Company of Pakistan Limited - Trustee**

Trustee fee payable	264
Sindh Sales Tax payable on Trustee Remuneration	34

**Habib Bank Limited - Sponsor**

Bank balances	6,491
Profit / mark-up receivable	139

**20 FINANCIAL RISK MANAGEMENT**

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

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed

The Fund primarily invests in Government securities. These activities expose the Fund to a variety of financial risks, such as market risk, credit risk and liquidity risk.

## **20.1 Market risk**

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

The Management Company manages 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.

### **20.1.1 Currency risk**

Currency risk is a risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk.

### **20.1.2 Interest rate risk**

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

#### **a) Cash flow interest rate risk**

The Fund is exposed to cash flow interest rate risk for balances in certain savings accounts, the interest rates on which range between 13.83% to 19.51% per annum,

In case of 100 basis points increase / decrease in interest rates on June 30, 2023, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 0.06 million.

#### **b) Fair value interest rate risk**

The Fund's investment portfolio currently includes Treasury bills (T bills), which have fixed interest rates. This characteristic of T bills ensures that the Fund's holdings are not influenced by changes in market interest rates. As a result, the Fund is not subject to fair value interest rate risk at this time.

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

Particulars	As at June 30, 2023					Total
	Effective yield / interest rate	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	16.58 - 19.51	6,513	-	-	-	6,513
Investments						
Market Treasury Bills	21.99	-	-	-	2,925,325	2,925,325
Profit / mark-up receivable		-	-	-	139	139
Sub total		6,513	-	-	2,925,464	2,931,976
Financial liabilities						
Payable to the Management Company		-	-	-	3,858	3,858
Payable to the Trustee		-	-	-	264	264
Accrued expenses and other liabilities		-	-	-	4,253	4,253
Sub total		-	-	-	8,375	8,375
On-balance sheet gap (a)		6,513	-	-	2,917,088	2,923,601
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		6,513	-	-	2,917,088	2,923,601
Cumulative interest rate sensitivity gap		6,513	-	-		

### 20.1.3 Other price risk

Price risk is a 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 instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to investment in bank balances. Bank balances are maintained with balance with a reasonably high credit rating.

20.2.1 The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2023.

Name of Banks	Balances held as at June 30, 2023	Latest available published rating as at June 30, 2023	Rating agency
---------------	-----------------------------------	---	---------------

Rupees in '000

#### Balances with banks by rating category

Bank Al Habib Limited	22	A-1+	PACRA
Habib Bank Limited	6,491	A-1+	VIS
	6,513		



20.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

**2023**

**Rating by rating category**

**-- (Percentage) --**

A-1+

100.00

**Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mainly concentrated in Government securities and bank balances, while the remaining transactions are entered into with diverse credit-worthy counterparties, thereby mitigating any significant concentration of credit risk to counterparties other than the Government.

**20.3 Liquidity risk**

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow. The borrowing, however, shall not be resorted to, except for meeting redemption requests. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the total net asset value of the Fund at the time of borrowing and shall be repayable within 90 days. The facility would bear interest at commercial rates and would be secured against the assets of the Fund. However, during the current period, no borrowings were made by the Fund.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below 10% of the units then in issue. However, no such instances were witnessed by the Fund during the current year.

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

Particulars	As at June 30, 2023			
	Upto three months	More than three months and upto one year	More than one year	Total

Rupees in '000

**Financial liabilities**

Payable to the Management Company	3,858	-	-	3,858
Payable to the Trustee	264	-	-	264
Accrued expenses and other liabilities	4,253	-	-	4,253
	8,375	-	-	8,375

## **21 UNITS HOLDERS' FUND RISK MANAGEMENT**

The unit holders' fund is represented by the net assets attributable to unit holders / redeemable units. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unit holders of the Fund 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. Unit holders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unit holders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current year.

## **22 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the reporting 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. "

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies 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:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

**22.1 Transfers during the year**

During the period, no transfers were made between various levels of fair value hierarchy.

**23 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

There were no brokers during the year ended June 30, 2023.

**24 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. no.	Name	Designation	Qualifications	Experience in years
1.	Mir Adil Rashid	Chief Executive Officer	BSc	24+
2.	Muhammad Ali Bhabha	Chief Investment Officer	CFA, FRM, MBA	27+
3.	Wamiq Sakrani	Head of Fixed Income	MBA	13+
4.	Imad Ansari	Head of Risk	MBA	16+
5.	Umair Naseer	Head of Research	MBA	10+
6.	Muhammad Zohaib	Senior Fund Manager	CIMA, MA	15
7.	Raza Abbas	Senior Fund Manager	M.Com	20
8.	Abdul Samad Khanani	Senior Fund Manager	BBA	7+

**25 PATTERN OF UNITHOLDING**

Category	----- As at June 30, 2023 -----			
	No. of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
Individuals	112	17,228,035	1,726,612	59.25%
Foreign Individual	1	214,374	21,485	0.74%
Retirement Funds	5	3,220,709	322,783	11.08%
Trust	1	862,056	86,396	2.96%
Other Corporate	8	7,549,663	756,635	25.97%
	127	29,074,837	2,913,911	100.00%

**26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Six meetings of the Board of Directors were held on August 29, 2022, October 19, 2022, January 16, 2023, January 23, 2023, February 13, 2023 and April 28, 2023, respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Name of Director	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
1	Mr. Shahid Ghaffar	6	6	-	-
2	Ms. Ava A. Cowasjee	6	6	-	-
3	Mr. Rayomond H. Kotwal	6	6	-	-
4	Mr. Abrar Ahmed Mir	6	2	4	August 29,2022, January 16,2023, January 23,2023, February 13,2023
5	Mr. Tariq Masaud	6	6	-	-
6	Mr. Abid Sattar	6	6	-	-
7	Mr. Khalid Malik	6	5	1	October 19,2022.

## 27 TOTAL EXPENSE RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the year ended June 30, 2023 is 1.36% which includes 0.15% representing Government levy and SECP fee.

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 25, 2023 by the Board of Directors of the Management Company.

## 29 GENERAL

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

29.2 The HBL Mehfooz Munafa Fund has been launched in current year. Therefore, comparatives have not been presented

**For HBL Asset Management Limited**  
**(Management Company)**

\_\_\_\_\_  
Chief Financial Officer

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

\_\_\_\_\_  
Director



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# HBL

## ASSET MANAGEMENT LTD.

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