

HBL

ASSET MANAGEMENT LTD.

ایسیٹ مینجمنٹ لمیٹڈ

AMC Rating : AM2+ by JCR-VIS



# Annual Report 2019-20

MOVING TOWARDS  
**EXCELLENCE**



# TABLE OF CONTENTS

<i>Vision / Mission</i>	03	<b>HBL EQUITY FUND</b>	
<i>Corporate Values</i>	04	<i>Fund Information</i>	164
<i>Corporate Information</i>	05	<i>Fund Manager's Report</i>	156
<i>Report of the Directors of Management Company</i>	06	<i>Performance Table</i>	169
		<i>Proxy Voting Disclosure</i>	170
		<i>Trustee Report to the unit holders</i>	171
<b>HBL MONEY MARKET FUND</b>		<i>Independent Auditors' Report to the Unit Holders</i>	172
<i>Fund Information</i>	19	<i>Statement of Assets &amp; Liabilities</i>	177
<i>Fund Manager's Report</i>	20	<i>Income Statements</i>	178
<i>Performance Table</i>	24	<i>Statement of Comprehensive Income</i>	179
<i>Trustee Report to the unit holders</i>	25	<i>Statement of Movement in Unit Holders' Fund</i>	180
<i>Independent Auditors' Report to the Unit Holders</i>	26	<i>Cash Flow Statement</i>	181
<i>Statement of Assets &amp; Liabilities</i>	30	<i>Note to the Financial Statements</i>	182
<i>Income Statements</i>	31		
<i>Statement of Comprehensive Income</i>	32	<b>HBL GOVERNMENT SECURITIES FUND</b>	
<i>Statement of Movement in Unit Holders' Fund</i>	33	<i>Fund Information</i>	211
<i>Cash Flow Statement</i>	34	<i>Fund Manager's Report</i>	212
<i>Note to the Financial Statements</i>	35	<i>Performance Table</i>	215
		<i>Proxy Voting Disclosure</i>	216
		<i>Trustee Report to the unit holders</i>	217
<b>HBL INCOME FUND</b>		<i>Independent Auditors' Report to the Unit Holders</i>	218
<i>Fund Information</i>	64	<i>Statement of Assets &amp; Liabilities</i>	223
<i>Fund Manager's Report</i>	65	<i>Income Statements</i>	224
<i>Performance Table</i>	68	<i>Statement of Comprehensive Income</i>	225
<i>Trustee Report to the unit holders</i>	70	<i>Statement of Movement in Unit Holders' Fund</i>	226
<i>Independent Auditors' Report to the Unit Holders</i>	71	<i>Cash Flow Statement</i>	227
<i>Statement of Assets &amp; Liabilities</i>	75	<i>Note to the Financial Statements</i>	228
<i>Income Statements</i>	76		
<i>Statement of Comprehensive Income</i>	77	<b>HBL STOCK FUND</b>	
<i>Statement of Movement in Unit Holders' Fund</i>	78	<i>Fund Information</i>	258
<i>Cash Flow Statement</i>	79	<i>Fund Manager's Report</i>	259
<i>Note to the Financial Statements</i>	80	<i>Performance Table</i>	262
		<i>Proxy Voting Disclosure</i>	263
		<i>Trustee Report to the unit holders</i>	264
<b>HBL ENERGY FUND</b>		<i>Independent Auditors' Report to the Unit Holders</i>	265
<i>Fund Information</i>	113	<i>Statement of Assets &amp; Liabilities</i>	269
<i>Fund Manager's Report</i>	114	<i>Income Statements</i>	270
<i>Performance Table</i>	117	<i>Statement of Comprehensive Income</i>	271
<i>Proxy Voting Disclosure</i>	118	<i>Statement of Movement in Unit Holders' Fund</i>	272
<i>Trustee Report to the unit holders</i>	119	<i>Cash Flow Statement</i>	273
<i>Independent Auditors' Report to the Unit Holders</i>	120	<i>Note to the Financial Statements</i>	274
<i>Statement of Assets &amp; Liabilities</i>	131		
<i>Income Statements</i>	132		
<i>Statement of Comprehensive Income</i>	133		
<i>Statement of Movement in Unit Holders' Fund</i>	134		
<i>Cash Flow Statement</i>	135		
<i>Note to the Financial Statements</i>	136		

**HBL CASH FUND**

Fund Information	300
Fund Manager's Report	301
Performance Table	304
Trustee Report to the unit holders	305
Independent Auditors' Report to the Unit Holders	306
Statement of Assets & Liabilities	311
Income Statements	312
Statement of Comprehensive Income	313
Statement of Movement in Unit Holders' Fund	314
Cash Flow Statement	316
Note to the Financial Statements	317

**HBL MULTI ASSET FUND**

Fund Information	348
Fund Manager's Report	349
Performance Table	352
Proxy Voting Disclosure	353
Trustee Report to the unit holders	354
Independent Auditors' Report to the Unit Holders	355
Statement of Assets & Liabilities	359
Income Statements	360
Statement of Comprehensive Income	361
Statement of Movement in Unit Holders' Fund	362
Cash Flow Statement	363
Note to the Financial Statements	364

**HBL FINANCIAL PLANNING FUND**

Fund Information	394
Fund Manager's Report	395
Performance Table	400
Trustee Report to the unit holders	401
Independent Auditors' Report to the Unit Holders	402
Statement of Assets & Liabilities	407
Income Statements	408
Statement of Comprehensive Income	409
Cash Flow Statement	410
Statement of Movement in Unit Holders' Fund	411
Note to the Financial Statements	414

**HBL GROWTH FUND**

Fund Information	443
Fund Manager's Report	444
Performance Table	447
Proxy Voting Disclosure	448
Trustee Report to the unit holders	449
Independent Auditors' Report to the Unit Holders	450
Statement of Assets & Liabilities	454
Income Statements	455
Statement of Comprehensive Income	456
Statement of Movement in Unit Holders' Fund	457
Cash Flow Statement	458
Note to the Financial Statements	459

**HBL INVESTMENT FUND**

Fund Information	492
Fund Manager's Report	493
Performance Table	497
Proxy Voting Disclosure	498
Trustee Report to the unit holders	499
Independent Auditors' Report to the Unit Holders	500
Statement of Assets & Liabilities	504
Income Statements	505
Statement of Comprehensive Income	506
Statement of Movement in Unit Holders' Fund	507
Cash Flow Statement	508
Note to the Financial Statements	509

# 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.

### Board of Directors (Composition as of August 27, 2020)

Chairman	Mr. Shahid Ghaffar	(Independent Director)
Directors	Mr. Mir Adil Rashid Ms. Shabbir Hussain Hashmi Ms. Ava Ardeshir Cowasjee Mr. Rizwan Haider Mr. Rayomond H. Kotwal Mr. Muhammad Afaq Khan Mr. Abrar Ahmed Mir	(Chief Executive Officer) (Independent Director) (Independent Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director) (Non-Executive Director)

### Audit Committee

Chairman	Mr. Shabbir Hussain Hashmi	(Independent Director)
Members	Ms. Ava Ardeshir Cowasjee Mr. Rayomond H. Kotwal	(Independent Director) (Non-Executive Director)

### Human Resource Committee

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

### Risk Management Committee

Chairman	Mr. Shahid Ghaffar	(Independent Director)
Members	Mr. Rizwan Haider Mr. Muhammad Afaq Khan	(Non-Executive Director) (Non-Executive Director)

### Technology Committee

Chairman	Mr. Abrar Ahmed Mir	(Non-Executive Director)
Members	Mr. Shabbir Hussain Hashmi Mr. Muhammad Afaq Khan	(Independent Director) (Non-Executive Director)

### Company Secretary & Chief Financial Officer

Mr. Noman Qurban

### AMC Rating

AM2+ (Positive Outlook)

### Legal Advisors

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

### Website

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

### Head Office & Registered Office

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

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 and HBL Investment Fund (the Funds) for the year ended June 30, 2020.

### **Economic Review – FY20**

Policy steps taken over the last two years led to improvement in the macros as the economy showed signs of recovery in the shape of decline in Current Account deficit, better FX reserves position and stable exchange rate. These were at the cost of GDP growth which witnessed a slowdown. However the recent COVID-19 epidemic has disrupted short term growth outlook and necessitated large fiscal concessions by the government to support the economy. It also led to outflow of money from the country which was mitigated by inflows from IMF and others multilateral and bilateral creditors.

The PKR depreciated by around 5.4% during FY20 taking Real Effective Exchange Rate to 93 indicating that the currency is trading below fair value. After the COVID-19 outbreak Central bank has decreased the SBP policy rate by a cumulative 625 bps from 13.25% to 7.0% to support the economy. On the external front export declined by 7.2% compared to decline in import by 18.2%, dragging FY20 trade deficit by 27.9% to USD 20.0bn. Remittances also showed encouraging trend as it witnessed an uptick of 6.3% in FY20 clocking at USD 23.1bn. These factors led the Current Account Deficit (CAD) for FY20 to decrease by 77.9% YoY to USD 3.0bn (1.1% of GDP) compared to USD 13.4bn (4.8% of GDP) during same period last year. Slowdown in CAD was a welcome effect but it was coupled with overall slowdown in domestic economy which is reflected in 10.2% decline in LSM in FY20. The overall Foreign exchange reserves increased to USD 17.9bn compared to USD 14.5bn at the end of FY19.

Average headline CPI inflation was 10.8% in FY20, much higher than the 6.3% recorded during same period last year due to electricity and gas tariff hike coupled with second round impact of currency depreciation. However we expect inflation to taper down due to high base effect. On the fiscal side, fiscal Deficit for FY20 clocked at 8.1% of GDP compared to 9.1% in FY19. This was due to low tax collection due to lockdown and economic slowdown post spread of Covid-19.

Moving ahead, we believe the in the near term GDP is likely to remain subdued in line with the rest of the world in view of the COVID-19 pandemic. The focus would remain on recovery post resolution of the crisis which would require sustained policy actions by the government.

### **Money Market Review**

FY20 was a tale of two half for the money market. SBP continued its monetary tightening stance in the first half of FY20 to control the rising current account deficit and anchor increasing inflationary pressures. However post the Covid-19 pandemic SBP turned dovish and decreased the interest rate by a cumulative 625bps to revive the economy.

Yields across all the tenors decreased by 415-641 bps during FY20 due to cumulative decrease of 525 bps in SBP policy rate in FY20. Secondary market yields of 3, 5 and 10-year PIBs decreased by 632, 577 and 503 bps respectively while yields of 3, 6 and 12 month T-Bills decreased in tandem by 566, 580 and 608 bps respectively during FY20. Latest cut-off yields stood at 7.97%, 8.44%, 8.99%, 9.90% and 10.51% for the 3-year, 5-year, 10-year, 15-year and 20-year PIBs, respectively.

During the FY20, Government largely managed its borrowing requirements through domestic sources, and largely from commercial banks. Government borrowed PKR 2,302bn from scheduled banks compared to retirement of PKR 875bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 135bn during the period against borrowing of PKR 3,078bn during same period last year. This shift in borrowing took place as IMF has restricted borrowing from the central bank to avoid inflationary pressure. Going forward the government will continue to meet additional borrowing requirements from the commercial banks.

In the monetary policy held in June-20, SBP decreased the policy rate by a further 100bps to 7.0%. Going forward, we feel that the bulk of monetary easing has taken place and we are close to the bottom of the interest rate cycle. However, SBP has indicated its monetary policy would remain data driven and we may witness another 50-100bps reduction in interest rate in the calendar year.

### **Stock Market Review**

The market remained volatile during FY20 as a result of the macroeconomic adjustment undertaken under the IMF program and the subsequent Covid-19 pandemic. After a brief spell of bearish performance at the start of the year, the market depicted a sustained rally on the back of macroeconomic stability after entry into the IMF program. However the recovery was cut short by the Covid-19 pandemic. This led the market to decline in line with the global markets. The market rebounded in the last quarter on the back of 1) Aggressive monetary easing, 2) Receipt of loans from multilateral and bilateral sources and 3) announcement of construction package by the government.

The benchmark KSE-100 index recorded 425 points increase (+1.25%) during FY20 to close at 34,422 points. During the year cyclical sectors and construction linked industries (Cement, Steel, and Glass) rallied on the back of the monetary easing done by the SBP. Technology sector also remained in limelight due to increasing focus on technology post Covid-19 pandemic. On the other hand, banking sector remained laggard due to decrease in earnings post multiple interest rate cuts. On the flows side, foreigners were the net sellers during the FY20 and sold shares of worth USD284mn, compared to net selling of USD356mn during FY19. However, it is important to note that foreign selling was skewed towards 2HFY20 post covid-19 as foreigners were net buyers in 1HFY20.

Pakistan equities are likely to be rebound due to cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases. Market participants would closely follow trend of coronavirus cases and the ensuring macro numbers. Cyclical sectors (Cement, Steel, OMCs) would perform due to decline in interest rates. Textile will also garner investor's attention due to huge export potential. Technology sector will also remain in favor due to increased digitalization post covid-19 pandemic. We will maintain our strategic focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

### **FUND'S PERFORMANCE AND PAYOUTS**

#### **HBL Income Fund**

The total income and net income of the Fund was Rs. 227.92 million and Rs. 189.99 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 108.2828 per unit as on June 30, 2020 as compared to Rs. 116.1134 per unit as on June 30, 2019, after incorporating dividend of Rs. 12.00 per unit, thereby giving an annualized return of 13.28%. During the year the benchmark (6 Month KIBOR) return was 12.22%. The size of Fund was Rs. 1.54 billion as on June 30, 2020 as compared to Rs. 1.51 billion at the start of the year.

**JCR-VIS Credit Rating Company Limited has reaffirmed A(f) Fund Stability Rating to the Fund.**

#### **HBL Government Securities Fund**

The total income and net income of the Fund was Rs. 608.77 million and Rs. 520.97 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 112.2745 per unit as on June 30, 2020 as compared to Rs. 105.8419 per unit as on June 30, 2019, after incorporating dividend of Rs. 10.60 per unit, thereby giving an annualized return of 16.02%. During the same year the benchmark (6 Month PKRV Rates) return was 12.07%. The size of Fund was Rs. 3.51 billion as on June 30, 2020 as compared to Rs. 2.12 billion at the start of the year.

**JCR-VIS Credit Rating Company Limited has reaffirmed A+(f) Fund Stability Rating to the Fund.**

#### **HBL Money Market Fund**

The total income and net income of the Fund was Rs. 1.13 billion and Rs. 1.02 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 102.3799 per unit as on June 30, 2020 as compared to Rs. 102.2200 per unit as on June 30, 2019, after incorporating dividend of Rs. 12.50 per unit, thereby giving an annualized return of 12.38%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 11.63%. The size of Fund was Rs. 9.98 billion as on June 30, 2020 as compared to Rs. 6.25 billion at the start of the year.

**JCR-VIS Credit Rating Company Limited has reaffirmed AA(f) Fund Stability Rating to the Fund.**

#### **HBL Cash Fund**

The total income and net income of the Fund was Rs. 1.60 billion and Rs. 1.47 billion respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs 101.1599 per unit as on June 30, 2020 as compared to Rs 100.8886 per unit as on June 30, 2019, after incorporating dividend of Rs. 12.0041 per unit, thereby giving an annualized return of 12.86%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 11.63%. The size of Fund was Rs 17.97 billion as on June 30, 2020 as compared to Rs. 8.81 billion at the start of the year.

**JCR-VIS Credit Rating Company Limited has reaffirmed AA(f) Fund Stability Rating to the Fund.**

#### **HBL Stock Fund**

The Fund earned and incurred a total income and net loss of Rs. 6.79 million and Rs. 75.88 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs 86.3419 per unit as on June 30, 2020 as compared to Rs 89.7221 per unit as on June 30, 2019, thereby giving a negative return of 3.77%. During the same year the benchmark KSE 30 index yielded a negative return of 0.52%. The size of Fund was Rs 1.84 billion as on June 30, 2020 as compared to Rs. 2.15 billion at the start of the year.

#### **HBL Equity Fund**

The Fund earned a total and net income of Rs. 29.49 million and Rs. 13.21 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 100.3410 per unit as on June 30, 2020 as compared to Rs. 93.3868 per unit as on June 30, 2019, after incorporating dividend of Rs. 0.15 per unit, thereby giving a return of 7.61%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Fund was Rs. 0.42 billion as on June 30, 2020 as compared to Rs. 0.25 billion at the start of the year.

#### **HBL Energy Fund**

The Fund incurred a total and net loss of Rs. 49.15 million and Rs. 76.86 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 10.0106 per unit as on June 30, 2020 as compared to Rs. 11.1201 per unit as on June 30, 2019, thereby giving a negative return of 9.98%. During the same year the benchmark KSE 30 index yielded a negative return of 0.52%. The size of Fund was Rs. 0.57 billion as on June 30, 2020 as compared to Rs. 0.73 billion at the start of the year.

## **HBL Multi Asset Fund**

The Fund earned a total and net income of Rs. 13.54 million and Rs. 6.53 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs 94.0814 per unit as on June 30, 2020 as compared to Rs 95.6506 per unit as on June 30, 2019, after incorporating dividend of Rs. 3.60 per unit, thereby giving a return of 2.14%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) yielded a return of 5.48%. The size of Fund was Rs 0.20 billion as on June 30, 2020 as compared to Rs. 0.20 billion at the start of the year.

## **HBL Financial Planning Fund**

The Fund comprises of four sub funds (plans) namely Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Special Income Plan.

The Fund as a whole earned a total and net income of Rs. 29.50 million and Rs. 27.18 million respectively during the year under review. The fund size of the fund stood at Rs. 0.25 billion as on June 30, 2020.

### **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. 3.63 million and Rs 2.96 million respectively. The net assets of the Active allocation plan stood at Rs. 0.06 billion representing Net Asset Value (NAV) of Rs. 95.9459 per unit as at June 30, 2020 as compared to Rs. 96.9864 per unit as at June 30, 2019, after incorporating dividend of Rs. 4.75 per unit. The plan earned a return of 3.85% for the year under review against the benchmark return of 9.43%. The plan is invested to the extent of 48% in equity funds & 45% in fixed income funds.

#### **Conservative Allocation Plan**

During the year under review, the Conservative allocation plan earned total and net income of Rs. 5.30 million and Rs. 4.82 million respectively. The net assets of the Conservative allocation plan stood at Rs. 0.05 billion representing Net Asset Value (NAV) of Rs. 108.3030 per unit as at June 30, 2020 as compared to Rs. 103.8264 per unit as at June 30, 2019, after incorporating dividend of Rs. 6.60 per unit. The plan earned a return of 10.69% for the year under review against the benchmark return of 10.71%. The plan is invested to the extent of 19% in equity funds & 73% in fixed income funds.

#### **Strategic Allocation Plan**

During the period from July 01, 2019 to October 10, 2019, the Strategic allocation plan earned a total and net income of Rs. 2.67 million and Rs. 2.46 million respectively. The Plan marks its maturity on October 10, 2019.

#### **Special Income Plan**

HBL Financial Planning Fund – Special Income Plan launched its operations on September 16, 2019.

During the period from September 16, 2019 to June 30, 2020, the Plan earned a total and net income of Rs. 17.90 million and Rs. 16.94 million respectively. The net assets of the Special Income Plan stood at Rs. 0.14 billion representing Net Asset Value (NAV) per unit of Rs. 104.7978 as at June 30, 2020 (after incorporating dividends of Rs. 7.5016 per unit). The Plan posted a return of 12.31% as compared to its Benchmark return of 9.51% during the period under review.

## **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. 293.75 million and Rs. 10.45 million respectively during the year under review. The fund size of the fund stood at Rs. 6.63 billion as on June 30, 2020.

Performance review of each class is presented below:

### **HBL Growth Fund – Class ‘A’**

HBL Growth Fund – Class ‘A’ earned and incurred a total income and net loss of Rs. 149.95 million and Rs. 34.04 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Class ‘A’ was Rs. 18.0827 per unit as on June 30, 2020 as compared to Rs. 17.1016 as at June 30, 2019, thereby giving a return of 5.74%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Class ‘A’ was Rs. 5.13 billion as on June 30, 2020 as compared to Rs. 4.85 billion at the start of the year.

### **HBL Growth Fund – Class ‘B’**

HBL Growth Fund – Class ‘B’ earned a total and net income of Rs. 143.80 million and Rs. 44.49 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Class ‘B’ was Rs. 15.2116 per unit as on June 30, 2020 as compared to Rs. 16.0884 as at June 30, 2019, after incorporating dividend of Rs. 0.45 per unit, thereby giving a negative return of 2.62%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Class ‘B’ was Rs. 1.50 billion as on June 30, 2020 as compared to Rs. 4.46 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. 181.18 million and Rs. 47.27 million respectively during the year under review. The fund size of the fund stood at Rs. 3.00 billion as on June 30, 2020.

Performance review of each class is presented below:

### **HBL Investment Fund – Class ‘A’**

HBL Investment Fund – Class ‘A’ earned and incurred a total income and net loss of Rs. 55.56 million and Rs. 11.67 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Class ‘A’ was Rs. 6.4934 per unit as on June 30, 2020 as compared to Rs. 6.0597 as at June 30, 2019, thereby giving a return of 7.16%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Class ‘A’ was Rs. 1.84 billion as on June 30, 2020 as compared to Rs. 1.72 billion at the start of the year.

### **HBL Investment Fund – Class ‘B’**

HBL Investment Fund – Class ‘B’ earned a total and net income of Rs. 125.62 million and Rs. 58.94 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Class ‘B’ was Rs. 7.8872 per unit as on June 30, 2020 as compared to Rs. 8.4072 as at June 30, 2019, after incorporating dividend of Rs. 0.27 per unit, thereby giving a negative return of 2.94%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Class ‘B’ was Rs. 1.16 billion as on June 30, 2020 as compared to Rs. 2.34 billion at the start of the year.

## MANAGEMENT COMPANY RATING

The VIS Credit Rating Company Limited (JCR-VIS) has reaffirmed the management quality rating to 'AM2+' (AM Two Plus) to the Management Company and the outlook on the assigned rating has been assessed as 'Positive'.

## AUDITORS

M/s Deloitte Yousuf Adil, Chartered Accountants, existing auditors of HBL Income Fund, HBL Money Market Fund, HBL Stock Fund, HBL Growth Fund and HBL Investment Fund retired and being eligible, offered themselves for re-appointment. The Board of Directors on the recommendation of the Audit Committee, has re-appointed M/s Deloitte Yousuf Adil, Chartered Accountants as Auditors of these funds for the next term.

M/s BDO Ebrahim & Co., Chartered Accountants, existing auditors of HBL Government Securities Fund, HBL Cash Fund, HBL Equity Fund, HBL Energy Fund and HBL Financial Planning Fund retired and being eligible, offered themselves for re-appointment. The Board of Directors on the recommendation of the Audit Committee, has re-appointed M/s. BDO Ebrahim & Co., Chartered Accountants as Auditors of these funds for the next term.

M/s. KPMG Taseer Hadi & Co., Chartered Accountants, existing auditors of HBL Multi Asset Fund retired and being eligible, offered themselves for re-appointment. The Board of Directors on the recommendation of the Audit Committee, has re-appointed M/s. KPMG Taseer Hadi & Co., Chartered Accountants as Auditors of this fund for the next term.

## PATTERN OF UNIT HOLDING

The details regarding the pattern of unit holding are provided in the respective financial statements of the Funds. Breakup of unit holding by size is provided in the relevant section of the 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 Securities & Exchange Commission of Pakistan, Central Depository Company of Pakistan & MCB Financial Services Limited as Trustee, the Pakistan Stock Exchange Limited and State Bank of Pakistan.

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

On behalf of the Board of  
**HBL Asset Management Limited**

**Chief Executive Officer**

## انتظامی کمپنی کے ڈائریکٹرز کی رپورٹ

انجی بی ایل ایسٹ پیمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز بمسرت اپنی رپورٹ بشمول انجی بی ایل آئی اے، انجی بی ایل گورنمنٹ سیکورٹیز فنڈ، انجی بی ایل مٹی مارکیٹ فنڈ، انجی بی ایل کیش فنڈ، انجی بی ایل اسٹاک فنڈ، انجی بی ایل ایکویٹی فنڈ، انجی بی ایل انرجی فنڈ، انجی بی ایل ملٹی ایسٹ فنڈ، انجی بی ایل فنانشل پلاننگ فنڈ، انجی بی ایل گروتھ فنڈ اور انجی بی ایل انویسٹمنٹ فنڈ (دی فنڈز) کے مالیاتی حسابات برائے سال ختمہ 30 جون 2020 پیش کر رہے ہیں۔

### اقتصادی جائزہ - مالی سال 20

گزشتہ دو برسوں کے دوران کئی پالیسی اقدامات کیے گئے جس کے نتیجے میں میکروز میں بہتری آئی جیسا کہ معیشت نے کرنٹ اکاؤنٹ خسارے میں کمی کی صورت، بہتر فارن ایکسچینج ریٹرز روز پوزیشن اور مستحکم زرمبادلہ کی شرح کے اشارے ظاہر کیے۔ استحکام کے ان اقدامات کے نتیجے میں آئندہ مدت میں جی ڈی پی گروتھ اور بلند تر افراط زر میں سست روی رہی۔ تاہم کوویڈ-19 کی حالیہ وبا نے مختصر مدتی شرح نمو کو کے آؤٹ لک کو متاثر کیا اور حکومت کی جانب سے معیشت کو سہارا دینے کے لیے بڑی مالیاتی مراعات دی گئیں، ان سے بھی نتیجتاً ملک سے رقومات کا آؤٹ فلور باجس کو کم کرنے کے لیے آئی ایم ایف اور دیگر کثیرالجہتی اور باہمی کریڈیٹرز سے قرضے لیے گئے۔

مالی سال 20 کے دوران پاک روپے کی قدر میں لگ بھگ 5.4% تک کمی آئی جس سے اصل موثر ایکسچینج ریٹ 93 تک ظاہر ہوا جیسا کہ کرنسی فیئر ویلیو سے نیچے گردش کر رہی ہے۔ کوویڈ-19 کی وبائی صورتحال کے بعد سینٹرل بینک نے پالیسی ریٹ میں مجموعی طور پر 625 bps کی کمی کر کے اسے 13.25% سے 7.0% تک پہنچایا تاکہ معیشت کو سہارا مل سکے۔ بیرونی محاذ پر برآمدات، امپورٹ میں 18.2% کی کمی کے مقابلے میں 7.2% تک کم ہو گئیں اور مالی سال 20 کے دوران تجارتی خسارہ 27.9% تک کم ہو کر 20.0% ارب یو ایس ڈالر ہو گیا۔ زرتربلیات نے بھی حوصلہ افزا رجحان ظاہر کیا اور یہ مالی سال 20 میں 6.3% تک بڑھ کر 23.1% ارب یو ایس ڈالر ہو گئے۔ ان عناصر کی وجہ سے کرنٹ اکاؤنٹ خسارہ (سی اے ڈی) مالی سال 20 کے لیے 77.9% YoY تک کم ہو کر 3.0% ارب امریکی ڈالر ہو گیا (جی ڈی پی کا 1.1%) جبکہ اس کے مقابلے میں گزشتہ سال کی اسی مدت کے دوران یہ 13.4% بلین یو ایس ڈالر (جی ڈی پی کا 4.8%) تھا۔ سی اے ڈی میں سست روی ایک خوش آئند ردعمل تھا تاہم اس کے ساتھ مقامی معیشت میں مجموعی سست روی اور مالی سال 20 کے دوران ایل ایس ایم میں 10.2% کی ظاہر ہوئی۔ مجموعی غیر ملکی زرمبادلہ کے ذخائر 17.9% ارب امریکی ڈالر تک بڑھے جبکہ یہ مالی سال 19 کے اختتام پر اس کے مقابلے میں 14.5% ارب یو ایس ڈالر تھے۔

مالی سال 20 کی مدت میں اوسطاً ہائپر این سی پی آئی افراط زر کی شرح 10.8% رہی تھی جو گزشتہ سال کی اسی مدت کے دوران 6.3% رہا۔ گریڈ کی گئی تھی جس کی وجہ بجلی اور گیس کے ٹیرف میں بلند تر اضافے کے ساتھ ساتھ کرنسی کی قدر میں دوسری بار کمی کی اثرات کا ظاہر ہونا تھا۔ تاہم اب ہم توقع کرتے ہیں کہ بلند تر بنیادی اثرات کی وجہ سے افراط زر میں کمی آئے گی۔ مالیاتی جانب مالی سال 20 کے لیے مالیاتی خسارہ جی ڈی پی کا 8.1% تک پہنچ گیا جو اس کے مقابلے میں مالی سال 19 میں 9.1% رہا تھا۔ اس کی وجہ لاک ڈاؤن کے باعث ٹیکس وصولی میں کمی اور کوویڈ-19 پھیلنے کے بعد معیشت میں سست روی کا آنا تھا۔

آگے بڑھتے ہوئے ہمیں یقین ہے کہ قریبی مدت میں جی ڈی پی پیکر طور پر کوویڈ-19 کی وبائی صورتحال کے پیش نظر لاک ڈاؤن کے اقدامات کی وجہ سے دنیا کے دیگر ممالک کے ساتھ ہم آہنگ رہے گی۔ توجہ اس بحران کے بعد بحالی کے اقدامات پر رہے گی جس کے لیے حکومت کی جانب سے کیے گئے پالیسی اقدامات کا برقرار رہنا لازم ہوگا۔

### مٹی مارکیٹ کا جائزہ

مالی سال 20 مٹی مارکیٹ کے لیے دو ششماہی کا ایک سلسلہ تھا۔ ایس بی پی نے مالی سال 20 کی پہلی ششماہی میں اپنی سخت مالیاتی نظم و ضبط کی پالیسی کو برقرار رکھا تاکہ بڑھتے ہوئے کرنٹ اکاؤنٹ خسارے کو کم کیا جائے اور افراط زر کے بڑھتے ہوئے دباؤ کو کم کیا جاسکے۔ تاہم کوویڈ-19 کی وبائی صورتحال کے پیش نظر ایس بی پی نے پالیسی ریٹ میں مجموعی طور پر 625 bps کی کمی کر کے معیشت کو سہارا دینے کی بھرپور کوشش کی۔

مالیاتی سال 20 کے دوران 64-415 بی پی ایس کے ذریعے تمام مدتوں کے دوران منافع جات میں کمی رہی جس کی وجہ اسٹیٹ بینک آف پاکستان کی جانب سے مالی سال 20 کے دوران مجموعی طور



## فنڈ کی کارکردگی اور پے آؤٹس

### ایچ بی ایل انکم فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے لیے بالترتیب 227.92 بلین روپے اور 189.99 بلین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 108.2828 روپے فی یونٹ تھی جو اس کے مقابلے میں 30 جون 2019 کو 12.00 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 116.1134 روپے فی یونٹ تھی جس کے ذریعے 13.28% کا ایک سالانہ منافع دیا گیا۔ سال کے دوران شیڈ مارک (چھ ماہ کا ٹی بور) منافع 12.22% تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 1.54 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 1.51 بلین روپے رہا تھا۔

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی نے فنڈ کے لیے A(f) فنڈ اسٹیبلٹی ریٹنگ کی دوبارہ توثیق کی ہے۔

### ایچ بی ایل گورنمنٹ سیکورٹیز فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے لیے بالترتیب 608.77 بلین روپے اور 520.97 بلین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 112.2745 روپے فی یونٹ تھی جو اس کے مقابلے میں 30 جون 2019 کو 10.60 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 105.8419 روپے فی یونٹ تھی جس کے ذریعے 16.02% کا ایک سالانہ منافع دیا گیا۔ سال کے دوران شیڈ مارک (چھ ماہ PKRV ریٹس) منافع 12.07% تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 3.51 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز پر 2.12 بلین روپے رہا تھا۔

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی نے فنڈ کے لیے A+(f) فنڈ اسٹیبلٹی ریٹنگ کی دوبارہ توثیق کی ہے۔

### ایچ بی ایل منی مارکیٹ فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے لیے بالترتیب 1.13 بلین روپے اور 1.02 بلین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 102.3799 روپے فی یونٹ تھی جو اس کے مقابلے میں 30 جون 2019 کو 12.50 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 102.2200 روپے فی یونٹ تھی جس کے ذریعے 12.38% کا ایک سالانہ منافع دیا گیا۔ سال کے دوران شیڈ مارک PKRV 3M اور 70% اور 30% ڈپازٹس ریٹس) منافع 11.63% تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 9.98 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 6.25 بلین روپے رہا تھا۔

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی نے فنڈ کے لیے AA(f) فنڈ اسٹیبلٹی ریٹنگ کی دوبارہ توثیق کی ہے۔

### ایچ بی ایل کیش فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے لیے بالترتیب 1.60 بلین روپے اور 1.47 بلین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 101.1599 روپے فی یونٹ تھی جو اس کے مقابلے میں 30 جون 2019 کو 12.004 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 100.8886 روپے فی یونٹ تھی جس کے ذریعے 12.86% کا ایک سالانہ منافع دیا گیا۔ سال کے دوران شیڈ مارک PKRV 3M اور 70% اور 30% ڈپازٹس ریٹس) منافع 11.63% تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 17.97 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 8.81 بلین روپے رہا تھا۔

جے سی آر۔ وی آئی ایس کریڈٹ ریٹنگ کمپنی نے فنڈ کے لیے AA(f) فنڈ اسٹیبلٹی ریٹنگ کی دوبارہ توثیق کی ہے۔

## ایچ بی ایل اسٹاک فنڈ

فنڈ نے 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 6.79 ملین روپے اور 75.88 ملین روپے کا مجموعی اور خالص خسارہ حاصل کیا۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 86.3419 روپے فی یونٹ تھی اس کے مقابلے میں 30 جون 2019 کو فنڈ کا این اے وی 89.7221 روپے فی یونٹ تھا جس کے ذریعے 3.77% کا ایک منفی منافع دیا گیا۔ سال کے دوران بیچ مارک کے ایس ای 30 انڈیکس نے 0.52% کا منفی منافع حاصل کیا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 1.84 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 2.15 ملین روپے رہا تھا۔

## ایچ بی ایل ایکویٹی فنڈ

فنڈ کی مجموعی اور خالص آمدنی 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 29.49 ملین روپے اور 13.21 ملین روپے رہی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 100.3410 روپے فی یونٹ تھی جو اس کے مقابلے میں 30 جون 2019 کو 0.15 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 93.3868 روپے فی یونٹ تھی جس کے ذریعے 7.61% کا ایک سالانہ منافع دیا گیا۔ سال کے دوران بیچ مارک کے ایس ای 100 انڈیکس نے 1.53% کا منافع حاصل کیا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 0.42 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 0.25 ملین روپے رہا تھا۔

## ایچ بی ایل انرجی فنڈ

فنڈ نے 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 49.15 ملین روپے اور 76.86 ملین روپے کا مجموعی اور خالص خسارہ حاصل کیا۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 10.0106 روپے فی یونٹ تھی، اس کے مقابلے میں 30 جون 2019 کو فنڈ کا این اے وی 11.1201 روپے فی یونٹ تھا جس کے ذریعے 9.98% کا ایک منفی منافع دیا گیا۔ اسی سال کے دوران بیچ مارک کے ایس ای 30 انڈیکس نے 0.52% کا منفی منافع حاصل کیا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 0.57 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 0.73 ملین روپے رہا تھا۔

## ایچ بی ایل ملٹی ایسیٹ فنڈ

فنڈ نے 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 13.54 ملین روپے اور 6.53 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ فنڈ کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 94.0814 روپے فی یونٹ تھی اس کے مقابلے میں 30 جون 2019 کے مطابق 3.60 کا منافع تشکیل دینے کے بعد فنڈ کا این اے وی 95.6506 روپے فی یونٹ تھا، جس کے ذریعے 2.14% کا منافع دیا گیا۔ اسی سال کے دوران بیچ مارک کے ایس ای 100 انڈیکس KSE اور چھ ماہ کے PKRV انڈیکس کے روزانہ اوسط حجم شدہ) نے 5.48% کا منافع حاصل کیا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 0.20 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 0.20 ملین روپے رہا تھا۔

## ایچ بی ایل فنانشل پلاننگ فنڈ

فنڈ چارڈ پل فنڈز (پلانز) بنام ایکٹو ایلوکیشن پلان، کنزرویٹو ایلوکیشن پلان، اسٹریٹیجک ایلوکیشن پلان اور اسٹیبل انکم پلان پر مشتمل ہے۔ فنڈ نے مجموعی طور پر زیر جائزہ سال کے دوران بالترتیب 29.50 ملین روپے اور 27.18 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ فنڈ کا حجم 30 جون 2020 کے مطابق 0.25 ارب روپے پر موجود تھا۔

پلانز کے لیے کارکردگی کا جائزہ ذیل میں دیا گیا ہے:

## ایکٹو ایلوکیشن پلان

زیر جائزہ سال کے دوران ایکٹو ایلوکیشن پلان نے بالترتیب 3.63 ملین روپے اور 2.96 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ ایکٹو ایلوکیشن پلان کے خالص اثاثہ جات 0.06 ارب روپے پر موجود تھے جو 30 جون 2020 کے مطابق 95.9459 روپے فی یونٹ کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں اس کے مقابلے میں 30 جون 2019 کے مطابق 4.75 روپے فی

یونٹ کا منافع منقسمہ تشکیل دینے کے بعد خالص اثاثہ جات (NAV) کی مالیت 96.9864 روپے فی یونٹ تھی۔ پلان نے زیر جائزہ سال کے لیے 9.43% کے نیٹ مارک منافع کے برخلاف 3.85% کا منافع حاصل کیا، پلان نے ایکویٹی فنڈز میں 48% اور فکسڈ انکم فنڈز میں 45% تک کی سرمایہ کاری کی۔

### کنزرویٹو ایلوکیشن پلان

زیر جائزہ سال کے دوران کنزرویٹو ایلوکیشن پلان نے بالترتیب 5.30 ملین روپے اور 4.82 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ کنزرویٹو ایلوکیشن پلان کے خالص اثاثہ جات 0.05 ارب روپے پر موجود تھے جو 30 جون 2020 کے مطابق 108.3030 روپے فی یونٹ کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں اس کے مقابلے میں 30 جون 2019 کے مطابق 6.60 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد خالص اثاثہ جات (NAV) کی مالیت 103.8264 روپے فی یونٹ تھی۔ پلان نے زیر جائزہ سال کے لیے 10.71% کے نیٹ مارک منافع کے برخلاف 10.69% کا منافع حاصل کیا، پلان نے ایکویٹی فنڈز میں 19% اور فکسڈ انکم فنڈز میں 73% تک کی سرمایہ کاری کی۔

### اسٹریٹجک ایلوکیشن پلان

یکم جولائی 2019 سے، 10 اکتوبر 2019 کی مدت کے دوران اسٹریٹجک ایلوکیشن پلان نے بالترتیب 2.67 ملین روپے اور 2.46 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ پلان نے، 10 اکتوبر 2019 کو اپنی مچھوٹی کی مدت مکمل کی۔

### اسٹیشل انکم پلان

انجی بی ایل فنڈ پلاننگ فنڈ - اسٹیشل انکم پلان نے اپنے آپریٹرز کا آغاز 16 اکتوبر 2019 سے کیا۔

16 اکتوبر 2019 سے 30 جون 2020 تک کی مدت کے دوران پلان نے بالترتیب 17.90 ملین روپے اور 16.94 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ اسٹیشل انکم پلان کے خالص اثاثہ جات 0.14 ارب روپے پر موجود تھے جو 30 جون 2020 کے مطابق 104.7978 روپے فی یونٹ (7.5016 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد) کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں۔ پلان نے 12.31% کا منافع زیر جائزہ مدت کے دوران 9.51% کے نیٹ مارک منافع کے مقابلے میں ظاہر کیا۔

### انجی بی ایل گروتھ فنڈ

2 جولائی 2018 سے موثر عمل فنڈ کو باقاعدہ منظور کردہ منتقلی کے پلان کے مطابق ایک اوپن-اینڈڈ ایکویٹی فنڈ میں منتقل کر دیا گیا تھا۔ اس معاملے کو مکمل طور پر فنڈ کے مالیاتی حسابات کے نوٹ 1.4 میں واضح کر دیا گیا ہے۔

فنڈ نے مکمل طور پر زیر جائزہ سال کے دوران بالترتیب 293.75 ملین روپے اور 10.45 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ فنڈ کا حجم 30 جون 2020 کے مطابق 6.63 ارب روپے پر موجود تھا۔

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

### انجی بی ایل گروتھ فنڈ - کلاس 'اے'

انجی بی ایل گروتھ فنڈ - کلاس 'اے' نے 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 149.95 ملین روپے اور 34.04 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ کلاس 'اے' کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 18.0827 روپے فی یونٹ تھی، اس کے مقابلے میں 30 جون 2019 کے مطابق 17.1016 روپے فی یونٹ تھی جس کے

ذریعہ %5.74 کا منافع دیا گیا۔ سال کے دوران بیچ مارک کے ایس ای 100 انڈیکس نے %1.53 کا منافع حاصل کیا تھا۔ کلاس 'اے' کا حجم 30 جون 2020 کے مطابق 5.13 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 4.85 بلین روپے رہا تھا۔

### ایچ بی ایل گروٹھ فنڈ - کلاس 'بی'

ایچ بی ایل گروٹھ فنڈ - کلاس 'بی' نے 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 143.80 بلین روپے اور 44.49 بلین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ کلاس 'بی' کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 15.2116 روپے فی یونٹ تھی، اس کے مقابلے میں 0.45 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد 30 جون 2019 کے مطابق 16.0884 روپے فی یونٹ تھی جس کے ذریعہ %2.62 کا ایک منفی منافع دیا گیا۔ سال کے دوران بیچ مارک کے ایس ای 100 انڈیکس نے %1.53 کا منافع حاصل کیا تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 1.50 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 4.46 بلین روپے رہا تھا۔

### ایچ بی ایل انویسٹمنٹ فنڈ

2 جولائی 2018 سے موثر عمل فنڈ کو باقاعدہ منظور کردہ منتقلی کے پلان کے مطابق ایک اوپن - اینڈڈ ایکویٹی فنڈ میں منتقل کر دیا گیا تھا۔ اس معاملے کو مکمل طور پر فنڈ کے مالیاتی حسابات کے نوٹ 1.4 میں واضح کر دیا گیا ہے۔

فنڈ نے مکمل طور پر زیر جائزہ سال کے دوران بالترتیب 181.18 بلین روپے اور 47.27 بلین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ فنڈ کا حجم 30 جون 2020 کے مطابق 3.00 ارب روپے تھا۔ ہر ایک کلاس کی کارکردگی کا جائزہ ذیل میں دیا جا رہا ہے۔

### ایچ بی ایل انویسٹمنٹ فنڈ - کلاس 'اے'

ایچ بی ایل انویسٹمنٹ فنڈ - کلاس 'اے' نے 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 55.56 بلین روپے اور 11.67 بلین روپے کی مجموعی اور خالص خسارہ حاصل کیا۔ کلاس 'اے' کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2019 کے 6.0597 روپے فی یونٹ کے مقابلے میں 30 جون 2020 کے مطابق 6.4934 روپے فی یونٹ تھی جس کے ذریعے %7.16 کا ایک منافع دیا گیا۔ اسی سال کے دوران بیچ مارک کے ایس ای 100 انڈیکس نے %1.53 کا منافع حاصل کیا تھا۔ فنڈ کا حجم 30 جون 2020 کے مطابق 1.84 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 1.72 بلین روپے رہا تھا۔

### ایچ بی ایل انویسٹمنٹ فنڈ - کلاس 'بی'

ایچ بی ایل انویسٹمنٹ فنڈ - کلاس 'بی' نے 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 125.62 بلین روپے اور 58.94 بلین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ کلاس 'اے' کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 300.27 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد جون 2019 کے 8.4072 روپے فی یونٹ کے مقابلے میں 30 جون 2020 کے مطابق 7.8872 روپے فی یونٹ تھی جس کے ذریعہ %2.94 کا ایک منفی منافع دیا گیا۔ سال کے دوران بیچ مارک کے ایس ای 100 انڈیکس نے %1.53 کا منافع حاصل کیا تھا۔ کلاس 'بی' کا حجم 30 جون 2020 کے مطابق 1.16 ارب روپے تھا جو اس کے مقابلے میں سال کے آغاز میں 2.34 بلین روپے رہا تھا۔

### انتظامی کمپنی کی ریٹنگ

وی آئی ایس کریڈٹ ریٹنگ کمپنی لمیٹڈ (جے سی آر - وی آئی ایس) نے انتظامی کمپنی کے لیے منجسٹ کو ایلٹی ریٹنگ '+AM2' (اے ایم ٹو پلس) کی دوبارہ توثیق کی ہے اور تفریق کردہ ریٹنگ پراڈکٹ لک 'مثبت' ظاہر کیا ہے۔

یونٹ کا منافع منقسمہ تشکیل دینے کے بعد خالص اثاثہ جات (NAV) کی مالیت 96.9864 روپے فی یونٹ تھی۔ پلان نے زیر جائزہ سال کے لیے 9.43% کے نیٹ مارک منافع کے برخلاف 3.85% کا منافع حاصل کیا، پلان نے ایکویٹی فنڈز میں 48% اور فکسڈ انکم فنڈز میں 45% تک کی سرمایہ کاری کی۔

### کنزرویٹو ایلوکیٹیشن پلان

زیر جائزہ سال کے دوران کنزرویٹو ایلوکیٹیشن پلان نے بالترتیب 5.30 ملین روپے اور 4.82 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ کنزرویٹو ایلوکیٹیشن پلان کے خالص اثاثہ جات 0.05 ارب روپے پر موجود تھے جو 30 جون 2020 کے مطابق 108.3030 روپے فی یونٹ کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں اس کے مقابلے میں 30 جون 2019 کے مطابق 6.60 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد خالص اثاثہ جات (NAV) کی مالیت 103.8264 روپے فی یونٹ تھی۔ پلان نے زیر جائزہ سال کے لیے 10.71% کے نیٹ مارک منافع کے برخلاف 10.69% کا منافع حاصل کیا، پلان نے ایکویٹی فنڈز میں 19% اور فکسڈ انکم فنڈز میں 73% تک کی سرمایہ کاری کی۔

### اسٹریٹجک ایلوکیٹیشن پلان

یکم جولائی 2019 سے، 10 اکتوبر 2019 کی مدت کے دوران اسٹریٹجک ایلوکیٹیشن پلان نے بالترتیب 2.67 ملین روپے اور 2.46 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ پلان نے، 10 اکتوبر 2019 کو اپنی مچھوٹی کی مدت مکمل کی۔

### اسٹیشل انکم پلان

انجی بی ایل فنڈ پلاننگ فنڈ - اسٹیشل انکم پلان نے اپنے آپریٹرز کا آغاز 16 اکتوبر 2019 سے کیا۔

16 اکتوبر 2019 سے 30 جون 2020 تک کی مدت کے دوران پلان نے بالترتیب 17.90 ملین روپے اور 16.94 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ اسٹیشل انکم پلان کے خالص اثاثہ جات 0.14 ارب روپے پر موجود تھے جو 30 جون 2020 کے مطابق 104.7978 روپے فی یونٹ (7.5016 روپے فی یونٹ کا منافع منقسمہ تشکیل دینے کے بعد) کے خالص اثاثہ جات کی ویلیو (NAV) کی نمائندگی کرتے ہیں۔ پلان نے 12.31% کا منافع زیر جائزہ مدت کے دوران 9.51% کے نیٹ مارک منافع کے مقابلے میں ظاہر کیا۔

### انجی بی ایل گروتھ فنڈ

2 جولائی 2018 سے موثر عمل فنڈ کو باقاعدہ منظور کردہ منتقلی کے پلان کے مطابق ایک اوپن-اینڈڈ ایکویٹی فنڈ میں منتقل کر دیا گیا تھا۔ اس معاملے کو مکمل طور پر فنڈ کے مالیاتی حسابات کے نوٹ 1.4 میں واضح کر دیا گیا ہے۔

فنڈ نے مکمل طور پر زیر جائزہ سال کے دوران بالترتیب 293.75 ملین روپے اور 10.45 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ فنڈ کا حجم 30 جون 2020 کے مطابق 6.63 ارب روپے پر موجود تھا۔

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

### انجی بی ایل گروتھ فنڈ - کلاس 'اے'

انجی بی ایل گروتھ فنڈ - کلاس 'اے' نے 30 جون 2020 کو ختم ہونے والے سال کے دوران بالترتیب 149.95 ملین روپے اور 34.04 ملین روپے کی مجموعی اور خالص آمدنی حاصل کی۔ کلاس 'اے' کی فی یونٹ خالص اثاثہ جات کی مالیت (NAV) 30 جون 2020 کے مطابق 18.0827 روپے فی یونٹ تھی، اس کے مقابلے میں 30 جون 2019 کے مطابق 17.1016 روپے فی یونٹ تھی جس کے



**HBL** Money Market Fund

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Money Market Fund</b>
<b>NAME OF AUDITOR</b>	<b>Deloitte Yousuf Adil 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 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</b>
<b>FUND RATING</b>	<b>AA(f) (JCR-VIS)</b>

**Type and Category of Fund**

Open end Money Market Fund

**Investment Objective and Accomplishment of Objective**

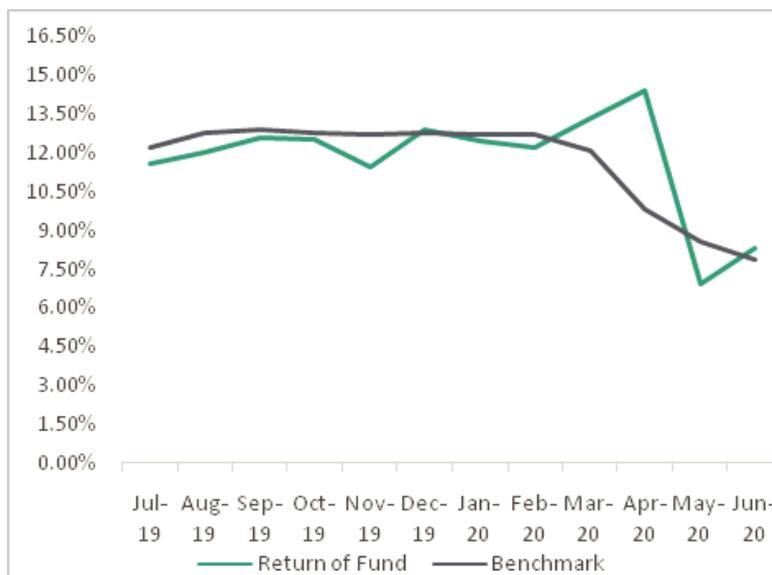
The investment objective of the Fund is to seek high liquidity and competitive return for investors by investing in low risk securities of shorter duration and maturity. The investment objective is achieved.

**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:

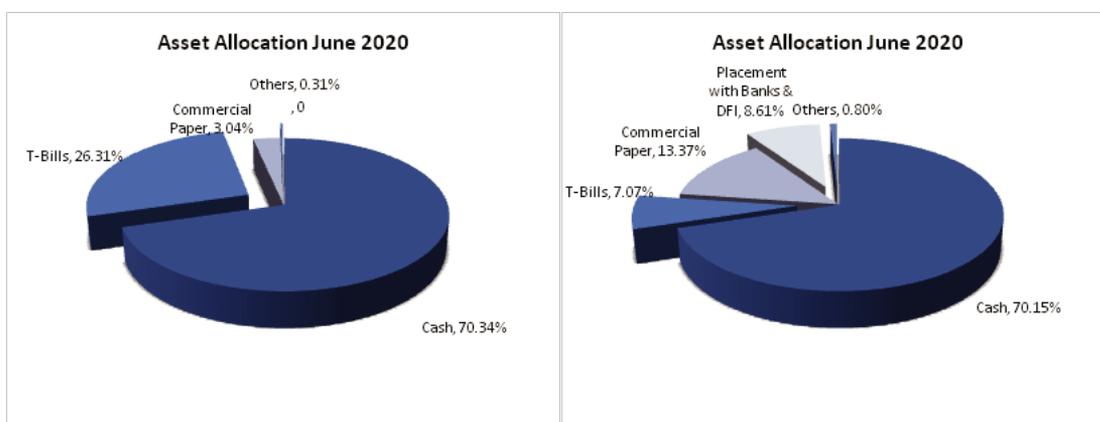
Month	Return of Fund	Benchmark
Jun-20	8.33%	7.85%
May-20	6.93%	8.57%
Apr-20	14.41%	9.81%
Mar-20	13.34%	12.04%
Feb-20	12.18%	12.72%
Jan-20	12.48%	12.72%
Dec-19	12.93%	12.75%
Nov-19	11.45%	12.72%
Oct-19	12.55%	12.75%
Sep-19	12.60%	12.88%
Aug-19	12.03%	12.77%
Jul-19	11.56%	12.19%



**Strategies and Policies employed during the Year**

In line with the investment policy of the Fund, the Fund continued to hold major investments in the form of short maturity T-Bills and placements with Commercial Banks and DFIs in Daily Product Accounts and LOPs. During the year, investment was made in short term commercial papers to support bottom line which at June end stood at 3.04% of total assets at year end. Average exposure of cash and T-Bills were recorded at 34.90% and 60.50% of total assets respectively. However on quarter and year end, better opportunities were offered in Bank deposits and T-bills (expectation of DR cut) which were utilized 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 2019. At the end of the year, 70.34% assets were deployed in Cash at bank as banks were offering better returns. Other asset allocation comprises of investment in commercial papers and T-Bills at 3.04% and 26.31% of total assets respectively.

## Fund Performance

The total income and net income of the Fund was Rs. 1.13 billion and Rs. 1.02 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 102.3799 per unit as on June 30, 2020 as compared to Rs. 102.2200 per unit as on June 30, 2019, after incorporating dividend of Rs. 12.50 per unit, thereby giving an annualized return of 12.38%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 11.63%. The size of Fund was Rs. 9.98 billion as on June 30, 2020 as compared to Rs.6.25 billion at the start of the year.

## Market Review

FY20 was a tale of two half for the money market. SBP continued its monetary tightening stance in the first half of FY20 to control the rising current account deficit and anchor increasing inflationary pressures. However post the Covid-19 pandemic SBP turned dovish and decreased the interest rate by a cumulative 625bps to revive the economy.

Yields across all the tenors decreased by 415-641 bps during FY20 due to cumulative decrease of 525 bps in SBP policy rate in FY20. Secondary market yields of 3, 5 and 10-year PIBs decreased by 632, 577 and 503 bps respectively while yields of 3, 6 and 12 month T-Bills decreased in tandem by 566, 580 and 608 bps respectively during FY20. Latest cut-off yields stood at 7.97%, 8.44%, 8.99%, 9.90% and 10.51% for the 3-year, 5-year, 10-year, 15-year and 20-year PIBs, respectively.

During the FY20, Government largely managed its borrowing requirements through domestic sources, and largely from commercial banks. Government borrowed PKR 2,302bn from scheduled banks compared to retirement of PKR 875bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 135bn during the period against borrowing of PKR 3,078bn during same period last year. This shift in borrowing took place as IMF has restricted borrowing from the central bank to avoid inflationary pressure. Going forward the government will continue to meet additional borrowing requirements from the commercial banks.

In the monetary policy held in June-20, SBP decreased the policy rate by a further 100bps to 7.0%. Going forward, we feel that the bulk of monetary easing has taken place and we are close to the bottom of the interest rate cycle. However, SBP has indicated its monetary policy would remain data driven and we may witness another 50-100bps reduction in interest rate in the calendar year.

## Distribution

The Fund has distributed cash dividend up-to Rs. 12.50 per unit for the year ended June 30, 2020.

## 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	2,124	28,882
101 – 500	231	52,053
501 – 1,000	61	45,455
1,001 – 10,000	601	3,243,572
10,001 – 100,000	917	30,983,048
100,001 – 500,000	107	22,029,772
500,001 – 1,000,000	8	5,601,198
1,000,001 – 5,000,000	8	17,755,924
5,000,001 and more	1	17,694,202
<b>Total</b>	<b>4,058</b>	<b>97,434,107</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, 2020

	For the period ended June 30, 2020	For the period ended June 30, 2019	For the period ended June 30, 2018	For the period ended June 30, 2017	For the period ended June 30, 2016	For the period ended June 30, 2015	For the period ended June 30, 2014
<b>NET ASSETS AND PRICES</b>							
Net assets at the period end(Rs'000)	9,977,368	6,252,738	7,249,502	3,942,010	3,522,715	5,081,207	9,777,546
Net asset value per unit at the period end/period end(Rs)	102.3799	102.2200	107.1869	101.7683	101.5468	101.1823	100.4122
Selling price/repurchasing price	102.3799	103.3751	107.1869	101.7683	101.5468	101.1823	100.4122
Earning per unit(Rs) (note 3.10 )							
Highest selling price per unit(Rs)	116.0114	111.7235	107.1869	107.6259	106.2966	108.2936	101.0903
Lowest selling price per unit(Rs)	103.4401	102.1026	101.8380	101.5871	101.1538	100.5311	100.2636
Highest repurchase price per unit(Rs)	114.7151	110.4751	107.1869	107.6259	106.2966	108.2936	101.0903
Lowest repurchasing price per unit(Rs)	102.2843	102.0607	101.8380	101.5871	101.1538	100.5311	100.2636
<b>RETURN ( % )</b>							
Total return	12.38%	8.47%	5.32%	6.45%	5.13%	8.79%	8.08%
Income distribution	12.50%	8.45%	5.15%	6.30%	5.15%	7.97%	#DIV/0!
Capital growth	-0.12%	0.02%	0.17%	0.15%	-0.02%	0.82%	#DIV/0!
<b>DISTRIBUTION</b>							
First Interim dividend distribution		-	-	-	-	-	0.54
Second Interim dividend distribution		-	-	-	-	-	0.54
Third Interim dividend distribution		-	-	-	-	-	0.54
Fourth Interim dividend distribution		-	-	-	-	-	0.57
Fifth Interim dividend distribution		-	-	-	-	-	0.61
Sixth Interim dividend distribution		-	-	-	-	-	0.73
Seventh Interim dividend distribution		-	-	-	-	-	0.73
Eighth Interim dividend distribution		-	-	-	-	-	0.65
Ninth Interim dividend distribution		-	-	-	-	-	0.77
Tenth Interim dividend distribution		-	-	-	-	-	0.67
Eleven Interim dividend distribution		-	-	-	-	-	0.64
Twelve Interim dividend distribution		-	-	-	-	-	0.60
Final dividend distribution	12.5	8.45	5.15	6.30	4.80	8.00	-
Total dividend distribution for the year/ period	12.50	8.45	5.15	6.30	4.80	8.00	7.59
<b>AVERAGE RETURNS ( % )</b>							
Average annual return 1 year	12.38%	8.47%	5.32%	6.45%	5.13%	8.79%	8.08%
Average annual return 2 year	10.41%	6.89%	5.89%	5.79%	6.96%	8.44%	8.08%
Average annual return 3 year	8.69%	6.74%	5.64%	6.79%	7.33%	8.44%	8.08%
Weighted average portfolio during (No. of days)	33	15	3	19	13	16	66
<b>Portfolio Composition- (%)</b>							
Percentage of Total Assets as at 30 June:							
Bank Balances	70.74%	70.15%	92.91%	87.65%			
T. Bills	26.31%	0.00%	0.00%	0.00%			
Placement with banks & DFIs	0.00%	8.61%	6.83%	9.40%			
Government Securities	0.00%	7.07%	0.00%	0.00%			
Commercial Paper	3.04%	13.37%	0.00%	2.41%			
Others including Receivables	0.31%	0.80%	0.26%	0.54%			

**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**

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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL MONEY MARKET FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 24, 2020





## INDEPENDENT AUDITORS' 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, 2020, 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, 2020, 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 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. 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.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investment</b></p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent a significant portion of the net assets of the Fund.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> <li>obtained understanding of relevant controls placed by the Management Company applicable to the balance;</li> </ul>

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>The Fund's primary activity is, inter alia, to invest in equity and debt securities (including government securities) which is the main driver of the Fund's performance.</p> <p>Considering the above factors the existence and valuation are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>independently verified existence of investments from the Central Depository Company (CDC) and Investor Portfolio Service (IPS) account statements;</li> <li>independently tested valuations directly with the prices quoted on Pakistan Stock Exchange (PSX) and those published on Mutual Fund Association of Pakistan (MUFAP) website respectively;</li> <li>performed test of details on sale and purchase of investments on a sample basis; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</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 audit report.

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 Those Charged with Governance 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 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 Those Charged with Governance of 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 Those Charged with Governance of 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 Those Charged with Governance of 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.



**Deloitte Yousof Adil**  
Chartered Accountants

**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 Naresh Kumar.

  
Chartered Accountants

**Date:** September 24, 2020  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

**HBL Money Market Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2020*

	Note	2020 ------(Rupees in '000)-----	2019
<b>Assets</b>			
Bank balances	5	7,992,986	5,485,942
Investments	6	3,334,100	1,423,742
Accrued mark-up	7	34,531	55,136
Deposits and prepayments	8	105	117
<b>Total assets</b>		<b>11,361,722</b>	<b>6,964,937</b>
<b>Liabilities</b>			
Payable to Management Company	9	4,664	5,843
Payable to the Trustee	10	604	1,038
Payable to Securities and Exchange Commission of Pakistan	11	1,753	5,486
Payable against purchase of investment		1,181,200	492,454
Dividend Payable		1,758	101,223
Accrued expenses and other liabilities	12	196,448	106,155
<b>Total liabilities</b>		<b>1,386,427</b>	<b>712,199</b>
<b>Net assets</b>		<b>9,975,295</b>	<b>6,252,738</b>
Unit holders' fund (as per statement attached)		<b>9,975,295</b>	<b>6,252,738</b>
Contingencies and commitments	13		
Number of units in issue	14	<b>97,434,106</b>	<b>61,169,427</b>
Net assets value per unit		<b>102.3799</b>	<b>102.2200</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 Money Market Fund**  
**Income Statement**  
As at June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
<b>Income</b>			
Mark-up / return on investments	15	616,642	344,694
Mark-up on deposits with banks	16	503,265	366,691
Gain / (loss) on sale of investments		10,334	(15,388)
Unrealised appreciation on re-measurement of investment at fair value through profit or loss - net		6,452	43
		<u>1,136,693</u>	<u>696,040</u>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	80,780	74,284
Remuneration of the Trustee	10.1	6,432	7,046
Annual fee of Securities and Exchange Commission of Pakistan	11.1	1,753	5,486
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	4,136	7,314
Securities transaction costs		471	90
Settlement and bank charges		1,161	754
Auditors' remuneration	17	641	608
Annual listing fee		28	27
Printing fee		-	4
Annual rating fee		289	249
Legal fee		-	45
Selling & Marketing Expense		4,647	-
		<u>100,338</u>	<u>95,907</u>
		<u>1,036,355</u>	<u>600,133</u>
<b>Provision for Sindh Workers' Welfare Fund</b>	12.1	(20,727)	(12,003)
Net income for the year before taxation		<u>1,015,628</u>	<u>588,130</u>
Taxation	18	-	-
Net income for the year after taxation		<u>1,015,628</u>	<u>588,130</u>
<b>Allocation of income for the year</b>			
Net income for the period		1,015,628	588,130
Income already paid on redemption of units		(427,490)	(228,382)
		588,138	359,748
<b>Accounting income available for distribution:</b>			
- Relating to capital gain		6,911	(9,386)
- Excluding capital gain		581,227	369,134
		<u>588,138</u>	<u>359,748</u>
Earnings per unit	19		

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**

	2020	2019
	----- (Rupees in '000) -----	
Net income for the year after taxation	1,015,628	588,130
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>1,015,628</u>	<u>588,130</u>

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 Money Market Fund**  
**Cash Flow Statement**  
For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
<b>Cash flows from operating activities</b>			
Net income for the year before taxation		1,015,628	588,130
<b>Adjustments</b>			
Profit from bank deposits		(503,265)	(366,691)
Return from investments		(616,642)	(344,694)
Realized Capital (gain)/loss - net		(10,334)	15,388
Unrealized Capital (gain)/loss		(6,452)	(43)
		<u>(121,065)</u>	<u>(107,910)</u>
<b>(Increase) / decrease in assets</b>			
Investments - net		(1,893,573)	(1,439,087)
Deposits and prepayments		12	(13)
		<u>(1,893,561)</u>	<u>(1,439,100)</u>
<b>(Decrease) / increase in liabilities</b>			
Payable to Management Company		(1,179)	516
Payable to the Trustee		(434)	506
Payable to Securities and Exchange Commission of Pakistan		(3,733)	1,422
Payable against purchase of investment		688,746	492,454
Dividend Payable		(99,465)	101,223
Accrued expenses and other liabilities		90,293	47,845
		<u>674,228</u>	<u>643,966</u>
<b>Net cash used in operations</b>		<b>(1,340,398)</b>	<b>(903,044)</b>
<b>Profit received from bank deposits</b>			
Profit received from bank deposits		523,871	330,258
Markup received on investments		616,642	344,694
		<u>1,140,513</u>	<u>674,952</u>
<b>Net cash used in operating activities</b>		<b>(199,885)</b>	<b>(228,092)</b>
<b>Cash flows from financing activities</b>			
Amount received on issue of units		20,620,464	13,461,004
Payment made against redemption of units		(16,857,394)	(14,249,472)
Cash dividend paid		(1,056,141)	(796,426)
<b>Net cash generated from / (used in) financing activities</b>		<b>2,706,929</b>	<b>(1,584,894)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		2,507,044	(1,812,986)
		<u>5,485,942</u>	<u>7,298,928</u>
<b>Cash and cash equivalents at end of the year</b>	5	<b>7,992,986</b>	<b>5,485,942</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 Money Market Fund (the Fund) was established under a Trust Deed, dated March 18, 2010, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Fund has been authorised by the Securities and Exchange Commission of Pakistan (the SECP) as a unit trust scheme on April 9, 2010.

**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 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 activity 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** JCR-VIS Credit Rating Agency has re-affirmed management quality rating of 'AM2+' positive outlook to the Management Company and the fund stability rating of AA(f) to the Fund.

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

**1.7 COVID 19 Impact**

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / governments across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

## **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 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
- The requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") and the directives issued by the SECP.

Wherever provisions of and directives issued under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRS, the provisions of and directives issued under the Companies Act, 2017, requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

### **2.2 Basis of measurement**

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

### **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 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting standards 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 its 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:

- (i) classification and valuation of financial assets (note 4.2).

### **3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2020**

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations 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 period beginning on or after</b>
IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which did not have material effect on the financial reporting of the Fund.

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

#### **3.2.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020**

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations 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 period beginning on or after</b>
IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

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

### 3.2.2 New accounting standards / amendments and IFRS 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, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after</b>
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
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, which are not expected to have material effect on the financial reporting of the Fund.

Other than the aforesaid standards, interpretations and 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 accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2020, unless otherwise stated below.

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

Cash and cash equivalents comprise of bank balances including term deposits with banks (with maturity period of less than three months from the date of deposit) that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

##### **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. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

##### **4.2.1 Classification and measurement of financial assets**

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortized cost ("AC"),
- Fair value through other comprehensive income ("FVTOCI") and
- Fair value through profit or loss ("FVTPL").

Financial asset at amortised cost

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

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### **Financial Asset at FVOCI**

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

#### **Financial asset at FVTPL**

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

#### **4.2.2 Business Model Assessment**

The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered. Following three business models are defined under the IFRS 9:

- 1) Hold to collect business model
- 2) Hold to collect and sell business model
- 3) FVTPL business model

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

#### **4.2.3 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.

#### **4.2.4 Recognition**

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

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

#### **4.2.5 Impairment of financial assets**

The SECP/Commission has 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. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance of 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.

#### **4.2.6 Fair value measurement principles and provision**

The fair value of financial instruments is determined as follows:

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). 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 aforementioned 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.

Basis of valuation of equity securities:

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs.

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

Basis of valuation of securities at amortised cost:

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

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

#### **4.2.3 Impairment**

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

As mentioned in note 4.2.1.3, the impairment requirement of IFRS – 9 for debt securities has been deferred. The Fund has been carrying policy for provision for non-performing debt securities and other exposures which are in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP.

#### **4.2.7 Financial liabilities**

##### **4.2.7.1 Classification and measurement of financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss. The Fund does not have any financial liabilities designated as fair value through profit or loss.

#### **4.2.8 Derecognition**

##### **4.2.8.1 Financial assets**

The Fund derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in Income Statement.

##### **4.2.8.2 Financial liabilities**

The Fund derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Income Statement.

#### **4.3 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.

#### **4.4 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.

#### **4.5 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 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 ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.6 Dividend distribution**

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.

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

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

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value 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.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

**4.8 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 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.
- 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.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Mark up / return on bank deposits and investment in debt securities are recognized on a time apportionment basis using effective interest method.

**4.10 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.

	Note	2020 ------(Rupees in '000)-----	2019
<b>5</b>			
<b>BANK BALANCES</b>			
Balances with bank in:			
- Saving account	5.1	<b>7,992,986</b>	2,185,942
- Term deposit receipts		-	600,000
- Call deposit receipts		-	2,700,000
		<u><b>7,992,986</b></u>	<u>5,485,942</u>

**5.1** This represents bank accounts held with different banks. Mark-up rates on these accounts range between 6.50% - 14.35% per annum (2019: 4.00% - 13.6% per annum).

	Note	2020 ------(Rupees in '000)-----	2019
<b>6.</b>			
<b>INVESTMENTS</b>			
Financial asset at fair value through profit or loss			
- Government Securities	6.1	<b>2,988,658</b>	492,498
- Commercial Paper	6.2	<b>345,442</b>	-
Financial assets at amortised cost			
- Commercial Paper	6.2	-	<b>931,244</b>
		<u><b>3,334,100</b></u>	<u><b>1,423,742</b></u>

**6.1 Investment in Government Securities - At fair value through profit or loss**

Issue Date	Tenor	Face value			Market Value as at June 30, 2020	Market value as a percentage of		
		As at July 1, 2019	Purchases during the year	Sales / Matured during the year		As at June 30, 2020	Total Investmen ts	Net Assets
----- (Rupees in '000) -----								
<b>Treasury bills</b>								
May 23, 2019	3 Months	500,000	1,200,000	1,700,000	-	-	0%	0%
July 18, 2019	3 Months	-	14,535,000	14,535,000	-	-	0%	0%
August 1, 2019	3 Months	-	4,862,500	4,862,500	-	-	0%	0%
August 16, 2019	3 Months	-	625,000	625,000	-	-	0%	0%
August 29, 2019	3 Months	-	110,000	110,000	-	-	0%	0%
October 10, 2019	3 Months	-	1,525,000	1,525,000	-	-	0%	0%
October 24, 2019	3 Months	-	3,536,000	3,536,000	-	-	0%	0%
November 7, 2019	3 Months	-	2,900,000	2,900,000	-	-	0%	0%
November 21, 2019	3 Months	-	250,000	250,000	-	-	0%	0%
December 5, 2019	3 Months	-	1,335,000	1,335,000	-	-	0%	0%
December 19, 2019	3 Months	-	1,685,000	1,685,000	-	-	0%	0%
January 2, 2020	3 Months	-	5,330,000	5,330,000	-	-	0%	0%
January 16, 2020	3 Months	-	2,025,000	2,025,000	-	-	0%	0%
January 30, 2020	3 Months	-	3,000,000	3,000,000	-	-	0%	0%
February 27, 2020	3 Months	-	35,000	35,000	-	-	0%	0%
March 12, 2020	3 Months	-	2,325,000	2,325,000	-	-	0%	0%
April 9, 2020	3 Months	-	2,945,000	2,945,000	-	-	0%	0%
April 23, 2020	3 Months	-	5,650,000	5,650,000	-	-	0%	0%
May 7, 2020	3 Months	-	500,000	500,000	-	-	0%	0%
May 21, 2020	3 Months	-	1,053,000	1,053,000	-	-	0%	0%
October 10, 2019	6 Months	-	910,000	910,000	-	-	0%	0%
October 24, 2019	6 Months	-	1,500,000	1,500,000	-	-	0%	0%
November 7, 2019	6 Months	-	3,575,000	3,575,000	-	-	0%	0%
December 5, 2019	6 Months	-	5,600,000	5,600,000	-	-	0%	0%
January 2, 2020	6 Months	-	225,000	225,000	-	-	0%	0%
March 12, 2020	6 Months	-	1,250,000	500,000	750,000	740,370	22%	7%
April 9, 2020	6 Months	-	375,000	-	375,000	367,894	11%	4%
April 23, 2020	6 Months	-	375,000	375,000	-	-	0%	0%
May 7, 2020	6 Months	-	1,725,000	800,000	925,000	902,683	27%	9%
July 18, 2019	12 Months	-	308,000	308,000	-	-	0%	0%
September 12, 2019	12 Months	-	944,000	450,000	494,000	487,186	15%	5%
October 10, 2019	12 Months	-	500,000	-	500,000	490,525	15%	5%
<b>Total - As at June 30, 2020</b>		<b>500,000</b>	<b>72,713,500</b>	<b>70,169,500</b>	<b>3,044,000</b>	<b>2,988,658</b>	<b>90%</b>	<b>30%</b>
Total - As at June 30, 2019		-	109,826,500	109,326,500	500,000	492,498	34.59%	7.88%

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

Particulars	Profit rate	Issue date	Maturity date	Face value	Carrying value	Carrying value as percentage of total investments	Carrying value as a percentage of net assets
----- (Rupees in '000) -----							
K - Electric - II (ICP-6)	14.17%	26-Feb-20	26-Aug-20	150,000	146,760	42%	1%
K - Electric - III (ICP-8)	11.86%	06-Apr-20	06-Oct-20	205,000	198,682	58%	2%
<b>Total as at June 30, 2020</b>				<b>355,000</b>	<b>345,442</b>		
Total as at June 30, 2019				945,000	931,244		

Based on management Company's intention, the Fund has reclassified these investments from 'amortised cost' to 'fair value through profit and loss' category of financial assets.

	Note	2020 ------(Rupees in '000)-----	2019
<b>7. ACCRUED MARK-UP</b>			
Mark-up accrued on:			
- deposits with banks		34,531	45,248
- term deposit receipts		-	9,888
		<u>34,531</u>	<u>55,136</u>
<b>8. DEPOSITS AND PREPAYMENTS</b>			
Deposits		100	100
Prepayments		5	17
		<u>105</u>	<u>117</u>
<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee	9.1	3,701	4,714
Sindh Sales Tax	9.2	481	613
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	-	501
Sales load payable to management company		482	15
		<u>4,664</u>	<u>5,843</u>

**9.1** As per the offering document of the Fund the maximum limit of management fee is 1.5% per annum of Average Annual Net Assets. During the year, Management fee expense charged by the asset Management Company varied between 0.45% to 0.98%. Currently, the management fee is charged at the rate of 0.45% of average annual net assets of the fund.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (2019: 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 has charged expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS). During the year expense charged by the asset Management Company varied between 0% to 0.2%.

**9.4** SECP vide SRO 639(I)/2019 dated June 20, 2019 has removed cap of 0.4 percent (of average net assets, calculated on daily basis), on charging of selling and marketing expenses which are charged by Asset Management Companies to all categories of open-end mutual funds (except fund of funds). Resultantly, Management Company has charged selling and marketing expenses to the Fund. The selling and marketing expenses charged by the asset Management Company varied between 0% to 0.5% during the year.

	Note	2020 ------(Rupees in '000)-----	2019
<b>10. PAYABLE TO THE TRUSTEE</b>			
Trustee fee	10.1	535	919
Sindh Sales Tax		69	119
		<u>604</u>	<u>1,038</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 there in, based on the daily Net Asset Value (NAV) of the Fund.

CDC vide letter no CDC/CEO/L-112/06/2019 declared that the Tarif structure for the open ended Income schemes shall consists of actual custodial expense plus 0.065% p.a of Net Assets. Therefore trustee fee have been charged as 0.065% p.a of net assets calculated on daily basis.

The remuneration is paid to the trustee monthly in arrears.

**10.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (2019: 13%) on the remuneration of the trustee through Sindh Sales Tax on Services Act, 2011.

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

	Note	2020 ------(Rupees in '000)-----	2019
Annual fee	11.1	1,753	5,486

**11.1** SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the fund and accordingly such fee has been charged at the rate of 0.02% percent during the year.

**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

	Note	2020 ------(Rupees in '000)-----	2019
Auditors' remuneration		638	456
Withholding tax payable		97,595	30,995
Provision for Sindh Workers' Welfare Fund	12.1	45,103	24,376
Federal Excise Duty	12.2	41,211	41,211
Capital gain tax payable		4,451	2,296
Advance against units to be issued		2,500	2,500
Other payable		4,950	4,321
		<u>196,448</u>	<u>106,155</u>

**12.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, 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

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 64.7 million and started recognising provision for SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 45.1 million (2019: Rs. 24.4 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 0.4629 (June 30, 2019: Rs. 0.398 ) per unit.

**12.2** 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 June 30, 2016, the SHC declared the said provisions to be 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 ending June 30, 2020.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 41.211 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 0.423 (June 30, 2019: Rs. 0.674) per unit.

### 13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

### 14. NUMBER OF UNITS IN ISSUE

	Note	2020 ------(Rupees in '000)-----	2019
Total units in issue at the beginning of the year		61,169,427	67,634,199
Units issued		189,685,929	128,235,881
Units redeemed		(153,421,250)	(134,700,653)
Total units in issue at the end of the year		<u>97,434,106</u>	<u>61,169,427</u>

### 15. MARK-UP / RETURN ON INVESTMENTS

Mark-up on:			
- Government securities		479,433	289,544
- Placements		78,943	25,315
- Commercial paper		58,266	29,835
		<u>616,642</u>	<u>344,694</u>

### 16. MARK-UP ON DEPOSITS WITH BANKS

Mark-up on:			
- Savings accounts		489,817	293,976
- Term deposit receipts		13,448	72,715
		<u>503,265</u>	<u>366,691</u>

### 17. AUDITORS' REMUNERATION

Annual audit fee		459	460
Fee for half yearly review		153	55
Other certifications and out of pocket expenses		29	93
		<u>641</u>	<u>608</u>

### 18. TAXATION

No provision for taxation has been made for Class A as the Fund has incurred a net loss in Class A. The Fund is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 if it has distributed more than 90 percent of its accounting income (excluding capital gains realised or unrealised). The Fund has distributed an amount of Rs. 582.050 million on June 29, 2020 being 93% percent of its accounting income (excluding capital gains realised or unrealised) in Class B and therefore has not accrued and recorded taxation charge for the year in Class B. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the 'Income statement' and 'Statement of comprehensive income'.

**19. 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.

**20. FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As on June 30, 2020 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Investments	345,442	2,988,658	3,334,100
Bank balances	7,992,986	-	7,992,986
Accrued mark-up	34,531	-	34,531
Deposits	100	-	100
	<u>8,373,059</u>	<u>2,988,658</u>	<u>11,361,717</u>

	----- As on June 30, 2020 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees in '000 -----		
<b>Liabilities</b>			
Payable to the Management Company	-	4,664	4,664
Payable to the Trustee	-	604	604
Payable against the purchase of investment	-	1,181,200	1,181,200
Accrued expenses and other liabilities	-	5,588	5,588
	<u>-</u>	<u>1,192,056</u>	<u>1,192,056</u>

	----- As on June 30, 2019 -----		
	Loans and receivables	Available for sale	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Investments	-	1,423,742	1,423,742
Bank balances	5,485,942	-	5,485,942
Accrued mark-up	55,136	-	55,136
Deposits	100	-	100
	<u>5,541,178</u>	<u>1,423,742</u>	<u>6,964,920</u>

	----- As on June 30, 2019 -----		
	At fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
<b>Liabilities</b>			
Payable to the Management Company	-	5,843	5,843
Payable to the Trustee	-	1,038	1,038
Payable against the purchase of investment	-	492,454	492,454
Accrued expenses and other liabilities	-	4,777	4,777
	<u>-</u>	<u>504,112</u>	<u>504,112</u>

**21. 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 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:

	2020	2019
	------(Rupees in '000)-----	
<b>21.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	80,780	74,284
Allocation of expenses related to registrar services, accounting, operation and valuation services	4,136	7,314
Issuance of 2,321,196 units (2019: 99,552 units)	254,492	10,358
Redemption of 2,342,306 units (2019: 1,069,156 units)	260,074	111,112
Dividend paid	-	5,267
<b>Habib Bank Limited - Sponsor</b>		
Issuance of Nil units (2019: 563,587 Units)	-	58,322
Redemption of 4,621,263 units (2019: 143,777 units)	500,000	15,486
Dividend paid	51,453	116,668
Bank charges paid	350	280
Mark-up earned during the year	25,359	25,359
Mark-up received during the year	24,360	24,360
<b>MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Associate</b>		
Issuance of 186,335 units (2019: 544,578 units)	20,183	59,285
Redemption of 301,790 units (2019: 5,153 units)	32,404	565
Dividend paid	4,449	4,210
<b>Fauji Fertilizer Company Ltd - Connected Person Due To Holding Of 10% or more units.</b>		
Issuance of 59,516,243 units	6,505,449	-
Redemption of 41,842,666 units	4,677,266	-
Dividend paid	197,304	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	6,432	7,046

	2020	2019
	----- (Rupees in '000) -----	
<b>Directors, Executives and Key Management personnel</b>		
Issuance of 78,070 units (2019: 45,707 units)	<b>8,128</b>	4,806
Redemption of 14,724 units (2019: 44,520 units)	<b>1,648</b>	4,693
Dividend paid	<b>524,475</b>	166
<b>21.2 Amounts outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee	<b>3,701</b>	4,714
Sindh Sales Tax	481	613
Allocation of expenses related to registrar services, accounting, operation and valuation services	-	501
Sales load payable	<b>482</b>	15
Investment held in the Fund : Nil units (2019: 21,109 units)	-	2,158
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund : 4,116,245 units (2019: 8,737,507 units)	<b>421,421</b>	893,148
Bank balances	<b>503,798</b>	503,798
Sales load payable	<b>4,575</b>	3,833
<b>MCBFSL Trustee HBL Financial Planning Fund Conservative</b>		
Allocation Plan - Associate		
Investment held in the Fund 413,094 units (2019: 539,425 units)	<b>42,293</b>	55,140
<b>Attock Cement Pak Ltd Emp Provident Fund - Associate</b>		
Investment held in the Fund 392 units (2019: 0 units)	<b>40,146</b>	-
<b>FAUJI FERTILIZER COMPANY LTD - Connected person due to holding of 10% or more units.</b>		
Investment held in the Fund 17,694,202 units	<b>1,811,531</b>	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	<b>535</b>	919
Sindh Sales tax	<b>69</b>	119
<b>Directors, Executives and Key Management personnel</b>		
Investment held in the Fund 46,802 units (2019: 13,197 units)	<b>4,792</b>	1,349

**22. PARTICULARS OF INVESTMENT COMMITTEE**

Details of 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	21 + years
2	Muhammad Wamiq Sakrani	Acting Head of Fixed Income	MBA	10+ years
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+ years
4	Karim Khawaja	Head of Risk	MBA, CMA	17 + years

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

**Top brokers during the year ended June 30, 2020**

- 1 Invest One Markets Ltd
- 2 Bright Capital (Pvt) Ltd
- 3 Paramount Capital (Pvt.) Ltd
- 4 JS Global Capital Limited
- 5 Currency Market Associates (Pvt) Ltd
- 6 Optimus Markets (Pvt) Ltd
- 7 Vector Capital (Pvt) Ltd
- 8 Arif Habib Limited
- 9 Pearl Securities Limited
- 10 BMA Capital Management Ltd

**24. PATTERN OF UNIT HOLDING**

	<b>2020</b>			
	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
----- Rupees in '000 -----				
Individuals	3,943	54,500,394	5,579,745	55.94%
Associated company	1	4,116,245	421,421	4.22%
Director	-	-	-	0.00%
Banks and DFIs	-	-	-	0.00%
Insurance companies	3	624,028	63,888	0.64%
Retirement funds	19	4,953,796	507,169	5.08%
Trust	11	650,482	66,596	0.67%
Foreign Investors	17	904,654	92,618	0.93%
Others	64	31,684,507	3,243,857	32.52%
	<b>4,058</b>	<b>97,434,106</b>	<b>9,975,295</b>	<b>100.00%</b>
<b>2019</b>				
	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
----- Rupees in '000 -----				
Individuals	2,752	33,492,603	3,423,613	54.75%
Associated company	2	8,758,618	895,306	14.32%
Director	1	1	0	0.00%
Banks and DFIs	-	-	-	0.00%
Insurance companies	4	1,116,384	114,117	1.83%
Retirement funds	8	234,785	24,000	0.38%
Trust	9	697,252	71,273	1.14%
Foreign Investors	2	8	1	0.00%
Others	59	16,869,776	1,724,428	27.58%
	<b>2,837</b>	<b>61,169,427</b>	<b>6,252,738</b>	<b>100.00%</b>

## 25. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Five meetings of the Board of Directors were held on August 29,2019 ,October 29,2019, February 13, 2020 ,March 02,2020 and April 29, 2020 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. Farid Ahmed Khan <sup>1</sup>	1	1	0	4
2	Mr. Mir Adil Rashid <sup>2</sup>	4	4	0	1
3	Ms. Ava A. Cowasjee	5	5	0	-
4	Mr. Rayomond H. Kotwal	5	5	0	-
5	Mr. Rizwan Haider	5	5	0	-
6	Mr. Shabbir Hussain Hashmi	5	5	0	-
7	Mr. Shahid Ghaffar	5	5	0	-
8	Mr. Aamir Hasan Irshad <sup>5</sup>	5	5	0	-
9	Mr. Atif Aslam Bajwa <sup>3,4</sup>	2	1	1	3

1 Resigned on September 15, 2019.

2 Appointed on September 16, 2019.

3 Appointed on October 29, 2019.

4 Resigned on February 24, 2020.

5 Resigned on May 14, 2020.

## 26. 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 investments, government securities and in other money market instruments.

**26.1** The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 26.1.1 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 ; currency risk, interest rate risk and other price risk.

### 26.1.2 Currency risk

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

### 26.1.3 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's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs. 79.930 million (2019: Rs. 21.859 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

#### b) Fair value interest rate risk

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit and loss account. Therefore, a change in interest rates at the reporting date would not affect profit and loss account of the Fund.

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, 2020 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

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

	June 30, 2020				
	Total	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
Upto three months		More than three months and upto one year	More than one year		
<b>On-balance sheet financial instruments</b>	----- (Rupees in '000) -----				
<b>Financial assets</b>					
Bank balances	7,992,986	7,992,986	-	-	-
Investment	3,334,100	3,334,100	-	-	-
Accrued mark-up	34,531	-	-	-	34,531
Deposits	100	-	-	-	100
	<b>11,361,717</b>	<b>11,327,086</b>	<b>-</b>	<b>-</b>	<b>34,631</b>
<b>Financial liabilities</b>					
Payable to Management Company	4,664	-	-	-	4,664
Payable to the Trustee	604	-	-	-	604
Payable against purchase of investment	1,181,200	-	-	-	1,181,200
Dividend payable	1,758	-	-	-	1,758
Accrued expenses and other liabilities	5,588	-	-	-	5,588
Net assets attributable to unit holders	9,975,295	-	-	-	9,975,295
	<b>11,169,109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,169,109</b>
<b>On-balance sheet gap</b>	<b>192,609</b>	<b>11,327,086</b>	<b>-</b>	<b>-</b>	<b>(11,134,478)</b>
<b>Off-balance sheet financial instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

	June 30, 2019				
	Total	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
<b>On-balance sheet financial instruments</b>	----- (Rupees in '000) -----				
<b>Financial assets</b>					
Bank balances	5,485,942	5,485,942	-	-	-
Investment	1,423,742	1,423,742	-	-	-
Accrued mark up	55,136	-	-	-	55,136
Deposits	100	-	-	-	100
	6,964,920	6,909,684	-	-	55,236
<b>Financial liabilities</b>					
Payable to Management Company	5,843	-	-	-	5,843
Payable to the Trustee	1,038	-	-	-	1,038
Payable against purchase of investment	492,454	-	-	-	492,454
Dividend payable	101,223	-	-	-	101,223
Accrued expenses and other liabilities	4,777	-	-	-	4,777
Net assets attributable to unit holders	6,252,738	-	-	-	6,252,738
	6,858,072	-	-	-	6,858,072
<b>On-balance sheet gap</b>	106,848	6,909,684	-	-	(6,802,837)
<b>Off-balance sheet financial instruments</b>	-	-	-	-	-
<b>Off-balance sheet gap</b>	-	-	-	-	-

#### 26.1.4 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 net assets as at June 30, 2020 would have increased / (decreased) by Rs. 29.89 (2019: Rs. 4.92) million, had the price of the investments in treasury bills (T-Bills) increased / (decreased) by 100 basis points.

#### 26.2 Credit risk

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

The Fund's most significant financial assets are term deposit receipts, placements, balances held with banks, and mark-up accrued on term deposit receipts and bank balances. The credit risk in respect of these balances is limited because counter parties are banks with high credit worthiness.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2020:

	2019	2018
	------(Rupees in '000)-----	
<b>Bank balances by rating category</b>		
A-1+ (JCR-VIS)	<b>3,866,291</b>	2,071,532
A1+ (PACRA)	<b>4,126,679</b>	114,364
A-1 (JCR-VIS)	<b>16</b>	46
	<b>7,992,986</b>	2,185,942
Investments in Government Securities	<b>2,988,658</b>	492,498
Commercial Paper		
A1+ (PACRA)	<b>146,804</b>	-
Un-rated	<b>198,682</b>	931,244
	<b>345,486</b>	931,244
Term deposit receipts		
A-1 (JCR-VIS)	-	-
Clean Placement		
A1+ (PACRA)	-	-
Accrued mark-up	<b>34,531</b>	55,136
Deposits	<b>100</b>	100

The maximum exposure to credit risk before considering any related collateral as at June 30, 2020 is the carrying amount of the financial assets. None of these are 'impaired' nor 'past due but not impaired'.

#### **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.

### **26.3 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is mainly exposed to the daily cash redemption requests on a regular basis. Units are redeemable at the holders' option based on the Fund's net asset value per unit, at the time of redemption, calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

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. 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 realised.

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.

	June 30, 2020			
	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
<b>Financial liabilities (excluding unit holders' fund)</b>				
Payable to Management Company	4,664	4,664	-	-
Payable to the Trustee	604	604	-	-
Payable against purchase of investment	1,181,200	1,181,200	-	-
Accrued expenses and other liabilities	5,588	5,588	-	-
	<b>1,192,056</b>	<b>1,192,056</b>	-	-

	June 30, 2019			
	Total	Upto three months	Over three months and upto one year	Over one year
----- Rupees in '000 -----				
Financial liabilities (excluding unit holders' fund)				
Payable to Management Company	5,843	5,843	-	-
Payable to the Trustee	1,038	1,038	-	-
Payable against purchase of investment	492,454	492,454	-	-
Dividend Payable	101,223	101,223	-	-
Accrued expenses and other liabilities	4,777	4,777	-	-
	<b>605,335</b>	<b>605,335</b>	-	-

## 27. 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:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue 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.

**28. 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.

June 30, 2020

		Carrying amount			Fair Value				
		Fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total	
<b>Financial instruments</b>		(Rupees in '000)							
<b>Financial assets measured at fair value</b>									
Investments									
- Government Securities		3,334,100	-	3,334,100	-	3,334,100	-	3,334,100	
		<b>3,334,100</b>	<b>-</b>	<b>3,334,100</b>	<b>-</b>	<b>3,334,100</b>	<b>-</b>	<b>3,334,100</b>	
<b>Financial assets not measured at fair value</b>									
28.1									
Bank balances		-	7,992,986	7,992,986					
Accrued mark-up		-	34,531	34,531					
Deposits		-	100	100					
		<b>-</b>	<b>8,027,617</b>	<b>8,027,617</b>					
<b>Financial liabilities not measured at fair value</b>									
28.1									
Payable to the Management Company		-	4,664	4,664					
Payable to the Trustee		-	604	604					
Payable against purchase of investments		-	1,181,200	1,181,200					
Dividend Payable		-	1,758	1,758					
Accrued expenses and other liabilities		-	5,588	5,588					
Net assets attributable to unit holders		-	9,975,295	9,975,295					
		<b>-</b>	<b>11,169,109</b>	<b>11,169,109</b>					

June 30, 2019

		Carrying amount			Fair Value				
		Fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total	
<b>Financial instruments</b>									
<b>Financial assets measured at fair value</b>									
Investments									
- Government Securities		492,498	-	492,498	-	492,498	-	492,498	
		<b>492,498</b>	<b>-</b>	<b>492,498</b>	<b>-</b>	<b>492,498</b>	<b>-</b>	<b>492,498</b>	
<b>Financial assets not measured at fair value</b>									
28.1									
Bank balances		-	5,485,942	5,485,942					
Investments - Commercial Papers		-	931,244	931,244					
Dividend receivable and accrued mark-up		-	55,136	55,136					
Deposits		-	100	100					
		<b>-</b>	<b>6,472,422</b>	<b>6,472,422</b>					
<b>Financial liabilities not measured at fair value</b>									
28.1									
Payable to the Management Company		-	5,843	5,843					
Payable to the Trustee		-	1,038	1,038					
Payable against purchase of investments		-	492,454	492,454					
Dividend Payable		-	101,223	101,223					
Accrued expenses and other liabilities		-	4,777	4,777					
Net assets attributable to unit holders		-	6,252,738	6,252,738					
		<b>-</b>	<b>6,858,072</b>	<b>6,858,072</b>					

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

**29. 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, 2020 is 1.21% (2019: 1.48%) which includes 0.33% (2019: 0.37%) representing Government Levy and SECP fee.

**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 27, 2020.

**31. 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.

**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** Income Fund

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Income Fund</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITOR</b>	Deloitte Yousuf Adil, 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 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
<b>Fund Rating</b>	A(f) (JCR-VIS)

**Type and Category of Fund**

Open end Income Fund

**Investment Objective and Accomplishment of Objective**

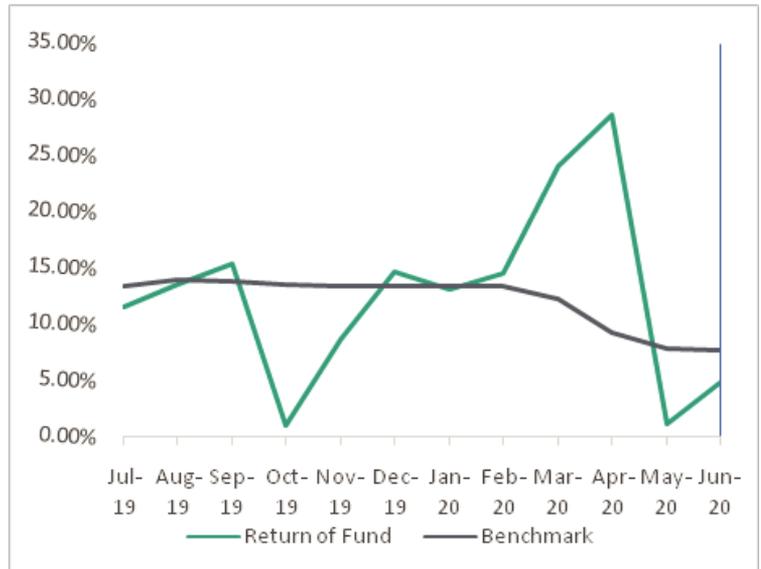
The objective of the Fund is to provide a stable stream of income with moderate level of risk by investing in fixed income securities. The investment objective is achieved.

**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:

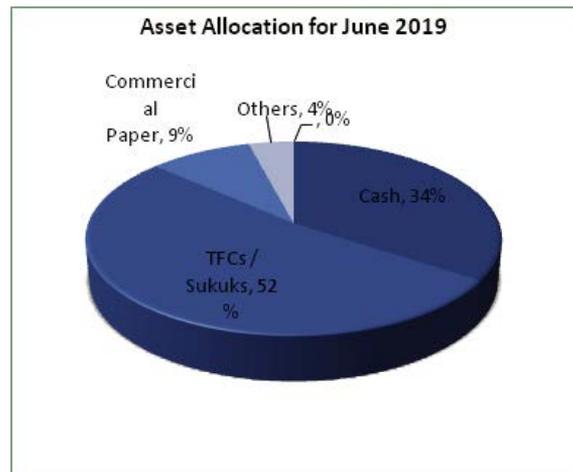
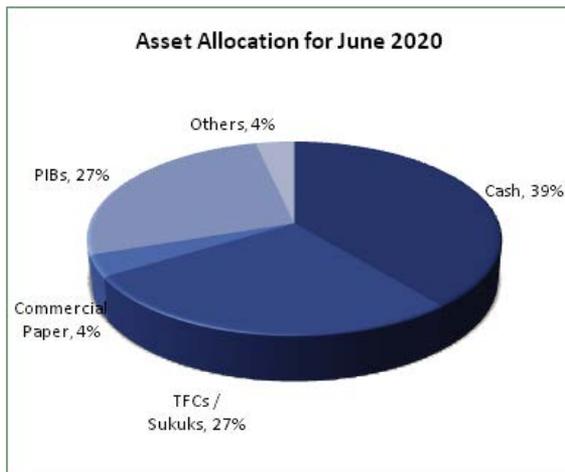
Month	Return of Fund	Benchmark
Jun-20	4.89%	7.75%
May-20	1.10%	7.94%
Apr-20	28.62%	9.40%
Mar-20	24.10%	12.36%
Feb-20	14.52%	13.48%
Jan-20	13.15%	13.48%
Dec-19	14.61%	13.51%
Nov-19	8.72%	13.50%
Oct-19	0.98%	13.61%
Sep-19	15.37%	13.96%
Aug-19	13.51%	14.07%
Jul-19	11.47%	13.55%



**Strategies and Policies employed during the Year**

During the year under review, fund size of HBL Income Fund increased marginally by 7.94% to PKR 1,536 million compared to PKR 1,423 million in June, 2019. Combined exposure in TFCs/Sukuk and Commercial Papers were recorded at 27.22% and 3.59% as on June 30, 2020. The Fund was further invested in cash at bank and PIBs which accounted for 39.05% and 26.61% of the portfolio. In order to capture the benefit from the declining interest rate, fund generated gains by investing in long term PIBs. During the year, funds were also invested in T-Bills and Spread transactions in order to support portfolio accruals.

**Asset Allocation**



## Fund Performance

The total income and net income of the Fund was Rs. 227.92 million and Rs. 189.99 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 108.2828 per unit as on June 30, 2020 as compared to Rs. 116.1134 per unit as on June 30, 2019, after incorporating dividend of Rs. 12.00 per unit, thereby giving an annualized return of 13.28%. During the year the benchmark (6 Month KIBOR) return was 12.22%. The size of Fund was Rs. 1.54 billion as on June 30, 2020 as compared to Rs. 1.51 billion at the start of the year.

## Money Market Review

FY20 was a tale of two half for the money market. SBP continued its monetary tightening stance in the first half of FY20 to control the rising current account deficit and anchor increasing inflationary pressures. However post the Covid-19 pandemic SBP turned dovish and decreased the interest rate by a cumulative 625bps to revive the economy.

Yields across all the tenors decreased by 415-641 bps during FY20 due to cumulative decrease of 525 bps in SBP policy rate in FY20. Secondary market yields of 3, 5 and 10-year PIBs decreased by 632, 577 and 503 bps respectively while yields of 3, 6 and 12 month T-Bills decreased in tandem by 566, 580 and 608 bps respectively during FY20. Latest cut-off yields stood at 7.97%, 8.44%, 8.99%, 9.90% and 10.51% for the 3-year, 5-year, 10-year, 15-year and 20-year PIBs, respectively.

During the FY20, Government largely managed its borrowing requirements through domestic sources, and largely from commercial banks. Government borrowed PKR 2,302bn from scheduled banks compared to retirement of PKR 875bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 135bn during the period against borrowing of PKR 3,078bn during same period last year. This shift in borrowing took place as IMF has restricted borrowing from the central bank to avoid inflationary pressure. Going forward the government will continue to meet additional borrowing requirements from the commercial banks.

In the monetary policy held in June-20, SBP decreased the policy rate by a further 100bps to 7.0%. Going forward, we feel that the bulk of monetary easing has taken place and we are close to the bottom of the interest rate cycle. However, SBP has indicated its monetary policy would remain data driven and we may witness another 50-100bps reduction in interest rate in the calendar year.

## Distribution

The Fund has distributed cash dividend up-to Rs. 12.00 per unit for the year ended June 30, 2020.

## 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	358	11,374
101 – 500	185	37,918
501 – 1,000	52	37,142
1,001 – 10,000	191	824,335
10,001 – 100,000	16 2	4,981,534
100,001 – 500,000	22	3,873,955
500,001 – 1,000,000	2	1,264,477
1,000,001 – 5,000,000	2	3,226,628
5,000,001 and above	-	-
<b>Total</b>	<b>974</b>	<b>14, 257,362</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, 2020

	2020	2019	2018	2017	2016	2015
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	108.2828	106.1134	111.2890	106.0146	106.0938	104.9087
Offer	110.1182	107.9120	113.1753	107.8115	108.1983	104.9087
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	122.6415	116.9874	113.1531	112.7930	113.4354	113.5884
Lowest offer price per unit	107.4499	107.6075	107.8570	107.7564	104.9645	101.4359
Highest redemption price per unit	120.5974	115.0375	111.2890	110.9130	111.2291	113.5884
Lowest redemption price per unit	106.1799	105.8140	106.0593	105.9604	104.9645	101.4359
<b>RETURN ( % )</b>						
Total return	13.28%	8.82%	4.98%	4.64%	6.12%	12.44%
Income distribution	12.00%	9.00%	5.50%	5.00%	5.25%	9.00%
Capital growth	1.28%	-0.18%	-0.52%	-0.36%	0.87%	3.44%
<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)	12.00	9.00	5.50	5.00	5.25	9.00
Date of Income Distribution	26-Jun-20	27-Jun-19	04-Jul-18	20-Jun-17	22-Jun-16	26-Jun-15
Total dividend distribution for the year/ period (Rs)	12.00	9.00	5.50	5.00	5.25	9.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	13.28%	8.82%	4.98%	4.64%	6.12%	12.44%
Average annual return 2 year	11.03%	6.88%	4.81%	5.39%	9.28%	11.18%
Average annual return 3 year	8.97%	6.13%	5.25%	7.69%	9.49%	10.02%
Weighted average portfolio during (No. of days)	857	852	928	850	372	485
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	39.05%	34.38%	40.74%	26.29%	48.00%	29.00%
TFCs	27.22%	52.26%	39.92%	32.20%	10.00%	8.00%
PIBs	26.61%	0.00%	0.00%	0.00%	0.00%	0.00%
Government Securities	0.00%	0.00%	5.48%	0.00%	34.00%	62.00%
Placement with Banks and DFIs	0.00%	0.00%	8.29%	19.48%	4.00%	0.00%
Spread Transaction	0.00%	0.00%	2.83%	4.87%	0.00%	0.00%
Commercial Paper	3.59%	9.29%	0.00%	2.96%	0.00%	0.00%
Others Including receivables	3.53%	4.07%	2.75%	14%	4.00%	1.00%

**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.

## Summary of Actual Proxy voted by CIS

HBL IF	Meetings	Resolutions	For	Against
Number	6	21	21	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Allied Bank Ltd	25-Mar-20	
Adamjee Insurance Co	22-May-20	30-Nov-19
AGP Limited	05-May-20	
Bank of Punjab	31-03-20	
BankIslami Pakistan	07-05-20	
Bank Al Habib Ltd	14-04-20	
Bank Alfalah Ltd	27-03-20	
Century Paper & Board Mills Limited	26-Sep-19	
Engro Corporation Ltd	12-May-20	
Engro Fertilizer Ltd	08-05-20	
Engro Polymer & Chemicals Ltd	23-04-20	
Fauji Fertilizer Co Ltd	16-03-20	
GlaxoSmithKline Pakistan Ltd	21-05-20	
Highnoon Lab	12-05-20	
Habib Bank Limited	30-Mar-20	
K-Electric Limited	30 Jul 2019;	
Kohat Cement Co Ltd	28-10-19	
Lucky Cement Ltd	27-09-19	
MCB Bank Ltd		21-11-19
Nishat Mills Ltd	31/03/2020 28 oct 2019	
Oil & Gas Development Co Ltd	24-10-19	
Pakistan National Shipping Corp.	28-10-19	
Pakistan Petroleum Ltd	04-10-19	19-09-19
Pakistan Oilfields Ltd	17-09-19	24-06-20
Pakistan State Oil Company Ltd	28-Oct-19	
Sitara Chemical Ind.	28-10-19	
Sui Northern Gas Pipeline Ltd	23-Jun-20	
Thal Limited	26-10-19	
The Searle Company Ltd	18-May-20	
United Bank Ltd	25-03-20	

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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



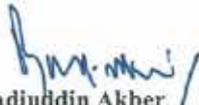
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL INCOME FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 24, 2020





## INDEPENDENT AUDITORS' 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, 2020, 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, 2020, 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 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. 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.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investment</b></p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent a significant portion of the net assets of the Fund.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> <li>obtained understanding of relevant controls placed by the Management Company applicable to the balance;</li> </ul>

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>The Fund's primary activity is, inter alia, to invest in equity and debt securities (including government securities) which is the main driver of the Fund's performance.</p> <p>Considering the above factors the existence and valuation are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>independently verified existence of investments from the Central Depository Company (CDC) and Investor Portfolio Service (IPS) account statements;</li> <li>independently tested valuations directly with the prices quoted on Pakistan Stock Exchange (PSX) and those published on Mutual Fund Association of Pakistan (MUFAP) website respectively;</li> <li>performed test of details on sale and purchase of investments on a sample basis; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</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 audit report.

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 Those Charged with Governance 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 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 Those Charged with Governance of 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 Those Charged with Governance of 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 Those Charged with Governance of 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.



**Deloitte Yousuf Adil**  
Chartered Accountants

**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 Naresh Kumar.

  
Chartered Accountants

**Date:** September 24, 2020  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

**HBL Income Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2020*

	Note	2020 ------(Rupees in '000)-----	2019
<b>Assets</b>			
Bank balances	5	622,132	552,761
Investments	6	956,596	1,008,166
Accrued mark-up	7	20,695	16,285
Advances, deposits, prepayments and other receivables	8	34,691	30,639
<b>Total assets</b>		<b>1,634,114</b>	<b>1,607,851</b>
<b>Liabilities</b>			
Payable to Management Company	9	4,860	3,054
Payable to the Trustee	10	123	198
Payable to Securities and Exchange Commission of Pakistan	11	304	1,478
Dividend payable		8,858	29,735
Accrued expenses and other liabilities	13	76,142	62,643
<b>Total liabilities</b>		<b>90,287</b>	<b>97,108</b>
<b>Net assets</b>		<b>1,543,827</b>	<b>1,510,743</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,543,827</b>	<b>1,510,743</b>
<b>Contingencies and commitments</b>			
	14	-----Number of units-----	
<b>Number of units in issue</b>	15	<b>14,257,362</b>	<b>14,237,061</b>
		-----Rupees-----	
<b>Net assets value per unit</b>	4.6	<b>108.2828</b>	<b>106.1134</b>

The annexed notes 1 to 34 form an integral part of these financial statements.

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

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

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

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

	Note	2020 ------(Rupees in '000)-----	2019
<b>Income</b>			
Mark-up / return on investments	16	123,655	111,196
Capital gain / (loss) on sale of investments - net		17,608	(10,717)
Mark-up on deposits with banks	17	74,789	86,199
Dividend Income		643	13,137
Unrealised gain / (loss) on revaluation of investments carried at fair value through profit or loss	6.5	10,785	(4,160)
Other Income		444	104
Reversal of provision against non-performing Term Finance Certificates		-	7,576
<b>Total Income</b>		<b>227,924</b>	<b>203,335</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	20,665	30,192
Remuneration of the Trustee	10.1	1,289	2,853
Annual fee of Securities and Exchange Commission of Pakistan	11.1	304	1,478
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	1,985	1,971
Selling and marketing		7,478	496
Settlement and bank charges		1,571	1,944
Auditors' remuneration	18	430	404
Fee and subscription		339	369
<b>Total Expenses</b>		<b>34,061</b>	<b>39,707</b>
		<b>193,863</b>	<b>163,628</b>
Provision for Sindh Workers' Welfare Fund	13.2	(3,877)	(3,273)
<b>Net income for the year before taxation</b>		<b>189,986</b>	<b>160,355</b>
Taxation	19	-	-
<b>Net income for the year after taxation</b>		<b>189,986</b>	<b>160,355</b>
<b>Allocation of net income for the year</b>			
Net income for the period		189,986	160,355
Income already paid on redemption of units		(41,269)	(53,284)
		148,717	107,071
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		20,632	-
- Excluding capital gains		128,085	107,071
		148,717	107,071
<b>Earnings per unit</b>	20		

The annexed notes 1 to 34 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 Comprehensive Income**  
*For the year ended June 30, 2020*

	2020	2019
	----- (Rupees in '000) -----	
Net income for the year after taxation	189,986	160,355
Other comprehensive income / (loss) for the period	-	-
<b>Total comprehensive income for the year</b>	<u><u>189,986</u></u>	<u><u>160,355</u></u>

The annexed notes 1 to 34 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, 2020

	For the year ended June 30,							
	2020				2019			
	(Rupees in '000)							
	Capital value	Undistributed income	Unrealised (loss) of investment	Total	Capital value	Undistributed income	Unrealised (loss) of investment	Total
Net assets at beginning of the year	1,388,862	121,881	-	1,510,743	2,230,273	226,959	(772)	2,456,460
Adjustment on adoption of IFRS 9					-	(772)	772	-
Issuance 13,161,233 of units (2019: 13,265,278 units)								
- Capital Value (at net asset value per units at the beginning of the year	1,396,583	-	-	1,396,583	1,356,891	-	-	1,356,891
- Element of income	73,038	-	-	73,038	49,151	-	-	49,151
	1,469,621	-	-	1,469,621	1,406,042	-	-	1,406,042
Redemption of 13,140,932 units (2019: 21,101,023 units)								
- Capital Value (at net asset value per units at the beginning of the year	(1,394,429)	-	-	(1,394,429)	(2,158,402)	-	-	(2,158,402)
- Element of (loss)	(31,861)	-	-	(31,861)	(57,918)	-	-	(57,918)
- Income already paid on redemption of units	-	(41,269)	-	(41,269)	-	(53,284)	-	(53,284)
	(1,426,290)	(41,269)	-	(1,467,559)	(2,216,320)	(53,284)	-	(2,269,604)
Net income for the year after taxation	-	189,986	-	189,986	-	160,355	-	160,355
Refund of capital	(32,093)	-	-	(32,093)	(31,133)	-	-	(31,133)
Distribution during the year	-	(126,871)	-	(126,871)	-	(211,377)	-	(211,377)
<b>Total comprehensive income for year</b>	<b>(32,093)</b>	<b>63,115</b>	<b>-</b>	<b>31,022</b>	<b>(31,133)</b>	<b>(51,022)</b>	<b>-</b>	<b>(82,155)</b>
Net assets at end of the year	1,400,100	143,727	-	1,543,827	1,388,862	121,881	-	1,510,743
Undistributed income brought forward								
- Realised		126,041				224,607		
- Unrealised		(4,160)				2,352		
		121,881				226,959		
Adjustment on adoption of IFRS 9		-				(772)		
Accounting income available for distribution								
- Relating to capital gains		20,632				-		
- Excluding capital gains		128,085				107,071		
		148,717				107,071		
Distribution during the year		(126,871)				(211,377)		
Undistributed income carried forward		143,727				121,881		
Undistributed income carried forward								
- Realised		132,942				126,041		
- Unrealised		10,785				(4,160)		
		143,727				121,881		
						(Rupees)-		
Net assets value per unit at beginning of the year				106.1134				111.2890
Net assets value per unit at end of the year				108.2828				106.1134

The annexed notes 1 to 33 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**  
**Cash Flow Statement**  
For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
<b>Cash flows from operating activities</b>			
Net income for the year		189,986	160,355
<b>Adjustments:</b>			
Return / mark-up on:			
- Bank profits		(74,789)	(86,199)
- Investments		(123,655)	(111,196)
Capital (gain) / loss on sale of investments - net		(17,608)	10,717
Dividend income		(643)	(13,137)
Unrealised (gain) / loss		(10,785)	4,160
		<u>(37,494)</u>	<u>(35,300)</u>
<b>Decrease / (increase) in assets</b>			
Investments - net		79,963	198,563
Advances, deposits, prepayments and other receivables		(4,052)	17,202
Receivable against sale of investment		-	24,984
		<u>75,911</u>	<u>240,749</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to Management Company		1,806	(1,345)
Payable to the Trustee		(75)	(151)
Payable to Securities and Exchange Commission of Pakistan		(1,174)	(1,264)
Accrued expenses and other liabilities		13,499	41,954
Payable against purchase of investment		-	(43,789)
		<u>14,056</u>	<u>(4,595)</u>
Bank profit received		78,039	88,819
Markup on investments received		115,995	113,987
Dividend Income received		643	13,137
		<u>247,150</u>	<u>416,797</u>
<b>Net cash generated from operating activities</b>			
<b>Cash flows from financing activities</b>			
Amount received on issue of units		1,469,621	1,406,042
Payment against redemption of units		(1,467,559)	(2,269,604)
Cash dividend paid		(179,841)	(242,510)
<b>Net cash used in financing activities</b>		<u>(177,779)</u>	<u>(1,106,072)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		552,761	1,242,036
<b>Cash and cash equivalents at end of the year</b>	5	<u>622,132</u>	<u>552,761</u>

The annexed notes 1 to 34 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) was established under a Trust Deed, dated September 06, 2006, 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 (SECP) as a unit trust scheme on July 25, 2006.

**1.2** The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 (the NBFC rules) 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 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 activity 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** JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' to the Management Company and the fund stability rating of A(f) to the Fund.

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

**1.7 COVID 19 Impact**

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / governments across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

**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; and
- The requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") and the directives issued by the SECP.

Wherever provisions of and directives issued under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRS, the provisions of and directives issued under the Companies Act, 2017, requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

## **2.2 Basis of measurement**

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

## **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 the financial statements in conformity with the approved accounting standards 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 its 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.

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:

- (i) classification and valuation of financial assets notes 4.2

## **3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

### **3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020**

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations 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:**

IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which did not have material effect on the financial reporting of the Fund.

**3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective**

**3.2.1** 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, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

**Effective from accounting periods  
beginning on or after:**

Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
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, which are not expected to have material effect on the financial reporting of the Fund.

Other than the aforesaid standards, interpretations and 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

Cash and cash equivalents comprise of bank balances including term deposits with banks (with maturity period of less than three months from the date of deposit) that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

##### **4.2 Financial instrument**

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. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. For purposes of subsequent measurement, financial assets are classified in following categories:

**Financial assets at amortised cost (debt instruments)**

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

**Financial assets at fair value through other comprehensive income (debt instruments)**

For debt instruments at fair value through other comprehensive income (OCI), interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is reclassified to the income statement.

The Fund elected not to classify any of the debt instruments under this category on initial recognition.

**Financial assets at fair value through profit or loss (debt instruments)**

Debt instruments that do not meet the amortised cost criteria or the fair value through other comprehensive income criteria are classified as at fair value through profit or loss. In addition, debt instruments that meet either the amortised cost criteria or the fair value through other comprehensive income criteria may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Fund has designated all of debt instruments as at fair value through profit or loss.

**Financial assets designated at fair value through OCI (equity instruments)**

Upon initial recognition, the Fund can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses from changes in fair value are recognised in other comprehensive income and are accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to undistributed income. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Dividends are recognised as income in the income statement when the right of payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI.

The Fund elected not to classify irrevocably any of the equity investments under this category on initial recognition.

**Financial assets designated at fair value through profit or loss (equity instruments)**

Equity investments which the Fund had not irrevocably elected to classify at fair value through OCI are classified as at fair value through profit or loss. Financial assets at fair value through profit or loss are carried in the statement of assets and liabilities at fair value with net changes in fair value recognised in the the income statement.

Dividends on equity investments are recognised as income in the income statement when the right of payment has been established.

The Fund elected to classify all of the equity investments at fair value through profit or loss on initial recognition.

#### **Business Model Assessment**

The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered. Following three business models are defined under the IFRS 9:

- 1) Hold to collect business model
- 2) Hold to collect and sell business model
- 3) FVTPL business model

Considering above, the Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

#### **4.2.1.2 Fair value measurement principles**

The fair value of financial instruments is determined as follows:

##### **Basis of valuation of government securities:**

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV / PKISRV rates) which are based on the remaining tenor of the securities.

##### **Basis of valuation of debt securities:**

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). 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 aforementioned 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.

##### **Basis of valuation of equity instruments:**

The fair value of equity instruments is determined by using closing rate of securities at day end available on the PSX website.

#### **4.2.1.3 Impairment of financial assets**

The Fund 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 has 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.

#### **4.2.2 Financial liabilities**

##### **4.2.2.1 Classification and measurement of financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss. The Fund does not have any financial liabilities designated as fair value through profit or loss.

#### **4.2.3 Derecognition**

##### **4.2.3.1 Financial assets**

The Fund derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in Income Statement.

#### **4.2.3.2 Financial liabilities**

The Fund derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Income Statement.

#### **4.2.4 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 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.

#### **4.6 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 issue at the year end.

#### **4.7 Dividend distribution**

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.

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

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

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value 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.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

#### **4.9 Revenue recognition**

- Realised capital gain / (loss) arising on sale of investments are included operating income 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 on 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.
- Dividend income from equity securities is recognised when right to receive dividend is established.

#### **4.10 Expenses**

All expenses including NAV based expenses (namely management fee, trustee fee and annual fee payable to the SECP) are recognised as expenses in the 'income statement and other comprehensive income' on a time apportionment basis using the effective interest method.

<b>5.</b>	<b>BANK BALANCES</b>	Note	2020 ------(Rupees in '000)-----	2019
	Balances with bank in:			
	- Saving accounts	5.1	<u>622,132</u>	<u>552,761</u>
			<u>622,132</u>	<u>552,761</u>

**5.1** This represents bank accounts held with different banks. Mark-up rates on these accounts range between 4.70% - 14.75% per annum (June 30, 2019; 10.28% to 13.75%)

<b>6.</b>	<b>INVESTMENTS</b>	Note	2020 ------(Rupees in '000)-----	2019
	Financial assets at Fair value through profit or loss			
	- Term finance certificates - listed	6.1.1	159,768	84,325
	- Term finance certificates and sukuk bonds - unlisted	6.2	292,842	755,925
	- Investment in government securities	6.3	444,311	-
	- Commercial paper	6.4	59,675	-
	Financial assets at amortised cost			
	- Commercial paper	6.4	-	167,916
			<u>956,596</u>	<u>1,008,166</u>

**6.1 Financial assets at Fair value through profit or loss**

All Term Finance Certificates and Sukuk bonds have a face value of Rs. 5,000 each unless stated otherwise.

**6.1.1 Term Finance Certificates - Listed**

Name of the Investee Company	Number of certificates				Market value / Carrying value* as at June 30, 2020	Market value as a percentage of	
	As at July 1, 2019	Purchase during the year	Sold / Matured during the year	As at June 30, 2020		Total Investments	Net Assets
- Rupees in '000 -							
<b>Chemicals</b>							
Dawood Hercules Chemical Limited**	940	-	230	710	50,194	5%	3%
	940	-	230	710	50,194	5%	3%
<b>Commercial Banks</b>							
JS Bank Limited - Sukuk (note 6.2.4)*	1,900	-	636	1,264	109,574	11%	7%
	1,900	-	636	1,264	109,574	11%	7%
<b>Financial Services</b>							
Saudi Pak Leasing Company Limited - note 6.1.2 *	2,000	-	-	2,000	-	-	-
	2,000	-	-	2,000	-	-	-
<b>Technology and Communication</b>							
Worldcall Telecom Limited - note 6.1.3 *	23,750	-	-	23,750	-	-	-
	23,750	-	-	23,750	-	-	-
<b>Total</b>	<b>28,590</b>	<b>-</b>	<b>866</b>	<b>27,724</b>	<b>159,768</b>	<b>17%</b>	<b>10%</b>
<b>Carrying Value of investments as at June 30, 2020</b>					<u>174,611</u>		
Carrying value of investments as at June 30, 2019					<u>272,407</u>		

\*\*Related Party due to common directorship

\* 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.

**6.1.2** Saudi Pak Leasing Company Limited defaulted towards payment falling due in September 2010. Accordingly, the exposure was classified as non-performing and provision was recognised in accordance with the SECP's provisioning guidelines.

Subsequently, on the request of the Issuer, TFC holders approved the restructuring of the facility by extending repayment period from 5 years to 9 years and by reducing mark-up rate to 6% for 24 months from restructuring date and 8% for next 24 months and thereafter fixing the mark-up rate at 1 month KIBOR. Further, half of the accrued mark-up is to be paid in cash and the balance is being deferred.

The Issuer defaulted again in the payment of principal and mark-up due on September 13, 2011. In accordance with the requirements of Circular No. 33 of 2012 dated October 24, 2012 issued by the Securities Exchange Commission of Pakistan (SECP), the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non performing exposure. A provision of Rs. 5.550 million equivalent to 100% of the amount outstanding has been made.

**6.1.3** Worldcall Telecom Limited TFC's 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 2 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 equivalent to 100% of the amount outstanding has been made out of which Rs. 7.576 has been received in 2019 leaving outstanding balance as at June 30, 2020 of Rs. 40.191 million.

## **6.2 Term finance certificates and sukuk bonds - Unlisted**

Name of the Investee Company	Number of certificates				Market value as at June 30, 2020	Market value as a percentage of	
	As at July 1, 2019	Purchase during the year	Sold / Matured during the year	As at June 30, 2020		Total Investments	Net Assets
(Rupees in '000)							
<b>Chemicals</b>							
Agritech Limited (Note: 6.2.3)	2,000	-	-	2,000	-	0.00%	0.00%
Agritech Limited -TFC 4th issue	430	-	-	430	-	0.00%	0.00%
Ghani Gases Limited **	200	-	-	200	8,736	0.91%	0.57%
	<u>2,630</u>	<u>-</u>	<u>-</u>	<u>2,630</u>	<u>8,736</u>	<u>0.91%</u>	<u>0.57%</u>
<b>Commercial Banks</b>							
Bank of Punjab *	2,050	-	500	1,550	151,874	15.88%	9.84%
JS Bank Limited - Sukuk (note 6.2.4)*	7,450	-	-	7,450	36,504	3.82%	2.36%
	<u>9,500</u>	<u>-</u>	<u>500</u>	<u>9,000</u>	<u>188,378</u>	<u>19.69%</u>	<u>12.20%</u>
<b>Investment Companies</b>							
Jahangir Siddiqui & Company Limited	15,100	-	-	15,100	46,128	4.82%	2.99%
Jahangir Siddiqui & Company Limited	10,000	-	-	10,000	49,600	5.19%	3.21%
	<u>25,100</u>	<u>-</u>	<u>-</u>	<u>25,100</u>	<u>95,728</u>	<u>10.01%</u>	<u>6.20%</u>

Name of the Investee Company	Number of certificates				Market value as a percentage of		
	As at July 1, 2019	Purchase during the year	Sold / Matured during the year	As at June 30, 2020	Market value as at June 30, 2020	Total Investments	Net Assets
(Rupees in '000)							
<b>Power Generation and Distribution</b>							
Hub Power Company Limited	-	1,000	1,000	-	-	0.00%	0.00%
Hub Power Company Limited	36,600	-	36,600	-	-	0.00%	0.00%
	36,600	1,000	37,600	-	-	0.00%	0.00%
<b>Technology and communication</b>							
TPL Corporation Limited	500	-	500	-	-	0.00%	0.00%
	500	-	500	-	-	0.00%	0.00%
New Allied Electronic Industries (Private) Limited TFC	9,000	-	-	9,000	-	-	-
New Allied Electronic Industries (Private) Limited - Sukuk	9,000	-	-	9,000	-	-	-
	18,000	-	-	18,000	-	-	-
<b>Total</b>	<b>92,330</b>	<b>1,000</b>	<b>38,600</b>	<b>54,730</b>	<b>292,842</b>	<b>31%</b>	<b>19%</b>
Carrying Value of investments as at June 30, 2020					<u>297,355</u>		
Carrying value of investments as at June 30, 2019					<u>567,843</u>		

\* 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.

\* These TFCs have face value of Rs. 100,000 per TFC.

**6.2.1** These represent investments in privately placed Term Finance Certificates and Sukuk bonds of the investee company. These investments have been fully provided.

**6.2.2** The Term Finance Certificates and Sukuk bonds held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

**6.2.3** Installment amounting to Rs. 1.998 million became due for payment of the following TFCs / sukuks and are reflected in note 8.

	<b>2020</b>	2019
	------(Rupees in '000)-----	
Agritech Limited	<u>1,998</u>	<u>1,998</u>
	<u>1,998</u>	<u>1,998</u>

**6.2.4** Significant terms and conditions of Term Finance Certificates Sukuk bonds outstanding as at June 30, 2020 are as follows:

Name of security	Remaining principal (per TFC) in Rupees	Mark-up rate (per annum)	Issue date	Maturity date
Term Finance Certificates - Listed				
Dawood Hercules Chemical Limited	70,000	3 Month KIBOR + 1%	16-Nov-17	16-Nov-22
JS Bank Limited - Sukuk	99,900	6 Month KIBOR + 1.40%	29-Dec-17	29-Dec-24
Term Finance Certificates and Sukuk bonds - Unlisted				
Bank of Punjab	99,860	6 Month KIBOR + 1%	23-Feb-16	23-Feb-26
JS Bank Limited	4,993	6 Month KIBOR + 1.40%	14-Dec-16	16-Dec-23
Jahangir Siddiqui & Company Limited	5,000	6 Month KIBOR + 1.40%	06-Mar-18	06-Mar-23
Jahangir Siddiqui & Company Limited	3,125	6 Month KIBOR + 1.40%	18-Jul-17	18-Jul-22
Ghani Gasses Limited - Sukuk	45,833	3 months KIBOR + 1%	02-Feb-17	02-Feb-23

**6.3** Investment in Government Securities

Issue Date	Tenure	Face value				Market Value as at June 30, 2020	Market value as a percentage of	
		As at July 1, 2019	Purchases during the year	Sales / Matured during the year	As at June 30, 2020		Total Investments	Net Assets
Treasury bill (Rupees in '000)								
October 24, 2019	3 months	-	500,000	500,000	-	-	0.00%	0.00%
January 2, 2019	3 months	-	250,000	250,000	-	-	0.00%	0.00%
December 19, 2019	3 months	-	575,000	575,000	-	-	0.00%	0.00%
December 19, 2019	3 months	-	50,000	50,000	-	-	0.00%	0.00%
March 12, 2020	3 months	-	250,000	250,000	-	-	0.00%	0.00%
April 19, 2020	3 months	-	250,000	250,000	-	-	0.00%	0.00%
March 12, 2020	3 months	-	300,000	300,000	-	-	0.00%	0.00%
October 24, 2019	6 months	-	500,000	500,000	-	-	0.00%	0.00%
November 7, 2019	6 months	-	500,000	500,000	-	-	0.00%	0.00%
November 7, 2019	6 months	-	500,000	500,000	-	-	0.00%	0.00%
August 29, 2019	12 months	-	300,000	300,000	-	-	0.00%	0.00%
September 12, 2019	12 months	-	500,000	500,000	-	-	0.00%	0.00%
September 26, 2019	12 months	-	500,000	500,000	-	-	0.00%	0.00%
October 10, 2019	12 months	-	500,000	500,000	-	-	0.00%	0.00%
October 24, 2019	12 months	-	500,000	500,000	-	-	0.00%	0.00%
October 24, 2019	12 months	-	60,000	60,000	-	-	0.00%	0.00%
October 24, 2019	12 months	-	40,000	40,000	-	-	0.00%	0.00%
November 7, 2019	12 months	-	500,000	500,000	-	-	0.00%	0.00%
November 7, 2019	12 months	-	500,000	500,000	-	-	0.00%	0.00%
December 19, 2019	12 months	-	200,000	200,000	-	-	0.00%	0.00%
December 19, 2019	12 months	-	100,000	100,000	-	-	0.00%	0.00%
March 12, 2020	12 months	-	250,000	250,000	-	-	0.00%	0.00%
April 19, 2020	12 months	-	250,000	250,000	-	-	0.00%	0.00%
<b>Total - as at June 30, 2020</b>		-	<b>7,875,000</b>	<b>7,875,000</b>	-	-	-	-
<b>Total - as at June 30, 2019</b>		-	<b>3,945,000</b>	<b>3,945,000</b>	-	-	-	-

Issue Date	Tenure	Face value				Market Value as at June 30, 2020	Market value as a percentage of	
		As at July 1, 2019	Purchases during the year	Sales / Matured during the year	As at June 30, 2020		Total Investments	Net Assets
----- (Rupees in '000) -----								
<b>PIB</b>								
July 12, 2018	3 years	-	175,000	175,000	-	-	0.00%	0.00%
July 12, 2018	3 years	-	50,000	50,000	-	-	0.00%	0.00%
July 12, 2018	3 years	-	50,000	50,000	-	-	0.00%	0.00%
July 12, 2018	3 years	-	50,000	50,000	-	-	0.00%	0.00%
July 12, 2018	3 years	-	250,000	250,000	-	-	0.00%	0.00%
September 19, 2019	3 years	-	150,000	150,000	-	-	0.00%	0.00%
September 19, 2019	3 years	-	100,000	100,000	-	-	0.00%	0.00%
September 19, 2019	3 years	-	100,000	100,000	-	-	0.00%	0.00%
September 19, 2019	3 years	-	50,000	-	50,000	51,644	5.40%	3.35%
September 19, 2019	3 years	-	250,000	250,000	-	-	0.00%	0.00%
September 19, 2019	3 years	-	100,000	-	100,000	103,287	10.80%	6.69%
September 19, 2019	3 years	-	87,500	-	87,500	90,376	9.45%	5.85%
July 12, 2018	5 years	-	75,000	75,000	-	-	0.00%	0.00%
July 12, 2018	5 years	-	25,000	25,000	-	-	0.00%	0.00%
July 12, 2018	5 years	-	75,000	75,000	-	-	0.00%	0.00%
July 12, 2018	5 years	-	25,000	25,000	-	-	0.00%	0.00%
July 12, 2018	5 years	-	24,500	24,500	-	-	0.00%	0.00%
July 12, 2018	5 years	-	2,000	2,000	-	-	0.00%	0.00%
July 12, 2018	5 years	-	5,000	5,000	-	-	0.00%	0.00%
July 12, 2018	5 years	-	43,500	43,500	-	-	0.00%	0.00%
July 12, 2018	5 years	-	96,900	96,900	-	-	0.00%	0.00%
September 19, 2019	5 years	-	50,000	50,000	-	-	0.00%	0.00%
September 19, 2019	5 years	-	100,000	100,000	-	-	0.00%	0.00%
September 19, 2019	5 years	-	50,000	50,000	-	-	0.00%	0.00%
September 19, 2019	5 years	-	75,000	75,000	-	-	0.00%	0.00%
September 19, 2019	5 years	-	75,000	75,000	-	-	0.00%	0.00%
September 19, 2019	5 years	-	50,000	50,000	-	-	0.00%	0.00%
September 19, 2019	5 years	-	75,000	75,000	-	-	0.00%	0.00%
September 19, 2019	5 years	-	50,000	-	50,000	52,615	5.50%	3.41%
September 19, 2019	5 years	-	87,500	-	87,500	92,075	9.63%	5.96%
July 12, 2018	10 years	-	37,500	37,500	-	-	0.00%	0.00%
July 12, 2018	10 years	-	37,500	37,500	-	-	0.00%	0.00%
September 19, 2019	10 years	-	50,000	50,000	-	-	0.00%	0.00%
September 19, 2019	10 years	-	50,000	-	50,000	54,314	5.68%	3.52%
<b>Total - as at June 30, 2020</b>		-	<b>2,571,900</b>	<b>2,146,900</b>	<b>425,000</b>	<b>444,311</b>	<b>46.45%</b>	<b>28.78%</b>
<b>Total - as at June 30, 2019</b>		-	<b>1,561,145</b>	<b>1,561,145</b>	-	-	-	-
<b>Grand total</b>		-	<b>10,446,900</b>	<b>10,021,900</b>	<b>425,000</b>	<b>444,311</b>	<b>46%</b>	<b>28.78%</b>
<b>Carrying value as at June 30, 2020</b>						<b>414,170</b>		
<b>Carrying value as at June 30, 2019</b>						-		

**6.4 Investment in Commercial Papers**

Particulars	Profit rate	Issue date	Maturity date	Face value	Carrying value	Carrying value as percentage of	
						total investments	net assets
TPL Trakker Limited	15.99%	17-Jan-20	15-Jul-20	50,000	49,734	5.20%	3.22%
TPL Trakker Limited	16.00%	17-Jan-20	15-Jul-20	10,000	9,941	1.04%	0.64%
<b>Total as at June 30, 2020</b>				<b>60,000</b>	<b>59,675</b>	<b>6.24%</b>	<b>3.87%</b>
<b>Total as at June 30, 2019</b>					<b>167,916</b>		

**6.4.1** Based on management Company's intention, the Fund has reclassified these investments from 'amortised cost' to 'fair value through profit and loss' category of financial assets.

6.5	NET UNREALISED LOSS ON RE-MEASUREMENT OF INVESTMENT CLASSIFIED AS 'FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS'	Note	2020	2019
			------(Rupees in '000)-----	
	Market value of investments		<b>956,596</b>	1,008,166
	Less: carrying value of investments before mark to market		<b>(945,811)</b>	(1,012,326)
		6.5.1	<b>10,785</b>	(4,160)
<b>6.5.1</b>	- Term finance certificates - listed		<b>(14,843)</b>	(444)
	- Term finance certificates and sukuk bonds - unlisted		<b>(4,513)</b>	(3,716)
	- Investment in government securities		<b>30,141</b>	-
	- Commercial paper		-	-
			<b>10,785</b>	(4,160)

**7. ACCRUED MARK-UP**

Mark-up accrued on savings accounts		<b>2,342</b>	5,592
Mark-up / return accrued on term finance certificates and sukuk bonds	7.1	<b>7,135</b>	10,693
Mark-up accrued on government securities		<b>11,218</b>	-
		<b>20,695</b>	16,285

**7.1** This includes Rs 0.583 million (2019; Rs1.351 million) receivable from company under common directorship.

8.	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2020 ------(Rupees in '000)-----	2019
	Security deposit with National Clearing Company of Pakistan Limited		9,311	5,285
	Security deposit with Central Depository Company of Pakistan Limited		100	100
	Receivable against investments of term finance certificates and sukuk bonds		1,998	1,998
	Advance Tax		24,980	24,970
	Prepaid expenses		300	284
			<u>36,689</u>	<u>32,637</u>
	Less: Provision against overdue instalments of Term finance certificates and Sukuk bonds		1,998	1,998
			<u>34,691</u>	<u>30,639</u>

**9. PAYABLE TO MANAGEMENT COMPANY**

	Management fee	9.1	1,713	1,660
	Sindh Sales Tax	9.2	223	216
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	131	124
	Selling and marketing expenses payable	12	1,635	496
	Sales load payable		1,158	558
			<u>4,860</u>	<u>3,054</u>

**9.1** As per the offering document of the Fund the maximum limit of management fee is 1.5% per annum of Average Annual Net Assets. During the year, Management fee expense charged by the asset Management Company varied between 0.6% to 1.308%. Currently, the management fee is charged at the rate of 1.308% of average annual net assets of the fund.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 % (2019: 13 %) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.

**9.3** In accordance with Regulation 60 of the NBFC Regulations, the Management Company has charged expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS). The expense charged by the asset Management Company varied between 0.1% to 0.3% during the year. Currently, the expense is charged at the rate of 0.1% of average annual net assets of the fund.

10.	PAYABLE TO TRUSTEE	Note	2020 ------(Rupees in '000)-----	2019
	Trustee's remuneration	10.1	98	175
	CDS charges payable		12	-
	Sindh Sales Tax	10.2	13	23
			<u>123</u>	<u>198</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 there in, based on the daily Net Asset Value (NAV) of the Fund.

CDC vide letter no CDC/CEO/L-112/06/2019 declared that the Tarif structure for the open ended Income schemes shall consists of actual custodial expense plus 0.075% p.a of Net Assets. Therefore trustee fee have been charged as 0.075% p.a of Net Assets.

The remuneration is paid to the trustee monthly in arrears.

- 10.2** The Sindh Government had levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of the Central Depository Company of Pakistan through Sindh Sales Tax on Services Act, 2011 effective from July 1, 2015.

<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	Note	<b>2020</b> ------(Rupees in '000)-----	2019
Annual fee	11.1	<u><b>304</b></u>	<u>1,478</u>

- 11.1** In accordance with Regulation 62 of the NBFC Regulations, uptill June 19, 2019, the Fund was required to pay SECP an amount at the rate of 0.075% per annum of the average daily net assets of the fund. SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the fund and accordingly such fee has been charged at the rate of 0.02% percent during the year.

**12 SELLING AND MARKETTING EXPENSE**

SECP vide SRO 639(I)/2019 dated June 20, 2019 has removed cap of 0.4 percent (of average net assets, calculated on daily basis), on charging of selling and marketing expenses which are charged by Asset Management Companies to all categories of open-end mutual funds (except fund of funds). Resultantly, Management Company has charged selling and marketing expenses to the Fund varied between 0.4% to 1% of the average annual net asset of the fund during the year. Currently, the selling and marketing expense is charged at the rate of 0.4% of average annual net assets of the fund.

<b>13 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	Note	<b>2020</b> ------(Rupees in '000)-----	2019
Auditors' remuneration		<b>422</b>	295
Brokerage payable		<b>2</b>	-
Federal Excise Duty payable	13.1	<b>27,578</b>	27,578
Capital gain tax payable		1,250	293
Withholding tax payable		<b>18,170</b>	9,624
Provision for Sindh Workers' Welfare Fund	13.2	<b>28,405</b>	24,527
Other payables		<b>315</b>	326
		<u><b>76,142</b></u>	<u>62,643</u>

- 13.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration. The Sindh Provincial Government has levied Sindh Sales Tax (SST) on the remuneration of the Management Company and sales load through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011. During the year SST at the rate of 13 % (2019: 13 %) was charged on the remuneration of Fund Manager and sales load.

While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be 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, 2020.

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. 27.578 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 1.9343 (June 30, 2019: Rs. 1.9371) per unit.

**13.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, 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

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 28.170 million and started recognising provision for SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 28.405 million (2019: Rs. 24.527 million). Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 1.992 (June 30, 2019: Rs.1.111) per unit.

## **14. CONTINGENCIES AND COMMITMENTS**

### **14.1 Contingencies**

There are no contingencies outstanding as at June 30, 2020 and June 30, 2019

**14.2 Commitments**

There are no commitments outstanding as at June 30, 2020 and June 30, 2019

<b>15. NUMBER OF UNITS IN ISSUE</b>	<b>2020</b>	<b>2019</b>
	------(Units)-----	
Total units in issue at the beginning of the year	<b>14,237,061</b>	22,072,806
Units issued	<b>13,161,233</b>	13,265,278
Units redeemed	<b>(13,140,932)</b>	(21,101,023)
Total units in issue at the end of the year	<b><u>14,257,362</u></b>	<u>14,237,061</u>
<b>16. MARK-UP / RETURN ON INVESTMENTS</b>	<b>2020</b>	<b>2019</b>
	------(Rupees in '000)-----	
Term finance certificates - listed	<b>81,597</b>	98,728
Government securities	<b>35,052</b>	4,504
Commercial papers	<b>7,006</b>	7,964
	<b><u>123,655</u></b>	<u>111,196</u>
<b>17. MARK-UP ON DEPOSITS WITH BANKS</b>		
Mark-up on savings accounts	<b>74,789</b>	81,845
Mark-up on term deposit receipts	-	4,354
	<b><u>74,789</u></b>	<u>86,199</u>
<b>18. AUDITORS' REMUNERATION</b>		
Statutory audit fee	<b>285</b>	285
Half yearly review fee	<b>89</b>	55
Out of pocket expenses	<b>56</b>	64
	<b><u>430</u></b>	<u>404</u>
<b>19. TAXATION</b>		

No provision for taxation has been made for Class A as the Fund has incurred a net loss in Class A. The Fund is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 if it has distributed more than 90 percent of its accounting income (excluding capital gains realised or unrealised). The Fund has distributed an amount of Rs. 126.870 million on June 29, 2020 being 99% percent of its accounting income (excluding capital gains realised or unrealised) in Class B and therefore has not accrued and recorded taxation charge for the year in Class B. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the 'Income statement' and 'Statement of comprehensive income'.

**20. 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.

**21. FINANCIAL INSTRUMENTS BY CATEGORY**

	As on June 30, 2020		
	At fair value through profit or loss	At amortised cost	Total
Rupees in '000			
<b>Assets</b>			
Bank balances	-	622,132	622,132
Investments	956,596	-	956,596
Accrued mark-up	-	20,695	20,695
Deposits and other receivables	-	9,311	9,311
	<b>956,596</b>	<b>652,138</b>	<b>1,608,734</b>

	As on June 30, 2020		
	At fair value through profit or loss	At amortised cost	Total
Rupees in '000			
<b>Liabilities</b>			
Payable to the Management Company	-	4,860	4,860
Payable to the Trustee	-	123	123
Dividend payable	-	8,858	8,858
Accrued expenses and other liabilities	-	739	739
Net assets attributable to unit holders		1,543,827	1,543,827
	<b>-</b>	<b>1,558,407</b>	<b>1,558,407</b>

	As on June 30, 2019		
	At fair value through profit or loss	At amortised cost	Total
Rupees in '000			
<b>Assets</b>			
Bank balances	-	552,761	552,761
Investments	840,250	167,916	1,008,166
Accrued mark-up	-	16,285	16,285
Deposits and other receivables	-	5,385	5,385
	<b>840,250</b>	<b>742,347</b>	<b>1,582,597</b>

	As on June 30, 2019		
	At fair value through profit or loss	At amortised cost	Total
Rupees in '000			
<b>Liabilities</b>			
Payable to the Management Company	-	3,054	3,054
Payable to the Trustee	-	198	198
Dividend payable	-	29,735	29,735
Accrued expenses and other liabilities	-	621	621
Net assets attributable to unit holders		1,510,743	1,510,743
	<b>-</b>	<b>1,544,351</b>	<b>1,544,351</b>

**22 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

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

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

	2020	2019
	----- (Rupees in '000) -----	
<b>22.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<u>20,665</u>	<u>30,192</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>1,985</u>	<u>1,971</u>
Issue of nill units (2019: 27,655 units)	<u>-</u>	<u>2,926</u>
Redemption of nill units (2019: 1,211,327 units)	<u>-</u>	<u>129,374</u>
Dividend paid	<u>-</u>	<u>6,359</u>
Refund of capital nill (2019; 27,571 units )	<u>-</u>	<u>2,917</u>
<b>Habib Bank Limited - Sponsor</b>		
Issue of Nil units (2019: 493,384 units)	<u>-</u>	<u>52,195</u>
Redemption of Nil units (2019: 7,983,303 units)	<u>-</u>	<u>875,082</u>
Dividend paid	<u>24,000</u>	<u>70,195</u>
Bank charges paid	<u>54</u>	<u>49</u>
Mark-up earned during the year	<u>9,586</u>	<u>1,462</u>
Mark-up received during the year	<u>7,812</u>	<u>1,275</u>
<b>MCB FSL Trustee - HBL Financial Planning Fund Strategic Allocation Plan - CIS Managed by the Management Company</b>		
Issue of Nill units (2019: 131,690 units)	<u>-</u>	<u>14,419</u>
Redemption of 745,068 units (2019: Nil units)	<u>81,178</u>	<u>-</u>
Refund of capital Nil units (2019: 34,453 units)	<u>-</u>	<u>3,646</u>
Dividend paid	<u>-</u>	<u>9,365</u>
<b>MCBFSL Trustee HBL Financial Planning Fund Active Allocation Plan - CIS Managed by the Management Company</b>		
Issue of 6,736 units (2019: 73,562 units)	<u>732</u>	<u>8,219</u>
Redemption of 16,575 units (2019: Nil units)	<u>1,910</u>	<u>-</u>
Refund of capital Nil units (2019: 4,004 units)	<u>-</u>	<u>425</u>
Dividend paid	<u>732</u>	<u>643</u>

	2020	2019
	----- (Rupees in '000) -----	
<b>Directors and Executives of the Management Company and their relatives</b>		
Executives and their relatives		
Issue of 7,595 units (2019: 15,427 units)	826	1,665
Redemption of 5,298 units (2019: 1,760 units)	567	200
Dividend	954	1,098
Refund of capital Nil units (2019: 212 units)	-	23
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	1,289	2,853
Central Depository System charges	38	136
<b>CDC trustee - HBL Government Securities Fund</b>		
Sale of Bank Of Punjab - Term finance certificate	50,201	-
<b>CDC trustee - HBL Cash Fund</b>		
Sale of the Hub Power Company Limited - Sukuk certificate	183,000	-
<b>CDC trustee - HBL Islamic Asset Fund</b>		
Purchase of TPL corporation limited commercial papers	19,844	-
<b>22.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee payable	1,713	1,660
Sindh Sales tax	223	216
Allocation of expenses related to registrar services, accounting, operation and valuation services	131	124
Selling and marketing expenses payable	1,635	496
Sales load payable	1,158	558
Receivable against issuance of units	-	-
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 2,000,000 units (2019: 2,000,000 units)	216,566	212,227
Bank balances	360,964	20,735
<b>The First Microfinance Bank - Associate</b>		
Bank balances	10	10
<b>MCBFSL Trustee HBL Financial Planning Fund Strategic Allocation Plan - CIS Managed by the Management Company</b>		
Investment held in the Fund: Nil units (June 30, 2019: 745,068 units)	-	79,062
<b>MCBFSL Trustee HBL Financial Planning Fund Active Allocation Plan - CIS Managed by the Management Company</b>		
Investment held in the Fund: 67,728 units (June 30, 2019: 77,566 units)	7,334	8,231



**25. PATTERN OF UNIT HOLDING**

	2020			
	Number of Unit holders	Number of units held	Investment amount	Percentage investment
	--Rupees in '000'--			
Individuals	951	8,752,160	947,709	61.39%
Foreign Investor Individual	3	124,545	13,486	0.87%
Associated Company	1	2,000,000	216,566	14.03%
Insurance Companies	4	1,298,114	140,563	9.10%
Retirement funds	4	258,992	28,044	1.82%
Trust	5	1,368,799	148,217	9.60%
Others	5	454,752	49,242	3.19%
	<b>974</b>	<b>14,257,362</b>	<b>1,543,827</b>	<b>100.00%</b>

	2019			
	Number of unit holders	Number of units held	Investment in amount	Percentage investment
	--Rupees in '000'--			
Individuals	917	7,396,474	784,865.00	51.95%
Foreign Investor Individual	1	109,628	11,633.00	0.77%
Associated Company	1	2,000,011	212,228.00	14.05%
Retirement funds	6	1,080,778	114,685.00	7.59%
Trust	9	3,015,321	319,966.00	21.18%
Others	5	634,849	67,366.00	4.46%
	<b>940</b>	<b>14,237,061</b>	<b>1,510,743</b>	<b>100%</b>

**26. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Five meetings of the Board of Directors were held on August 29,2019 ,October 29,2019, February 13, 2020 ,March 02,2020 and April 29, 2020 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. Farid Ahmed Khan <sup>1</sup>	1	1	-	4
2	Mr. Mir Adil Rashid <sup>2</sup>	4	4	-	1
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad <sup>5</sup>	5	5	-	-
9	Mr. Atif Aslam Bajwa <sup>3,4</sup>	2	1	1	3

- 1 Resigned on September 15, 2019.
- 2 Appointed on September 16, 2019.
- 3 Appointed on October 29, 2019.
- 4 Resigned on February 24, 2020.
- 5 Resigned on May 14, 2020.

## **27. FINANCIAL RISK MANAGEMENT**

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, government securities, spread transactions, margin financing and in other money market instruments. These activities expose the Fund to a variety of financial risks: market risk, credit risk and liquidity risk.

### **27.1 Market risk**

This 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.

#### **27.1.1 Currency risk**

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

#### **27.1.2 Interest rate risk**

This 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) Fair value interest rate risk - variable rate instruments**

As at June 30, 2020, the Fund holds KIBOR based interest bearing term finance certificates that expose the Fund to fair value interest rate risk. In case of 100 basis points increase in KIBOR on June 30, 2020, with all other variables held constant, the net assets of the Fund would have been higher by Rs. 4.53 (2019: Rs. 8.40) million and net income of the Fund would have been higher by Rs. 4.53 (2019: Rs. 8.40) million. In case of 100 basis points decrease in KIBOR on June 30, 2020, with all other variables held constant, the net assets of the Fund would have been lower by Rs. 4.53 (2019: Rs. 8.40) million and net income for the year would have been lower by Rs. 4.53 (2019: Rs. 8.40) million.

##### **b) Cash flow interest rate risk - variable rate instruments**

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. 6.48 (2019: Rs. 5.53 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2020 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:

	2020				
	Total	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
<b>Financial instruments</b>	----- Rupees in '000 -----				
<b>Financial assets</b>					
Bank balances	622,132	622,132	-	-	-
Investments	956,596	-	59,675	896,921	-
Accrued mark-up	20,695	-	-	-	20,695
Deposits and other receivables	9,311	-	-	-	9,311
	<b>1,608,734</b>	<b>622,132</b>	<b>59,675</b>	<b>896,921</b>	<b>30,006</b>
<b>Financial liabilities</b>					
Payable to Management Company	4,860	-	-	-	4,860
Payable to the Trustee	123	-	-	-	123
Dividend payable	8,858	-	-	-	8,858
Accrued expenses and other liabilities	739	-	-	-	739
Net assets attributable to unit holders	<b>1,543,827</b>	-	-	-	<b>1,543,827</b>
	<b>1,558,407</b>	-	-	-	<b>1,558,407</b>
2019					
	Exposed to Yield / Interest rate risk				
	Total	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk
		Upto three months	More than three months and upto one year	More than one year	
<b>Financial instruments</b>	----- (Rupees in '000) -----				
<b>Financial assets</b>					
Bank balances	552,761	552,761	-	-	-
Investments	755,925	-	-	755,925	-
Accrued mark-up	16,285	-	-	-	16,285
Deposits and other receivables	5,385	-	-	-	5,385
	<b>1,330,356</b>	<b>552,761</b>	-	<b>755,925</b>	<b>21,670</b>
<b>Financial liabilities</b>					
Payable to Management Company	3,054	-	-	-	3,054
Payable to the Trustee	198	-	-	-	198
Dividend payable	29,735	-	-	-	29,735
Accrued expenses and other liabilities	621	-	-	-	621
Net assets attributable to unit holders	<b>1,510,743</b>	-	-	-	<b>1,510,743</b>
	<b>1,544,351</b>	-	-	-	<b>1,544,351</b>

### 27.1.3 Price Risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market. The net assets as at June 30, 2020 would have increased / (decreased) by Rs. 9.57 million (2019: Rs. 8.40 million ) had the price of the investments in term finance certificates (TFCs), government securities and commercial papers increased / (decreased) by 1%.

### 27.2 Credit risk

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

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

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

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2020 and June 30, 2019:

	2020	2019
	----- (Rupees in '000) -----	
<b>Bank balances by rating category</b>		
A1+ (PACRA)	260,973	246,245
A1 (PACRA)	28	-
A-1+ (JCR-VIS)	361,047	150,855
A-1 (JCR-VIS)	75	155,652
P1 (Moody's)	9	9
	<u>622,132</u>	<u>552,761</u>
<b>Term finance certificates by rating category</b>		
A+	146,078	225,455
A-	8,734	12,500
AA	50,194	84,325
AA-	151,876	219,431
AA+	95,728	298,539
	<u>452,610</u>	<u>840,250</u>
Commercial Paper	<u>59,675</u>	<u>167,916</u>
Accrued mark-up	<u>20,695</u>	<u>16,285</u>
Advances, deposits and other receivables	<u>34,691</u>	<u>30,639</u>



## **28. 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:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue 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.

## **29. FAIR VALUE AND CATEGORIES OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid or 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 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.

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

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).

		June 30, 2020						
		Carrying amount			Fair Value			
		At fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investments								
- Term Finance Certificates and Sukuk bonds		956,596	-	956,596	-	956,596	-	956,596
		<u>956,596</u>	<u>-</u>	<u>956,596</u>	<u>-</u>	<u>956,596</u>	<u>-</u>	<u>956,596</u>
<b>Financial assets not measured at fair value</b>		<b>29.1</b>						
Bank balances		-	622,132	622,132				
Accrued mark-up		-	20,695	20,695				
Deposits and other receivables		-	9,311	9,311				
		<u>-</u>	<u>652,138</u>	<u>652,138</u>				
<b>Financial liabilities not measured at fair value</b>		<b>29.1</b>						
Payable to Management Company		-	4,860	4,860				
Payable to Trustee		-	123	123				
Dividend payable			8,858	8,858				
Accrued expenses and other liabilities		-	739	739				
Net assets attributable to unit holders			1,543,827	1,543,827				
		<u>-</u>	<u>1,558,407</u>	<u>1,558,407</u>				

Note ..... (Rupees in '000) .....

		June 30, 2019						
		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								
- Term Finance Certificates and Sukuk bonds		84,325	-	84,325	-	84,325	-	84,325
- Investment in Commercial papers letter of placement		-	167,916	167,916	-	167,916	-	167,916
		<u>84,325</u>	<u>167,916</u>	<u>252,241</u>	<u>-</u>	<u>252,241</u>	<u>-</u>	<u>252,241</u>
Financial assets not measured at fair value 28.1								
Bank balances		-	552,761	552,761				
Accrued mark-up		-	16,285	16,285				
Deposits and other receivables		-	5,385	5,385				
		<u>-</u>	<u>574,431</u>	<u>574,431</u>				
Financial liabilities not measured at fair value 28.1								
Payable to Management Company		-	3,054	3,054				
Payable to Trustee		-	198	198				
Dividend payable			29,735	29,735				
Accrued expenses and other liabilities		-	621	621				
Net assets attributable to unit holders			1,510,743	1,510,743				
		<u>-</u>	<u>1,544,351</u>	<u>1,544,351</u>				

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

### **30. 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, 2020 is 2.51% (June 30, 2019: 2.18%) which includes 0.45% (June 30, 2018: 0.43%) representing government levy and SECP fee.

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

The Securities and Exchange Commission of Pakistan vide Circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. HBL Asset Management Limited (Management Company) classified HBL Income Fund (the Fund) as Income Scheme' in accordance with the said circular. As at June 30, 2019, 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	Limit	% of Net Assets	% of Gross Assets
----- (Rupees in '000) -----							
New Allied Electronics Industries (Private) Limited	TFC	19,025	19,025	-	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	44,149	44,149	-	-	-	-
Agritech Limited	TFC	9,992	9,992	-	-	-	-
Saudi Pak Leasing Company Limited	TFC	5,550	5,550	-	-	-	-
Worldcall Telecom Limited	TFC	40,191	40,191	-	-	-	-

**32. 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 27, 2020.

**33. 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.

**34. 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 Energy Fund**

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Energy Fund</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF AUDITORS</b>	<b>BDO Ebrahim &amp; Co. Chartered Accountants.</b>
<b>NAME OF BANKERS</b>	<b>MCB Bank Limited Habib Bank Limited Soneri Bank Limited JS Bank Limited</b>

**Type and Category of Fund**

Equity / Open-end

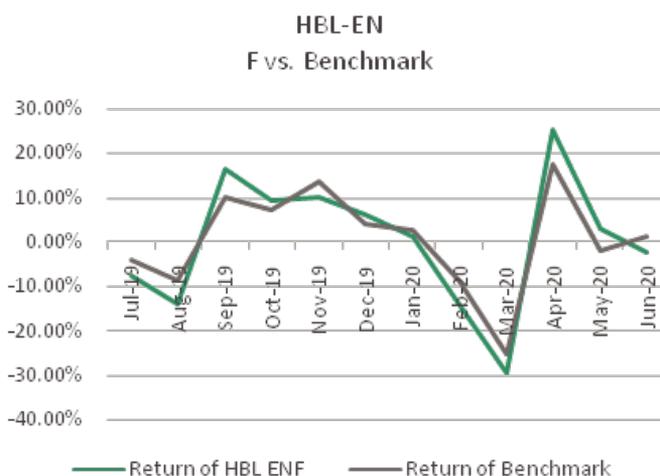
**Investment Objective and Accomplishment of Objective**

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.

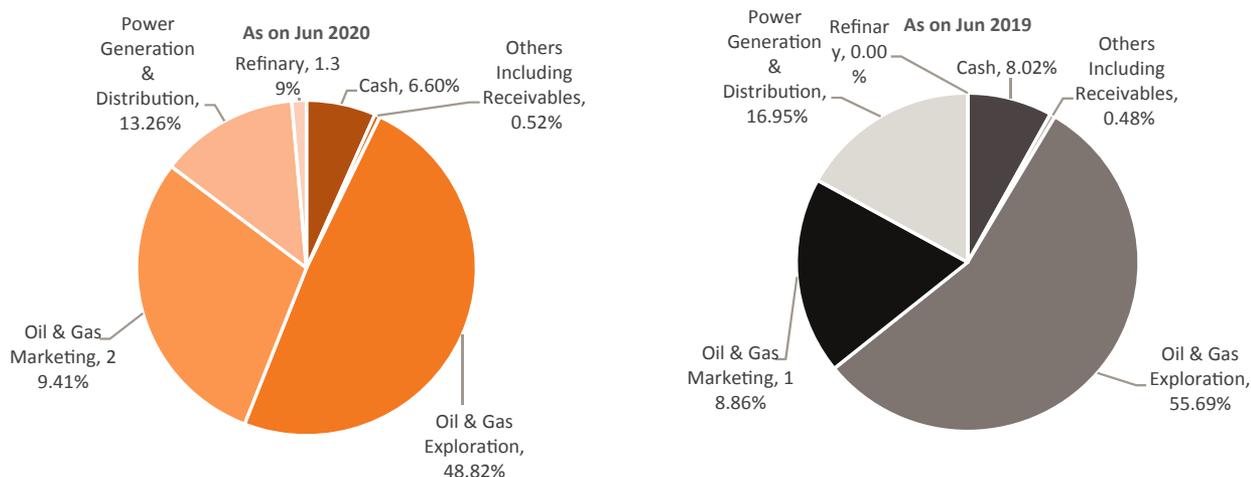
Month	Return of Fund	
	HBL-ENF	Benchmark
Jun-20	-2.58%	1.26%
May-20	2.81%	-1.92%
Apr-20	25.16%	17.41%
Mar-20	-29.66%	-25.30%
Feb-20	-14.01%	-8.71%
Jan-20	0.94%	2.63%
Dec-19	6.18%	4.08%
Nov-19	10.01%	13.51%
Oct-19	9.12%	7.15%
Sep-19	16.32%	9.84%
Aug-19	-13.96%	-8.54%
Jul-19	-7.79%	-4.16%



**Strategies and Policies employed during the Year**

During the year under review, the Fund increased its exposure in equities from 92% on June 30, 2019 to 93% on June 30, 2020. Further, sectors wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in oil & gas marketing was increased, while exposure in oil & gas exploration 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, 2020 and June 30, 2019:

Sector Name	As on Jun 2020	As on Jun 2019
Cash	6.60%	8.02%
Others Including Receivables	0.52%	0.48%
Oil & Gas Exploration	48.82%	55.69%
Oil & Gas Marketing	29.41%	18.86%
Power Generation & Distribution	13.26%	16.95%
Refinery	1.39%	0.00%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### Fund Performance

The Fund incurred a total and net loss of Rs. 49.15 million and Rs. 76.86 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 10.0106 per unit as on June 30, 2020 as compared to Rs. 11.1201 per unit as on June 30, 2019, thereby giving a negative return of 9.98%. During the same year the benchmark KSE 30 index yielded a negative return of 0.52%. The size of Fund was Rs. 0.57 billion as on June 30, 2020 as compared to Rs. 0.73 billion at the start of the year.

### Market Review

The equity markets' performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KSE100 index increased by 20% during 1HFY20 to close at 40,735 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KSE100 index made a high of 43,219 on January 13, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KSE100 index as it fell to a low of 27,229 points on March 25, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KSE100 witnessed a sharp 16.69% uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KSE100 index closed the year at 34,422 points (up 1.53%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight due to increased digitalization post covid-19 pandemic. We will maintain our strategic focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

### Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2020.

### 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	72	1,232
101 – 500	35	8,525
501 – 1,000	3,151	2,487,739
100,1 – 10,000	1,143	3,554,894
10,001 – 100,000	211	6,273,555
100,001 – 500,000	38	8,583,380
500,001 – 1,000,000	2	1,448,724
1,000,001 – 5,000,000	4	8,503,291
5,000,001 and above	2	26,158,593
<b>Total</b>	<b>4,658</b>	<b>57,020,563</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, 2020

	2020	2019	2018	2017	2016	2015
Net assets at the period end(Rs'000)	570,810	734,341	1,061,029	794,794	954,214	1,059,614
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	10.0106	11.1201	14.6857	15.0359	12.0122	12.3654
Offer	10.2368	11.3714	15.0176	15.3757	12.3726	12.7364
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	14.3597	15.2319	16.6501	18.4426	12.9758	13.0506
Lowest offer price per unit	7.8038	10.8489	14.018	12.4268	10.7407	10.8197
Highest redemption price per unit	14.0423	14.8953	16.2821	18.0350	12.5979	12.6705
Lowest redemption price per unit	7.6313	10.6091	13.7082	12.0649	10.4279	10.5046
<b>RETURN ( % )</b>						
Total return	-9.98%	-24.28%	-2.33%	30.12%	-2.86%	8.18%
Income distribution	0.00%	0.00%	0.00%	0.60%	0.00%	0.00%
Capital growth	-9.98%	-24.28%	-2.33%	29.52%	-2.86%	8.18%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	0	0	0	0.60	-	-
Date of Income Distribution	0	0	0	20-Jun-17		
Total dividend distribution for the year/ period (Rs)	0	0	0	0.60	-	-
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-9.98%	-24.28%	-2.33%	30.12%	-2.86%	8.18%
Average annual return 2 year	-17.44%	-14.00%	12.73%	12.43%	2.52%	15.78%
Average annual return 3 year	-12.68%	-1.27%	7.28%	11.00%	9.20%	26.84%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	7%	8%	9%	6%	8%	5%
Stock / Equities	93%	92%	90%	94%	92%	93%
Others Including receivables	1%	0%	1%	-	-	2%

**Note:**

- The Launch date of the Fund is January 2006
- PICIC 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 EF	Meetings	Resolutions	For	Against
Number	2	9	9	-
(%ages)		100%	100%	-

AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Attock Petroleum Ltd	17-09-19	
Oil & Gas Development Co Ltd	24-10-19	
Pakistan Petroleum Ltd	04-10-19	
Pakistan Oilfields Ltd	17-09-19	24-06-20
Pakistan State Oil Company Ltd	28-Oct-19	
Sui Northern Gas Pipeline Ltd	23-Jun-20	

**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 ENERGY FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 11, 2020



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 Pakistan



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### 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, 2020, 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, 2020, 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><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, 2020, the investments held by the Fund comprised of listed equity securities which represent 93% 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>

Page - 1

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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 investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange Limited as at June 30, 2020 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> <li>We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>
2.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p> <p>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.</p> <p>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.</p> <p>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realized or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, 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.</p> <p>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund.</li> <li>• We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</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.



**BDO**



#### 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.

Page - 4

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- 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 Zulfikar Ali Causer.

KARACHI

DATED: 27 AUG 2020

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

	Note	2020 ------(Rupees in '000)-----	2019
<b>ASSETS</b>			
Bank balances	5	39,502	61,148
Investments	6	556,251	698,072
Dividend and mark-up receivable	7	198	680
Advances and deposits	8	2,969	2,893
<b>TOTAL ASSETS</b>		<b>598,920</b>	<b>762,793</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	2,773	2,310
Payable to the Trustee	10	110	148
Payable to Securities and Exchange Commission of Pakistan	11	137	868
Unclaimed dividend		5,388	5,389
Accrued expenses and other liabilities	12	19,701	19,736
<b>TOTAL LIABILITIES</b>		<b>28,109</b>	<b>28,451</b>
<b>NET ASSETS</b>		<b>570,811</b>	<b>734,342</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>570,811</b>	<b>734,342</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		----- Number of units -----	
<b>Number of units in issue</b>	14	<b>57,020,563</b>	<b>66,037,528</b>
		----- Rupees -----	
<b>Net assets value per unit</b>		<b>10.0106</b>	<b>11.1201</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**

	Note	2020 ------(Rupees in '000)-----	2019
<b>INCOME</b>			
Capital loss on sale of investment- net		(23,978)	(82,584)
Dividend income		18,576	36,435
Mark-up on bank deposits		6,955	9,943
		<u>1,553</u>	<u>(36,206)</u>
Unrealised diminution on revaluation of investments classified as financial assets at 'fair value through profit or loss' - net	6.2	(50,705)	(177,696)
Other income		-	1,955
		<u>(49,152)</u>	<u>(211,947)</u>
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	13,437	18,275
Sindh Sales Tax on remuneration of the Management Company	9.2	1,747	2,376
Remuneration of Trustee	10.1	1,373	1,820
Sindh Sales Tax on remuneration of the trustee	10.2	178	237
Annual fee to Securities and Exchange Commission of Pakistan	11.1	137	868
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	2,108	914
Selling and marketing expenses	9.4	5,637	3,655
Auditors' remuneration	15	443	488
Fee and subscription		28	104
Securities transaction costs and settlement charges		2,586	1,669
Bank charges		30	503
		<u>27,704</u>	<u>30,909</u>
<b>Net loss for the year from operating activities</b>		<b>(76,856)</b>	<b>(242,856)</b>
Provision for Sindh Workers' Welfare Fund	12.2	-	-
<b>Net loss for the year before taxation</b>		<b>(76,856)</b>	<b>(242,856)</b>
Taxation	16	-	-
<b>Net loss for the year after taxation</b>		<b>(76,856)</b>	<b>(242,856)</b>
<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>
<b>Earnings per unit</b>	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**

	Note	2020 ----- (Rupees in '000)	2019 -----
Net loss for the year after taxation		<b>(76,856)</b>	(242,856)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		<u><b>(76,856)</b></u>	<u>(242,856)</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, 2020

	2020			2019		
	----- (Rupees in '000) -----					
	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Total
<b>Net assets at beginning of the year</b>	720,151	14,191	734,342	803,982	257,047	1,061,029
<b>Issuance of 38,233,253 units (2019: 10,210,183 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	425,158	-	425,158	149,944	-	149,944
Element of income / (loss)	13,442	-	13,442	(19,252)	-	(19,252)
<b>Total proceeds on issuance of units</b>	438,600	-	438,600	130,692	-	130,692
<b>Redemption of 47,250,218 units (2019: 16,422,041 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(525,427)	-	(525,427)	(241,169)	-	(241,169)
Element of income	152	-	152	26,646	-	26,646
<b>Total payments on redemption of units</b>	(525,275)	-	(525,275)	(214,523)	-	(214,523)
Total comprehensive loss for the year	-	(76,856)	(76,856)	-	(242,856)	(242,856)
<b>Net assets at end of the year</b>	<u>633,476</u>	<u>(62,665)</u>	<u>570,811</u>	<u>720,151</u>	<u>14,191</u>	<u>734,342</u>
<b>Undistributed income brought forward</b>						
Realised income		191,887			240,997	
Unrealised (loss) / income		(177,696)			16,050	
		14,191			257,047	
Total comprehensive loss for the year		(76,856)			(242,856)	
(Accumulated loss) / undistributed income carried forward		<u>(62,665)</u>			<u>14,191</u>	
<b>(Accumulated loss) / undistributed income carried forward</b>						
Realised income		(11,960)			191,887	
Unrealised loss		(50,705)			(177,696)	
		<u>(62,665)</u>			<u>14,191</u>	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			<u>11.1201</u>			<u>14.6857</u>
<b>Net assets value per unit at end of the year</b>			<u>10.0106</u>			<u>11.1201</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

	2020	2019
	------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year before taxation	<b>(76,856)</b>	(242,856)
Adjustments for:		
Capital loss on sale of investments - net	<b>23,978</b>	82,584
Dividend income	<b>(18,576)</b>	(36,435)
Mark-up on bank deposits	<b>(6,955)</b>	(9,943)
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	<b>50,705</b>	177,696
Other Income	-	(1,955)
	<b>(27,704)</b>	(30,909)
<b>Decrease / (Increase) in assets</b>		
Investments - net	<b>67,138</b>	27,206
Advances and deposits	<b>(76)</b>	(17)
	<b>67,062</b>	27,189
<b>(Decrease) in liabilities</b>		
Payable to the Management Company	<b>463</b>	(1,939)
Payable to the Trustee	<b>(38)</b>	(46)
Payable to Securities and Exchange Commission of Pakistan	<b>(731)</b>	(42)
Accrued expenses and other liabilities	<b>(35)</b>	(20)
	<b>(341)</b>	(2,047)
<b>Cash generated from / (used in) operations</b>	<b>39,017</b>	(5,767)
Dividend received	<b>18,566</b>	40,186
Mark-up received on bank deposits	<b>7,447</b>	10,177
	<b>26,013</b>	50,363
<b>Net cash generated from operating activities</b>	<b>65,030</b>	44,596
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	<b>438,600</b>	130,692
Payment against redemption of units	<b>(525,275)</b>	(214,523)
Dividend paid	<b>(1)</b>	(5)
Net cash used in financing activities	<b>(86,676)</b>	(83,836)
Net decrease in cash and cash equivalents	<b>(21,646)</b>	(39,240)
Cash and cash equivalents at the beginning of the year	<b>61,148</b>	100,388
Cash and cash equivalents at end of the year	<b>39,502</b>	61,148

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.

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 Securities and Exchange Commission of Pakistan 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 Securities and Exchange Commission of Pakistan (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.

Through an order dated August 31, 2016, 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. 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 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.

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+ (AM Two Plus) to the Management Company.

## **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 applicable in Pakistan for comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the provisions of and directives issued under the Companies Act, 2017, along with part VIII A of the repealed Companies Ordinance, 1984 and the NBFC Rules, 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 VIII A 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 VIII A 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, except certain financial assets which are measured at fair value.

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 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 investments**

For details please refer notes 4.2.1.1 and 18 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 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS**

**3.1 Standards / amendments that are effective in current year and relevant to the Fund**

The Fund has adopted the standards / amendments to the following approved accounting and reporting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

	<b>Effective from accounting period beginning on or after:</b>
IFRS 9 Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019
January 01, 2019	

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

**Annual improvements to IFRSs (2015 – 2017)  
Cycle:**

IFRS 3 Business Combinations	January 01, 2019
IFRS 11 Joint Arrangements	January 01, 2019
IAS 12 Income Taxes	January 01, 2019
IAS 23 Borrowing Costs	January 01, 2019

**3.2 Amendments that are effective in current year and not relevant to the Fund**

The Fund has adopted the Amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard and are not relevant of the Fund.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 8 Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 16 Leases - Original issue	January 01, 2019
IAS 19 Employee benefits - Amendments regarding plan Amendments, curtailments or settlements.	January 01, 2019

**Effective from accounting period beginning on or after:**

IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRS 14	Regulatory Deferral Accounts - Original issue	January 01, 2019

**3.3 Amendments not yet effective**

The following Amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

**Effective from accounting period beginning on or after:**

	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3	Share-based Payment - Amendments to clarify the classification and measurement of share-based payment transactions	January 01, 2020
IFRS 3	Business Combinations - Amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification	January 01, 2020
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - Amendments regarding the definition of materiality	January 01, 2020

**Effective from accounting period  
beginning on or after:**

IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of materiality	January 01, 2022
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the fund is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

**Annual improvements to IFRSs (2018 – 2020)  
Cycle:**

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9	Financial Instruments	January 01, 2022
IFRS 41	Agriculture	January 01, 2022

**3.4 Standards or interpretations not yet effective**

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

The Fund expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

#### **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. Cash and cash equivalents are carried in the statement of assets and liabilities at nominal amount.

##### **4.2 Financial instruments**

###### **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, fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment 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.

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.

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.

**Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest 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.

**Equity investments at FVOCI**

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.

**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 investment, advances and deposits, dividend and mark-up receivable and bank balances.

**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 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.
- 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 Expenses**

All expenses including NAV based expenses are recognised in the income statement on a time apportionment basis.

#### **4.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

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

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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	Note	2020 ------(Rupees in '000)-----	2019
	Cash at bank:			
	In savings accounts	5.1	39,490	61,129
	In current accounts		12	19
			<u>39,502</u>	<u>61,148</u>

**5.1** These accounts carry mark-up at rates ranging between 7% to 14.05% (2019: 8% to 13.5%) per annum. This includes an amount held in Habib Bank Limited and MCB Bank Limited (a related party) amounting to Rs. 2.933 million (2019: Rs. 1.876 million) and Rs. 6.931 million (2019: Rs. 16.748 million) on which return is earned at 7% (2019: 8%) per annum and 7% (2019: 8%) per annum respectively.

## 6 INVESTMENTS

Financial assets at fair value through profit or loss

Listed equity securities	6.1	<u>556,251</u>	<u>698,072</u>
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### 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)	Number of shares				As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	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
	As at July 1, 2019	Purchases made during the year	Bonus issue	Sales made during the year							
-----Rupees in 000-----											
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>											
Mari Petroleum Company Limited	109,618	36,520	10,331	73,760	82,709	80,826	102,282	21,456	18.39%	17.92%	0.07%
Oil and Gas Development Company Limited (6.1.1)	987,000	601,800	-	757,537	831,263	100,671	90,608	(10,063)	16.29%	15.87%	0.02%
Pakistan Oilfields Limited	191,574	144,955	-	231,800	104,729	42,532	36,721	(5,810)	6.60%	6.43%	0.04%
Pakistan Petroleum Limited (6.1.1)	738,610	576,200	144,122	735,600	723,332	82,717	62,771	(19,946)	11.28%	11.00%	0.03%
	2,026,802	1,359,475	154,453	1,798,697	1,742,033	306,746	292,382	(14,364)	52.56%	51.22%	
<b>OIL &amp; GAS MARKETING COMPANIES</b>											
Attock Petroleum Limited	43,690	114,800	-	75,500	82,990	25,480	25,329	(151)	4.55%	4.44%	0.09%
Hascol Petroleum Limited	2,000	1,355,000	-	127,000	1,230,000	17,956	16,728	(1,228)	3.01%	2.93%	0.62%
Hi-tech Lubricants Limited	624,500	-	-	624,500	-	-	-	-	0.00%	0.00%	0.00%
Pakistan State Oil Company Limited (6.1.2)	369,496	529,500	54,399	486,000	467,395	77,580	73,923	(3,657)	13.29%	12.95%	0.12%
Sui Northern Gas Pipelines Limited	736,400	637,500	-	370,000	1,003,900	72,749	54,813	(17,936)	9.85%	9.60%	0.16%
Sui Southern Gas Company Limited	-	732,500	-	328,000	404,500	8,940	5,396	(3,544)	0.97%	0.95%	0.00%
	1,776,086	3,369,300	54,399	2,011,000	3,188,785	202,705	176,189	(26,517)	31.67%	30.87%	
<b>POWER GENERATION &amp; DISTRIBUTION</b>											
The Hub Power Company Limited	951,398	709,500	-	750,000	910,898	69,791	66,040	(3,751)	11.87%	11.57%	0.08%
K-Electric Limited (Par value of Rs. 3.5 per share)	8,799,500	1,913,500	-	6,275,000	4,438,000	19,212	13,358	(5,853)	2.40%	2.34%	0.02%
Pakgen Power Limited	1,114,000	159,500	-	1,273,500	-	-	-	-	0.00%	0.00%	0.00%
	10,864,898	2,782,500	-	8,298,500	5,348,898	89,003	79,398	(9,604)	14.27%	13.91%	
<b>REFINERY</b>											
Attock Refinery Limited	-	141,500	-	80,000	61,500	5,726	5,493	(233)	0.99%	0.96%	0.06%
National Refinery Limited	-	26,000	-	-	26,000	2,776	2,789	13	0.50%	0.49%	0.04%
	-	167,500	-	80,000	87,500	8,502	8,282	(219)	1.49%	1.45%	
As at June 30, 2020	14,667,786	7,678,775	208,852	12,188,197	10,367,216	606,956	556,251	(50,705)	100%	97%	
As at June 30, 2019	12,556,325	9,083,516	245,193	7,217,248	14,667,786	875,768	698,072	(177,696)	100%	95%	

**6.1.1** As at June 30, 2020, 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 (300,000 shares having market value of Rs. 32.7 million)
- Pakistan Petroleum Limited (200,000 shares having market value of Rs. 17.36 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, 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 companies have withheld the share equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.377 million at June 30, 2020 (2019: Rs. 0.337 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 favor 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 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 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 favor of the CISs.

Finance Act, 2018 effective from July 01, 2018 has omitted Section 236M of the ITO, 2001 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 Net unrealized (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss**

Note	2020 ------(Rupees in '000)-----	2019
Market value of investments	556,251	698,072
Less: Carrying value of investments	<u>(606,956)</u>	<u>(875,768)</u>
	<u><u>(50,705)</u></u>	<u><u>(177,696)</u></u>

**7 DIVIDEND AND MARK-UP RECEIVABLE**

Dividend receivable	45	35
Mark-up receivable on saving accounts	<u>153</u>	<u>645</u>
	<u><u>198</u></u>	<u><u>680</u></u>

**8 ADVANCES AND DEPOSITS**

Security deposits with:		
National Clearing Company of Pakistan Limited		2,500
Central Depository Company of Pakistan Limited		300
		<u>2,800</u>
Advance tax	8.1	<u>169</u>
		<u><u>2,969</u></u>
		<u><u>2,893</u></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.

9	PAYABLE TO THE MANAGEMENT COMPANY	Note	2020	2019
			----- (Rupees in '000) -----	
	Remuneration payable to the Management Company	9.1	951	1,282
	Sindh Sales Tax payable on Management Company's remuneration	9.2	124	167
	Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	9.3	262	64
	Selling and marketing expenses payable	9.4	1,436	798
			<u>2,773</u>	<u>2,310</u>

- 9.1** As per the amendment introduced through SRO 639(I)/2019, dated June 20, 2019, 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, further subject to the guidelines as may be issued by the Commission from time to time. During the year, the fee has been charged, accordingly, at the rate ranging between 1.7% to 2% of average annual net assets of the Fund. The fee is being charged at the rate of 2% from September 1, 2019 onwards. The fee is payable monthly in arrears.

- 9.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 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 NBFC Regulations, previously fee and expenses related to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) were chargeable to the CIS, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower.

However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%. During the year, the fee has been charged at the rate ranging between 0.1% to 0.55% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.55% from May 13, 2020 onwards.

- 9.4** As per SECP vide its circular No. SCD/PRDD/Circular/361/2016, dated December 30, 2016, selling and marketing expenses was chargeable to open end equity, asset allocation and index funds only, upto maximum 0.4% of the average annual net assets of the fund or the actual expense, whichever is lower.

However, circular No. SCD/PRDD/Circular/04/2019, dated July 5, 2019, issued by SECP, supersedes all previous circulars issued with respect to selling and marketing expenses, according to which, 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 has been charged at the rate ranging between 0.4% to 1.05% of the average annual net assets of the Fund. The fee is being charged at the rate of 1.05% from May 13, 2020 onwards.

	Note	2020 ------(Rupees in '000)-----	2019	
<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>			
	Trustee fee payable	10.1	95	128
	Sindh Sales Tax payable on remuneration of Trustee	10.2	12	17
	CDS charges payable		3	3
			<u>110</u>	<u>148</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 Rs. 0.7 million or 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

CDC, vide its 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, Trustee fee shall be charged by permanently eliminating the minimum fee component as mentioned in the offering documents. During the year, Management Company has charged the Trustee fee accordingly.

**10.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

	Note	2020 ------(Rupees in '000)-----	2019	
<b>11</b>	<b>PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
	Annual fee payable	11.1	137	868

**11.1** Under the regulation 62 of the NBFC Regulations, a Collective Investment Scheme (CIS) categorized as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Scheme. However, SECP, vide S.R.O. 685 (I)/2019, dated June 28, 2019, has reduced the rate of the fee to 0.02% of the average annual net assets for all categories of CIS(s), with effect from July 1, 2019. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

	Note	2020 ------(Rupees in '000)-----	2019	
<b>12</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
	Provision for Federal Excise Duty	12.1	13,920	13,920
	Provision for Sindh Workers' Welfare Fund	12.2	4,985	4,985
	Withholding tax payable		79	56
	Auditors' remuneration		292	293
	Printing charges		35	77
	Brokerage payable		118	130
	Zakat payable		207	205
	NCCPL charges payable		36	36
	Others payable		29	34
			<u>19,701</u>	<u>19,736</u>

**12.1** 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 Honourable Sindh High Court (SHC) on September 04, 2013.

While disposing the above petition through order dated June 30, 2016, the Honourable High Court of Sindh declared the said provisions to be 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 Honourable High Court of Sindh in the Honourable Supreme Court of Pakistan, which is pending for the decision.

Further, the Finance Act, 2016 also introduced an amendment to Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in Honourable Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained provision on FED on remuneration of Management Company, aggregating to Rs. 13.92 million (2019: 13.92 million). Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Re. 0.24 (2019: Re. 0.21 ) per unit.

**12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund**

The legal status of applicability of Workers' Welfare Fund and Sindh Workers' Welfare Fund is the same as disclosed in note 12.2 to the annual audited financial statements of the Fund for the year ended June 30, 2019 and a constitutional petition filed by certain CISs, through their trustees, in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, is pending adjudication.

During the year, the Fund has incurred loss as a result no provision against SWWF has been recorded in these financial statements

As at June 30, 2020, the provision in relation to SWWF is amounted to Rs. 4.985 million (2019: Rs. 4.985 million). Had the provision not being made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Re. 0.087 (2019: Re. 0.08) per unit.

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2020 (2019: Nil).

**14 NUMBER OF UNITS IN ISSUE**

	2020	2019
	-----Number of Units-----	
a		
Total units in issue at the beginning of the year	66,037,528	72,249,386
Add: Units issued during the year	38,233,253	10,210,183
Less: Units redeemed during the year	(47,250,218)	(16,422,041)
Total units in issue at the end of the year	<u>57,020,563</u>	<u>66,037,528</u>

15	AUDITORS' REMUNERATION	2020	2019
		-----	-----
		(Rupees in '000)	
	Annual audit fee	238	238
	Fee for half yearly review	127	127
	Other certifications and out of pocket expenses	78	123
		<u>443</u>	<u>488</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, 2020		
	At fair value through profit or loss	Amortized cost	Total
-----Rupees in '000-----			
<b>Financial assets</b>			
Bank balances	-	39,502	39,502
Investments	556,251	-	556,251
Dividend and mark-up receivable	-	198	198
Deposits	-	2,800	2,800
	<u>556,251</u>	<u>42,500</u>	<u>598,751</u>

Particulars	As at June 30, 2020		
	At fair value through profit or loss	Amortized cost	Total
-----Rupees in '000-----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	2,649	2,649
Payable to Trustee	-	98	98
Unclaimed dividend	-	5,388	5,388
Accrued expenses and other liabilities	-	481	481
	<u>-</u>	<u>8,616</u>	<u>8,616</u>

Particulars	As at June 30, 2019		
	At fair value through profit or loss	Amortized cost	Total
-----Rupees in '000-----			
<b>Financial assets</b>			
Bank balances	-	61,148	61,148
Investments	698,072	-	698,072
Dividend and profit receivable	-	680	680
Deposits	-	2,800	2,800
	<u>698,072</u>	<u>64,628</u>	<u>762,700</u>

Particulars	As at June 30, 2019		
	At fair value through profit or loss	Amortized cost	Total
-----Rupees in '000-----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	2,144	2,144
Payable to Trustee	-	131	131
Accrued expenses and other liabilities	-	536	536
Unclaimed dividend	-	5,389	5,389
	<u>-</u>	<u>8,200</u>	<u>8,200</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 transactions with connected persons and balances with them, if not disclosed elsewhere in the financial information are as follows:

	2020	2019
	----- (Rupees in '000) -----	
<b>19.1 Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	13,437	18,275
Sindh Sales Tax on remuneration of the Management Company	1,747	2,376
Allocation of expenses related to registrar services, accounting, operation and valuation services	2,108	914
Selling and marketing expense	5,637	3,655
Issue of 5,791,795 (2019: Nil) units	75,000	-
Redemption of 7,989,572 (2019: 1,621,891) units	99,941	22,500
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee	1,373	1,820
Sindh Sales Tax on remuneration of the trustee	178	237
CDS charges	61	54
Annual CDC charges	-	76
<b>Habib Bank Limited - Sponsor</b>		
Bank charges	11	2
Mark-up on bank deposits	251	156
Redemption of Nil (2019: 1,472,549) units	-	15,680
<b>Directors and Executives of the Management Company</b>		
Issue of 22,180 (2019: 131,948) units	226	1,469
Redemption of 22,180 (2019: Nil) units	247	-
<b>MCB Bank Limited- Connected person due to holding more than 10% units:</b>		
Bank charges paid	5	-
Markup on bank deposit	1,780	-
<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	951	1,282
Sindh Sales Tax payable on remuneration of the Management Company	124	167
Allocation of expenses related to registrar services, accounting, operation and valuation services	262	64
Selling and marketing expenses payable	1,436	798
Units held: Nil (2019: 2,197,777)	-	24,440
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	95	145
Security deposit	300	300
CDS charges payable	3	3
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	2,933	1,886
Units held: 19,690,192 (2019: 19,690,192)	197,111	218,957

	2020	2019
	----- (Rupees in '000) -----	
<b>Directors and Executives of the Management Company</b>		
Units held Nil (2019: 449,955)	-	5,004
<b>MCB Bank Limited- Connected person due to holding more than 10% units:</b>		
Bank balance	<b>16,943</b>	-
Units held: 6,468,400 (2019: 6,468,400)	<b>64,753</b>	71,930

## 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 7.0% to 14.05% (2019: 8.0% to 13.5%) 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, 2020 with all other variables held constant, the net loss for the year and the net assets would have been higher / lower by Re. 0.70 million (2019: Re 0.99 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, 2020					
	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				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	7-14.05	39,490	-	-	12	39,502
Investments						
Listed equity securities		-	-	-	556,251	556,251
Dividend and mark-up receivable		-	-	-	198	198
Deposits		-	-	-	2,800	2,800
<b>Sub total</b>		<b>39,490</b>	<b>-</b>	<b>-</b>	<b>559,261</b>	<b>598,751</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	2,649	2,649
Payable to the Trustee		-	-	-	98	98
Unclaimed dividend		-	-	-	5,388	5,388
Accrued expenses and other		-	-	-	481	481
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8,616</b>	<b>8,616</b>
<b>On-balance sheet gap (a)</b>		<b>39,490</b>	<b>-</b>	<b>-</b>	<b>550,645</b>	<b>590,135</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>39,490</b>	<b>-</b>	<b>-</b>		
<b>Cumulative interest rate sensitivity gap</b>		<b>39,490</b>	<b>-</b>	<b>-</b>		

Particulars	As at June 30, 2019					
	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				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	8-13.5	61,129	-	-	19	61,148
Investments						
Listed equity securities		-	-	-	698,072	698,072
Dividend and profit receivable		-	-	-	680	680
Deposits		-	-	-	2,800	2,800
<b>Sub total</b>		<b>61,129</b>	<b>-</b>	<b>-</b>	<b>701,571</b>	<b>762,700</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	2,144	2,144
Payable to the Trustee		-	-	-	131	131
Accrued expenses and other liabilities		-	-	-	536	536
Unclaimed dividend		-	-	-	5,389	5,389
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>8,200</b>	<b>8,200</b>
<b>On-balance sheet gap (a)</b>		<b>61,129</b>	<b>-</b>	<b>-</b>	<b>693,371</b>	<b>754,500</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>61,129</b>	<b>-</b>	<b>-</b>		
<b>Cumulative interest rate sensitivity gap</b>		<b>61,129</b>	<b>-</b>	<b>-</b>		

### 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 27.813 million (2019: Rs 34.903 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, 2020 and June 30, 2019.

Name of the bank	Balance as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
<b>Rupees in '000</b>			
<b>Current account</b>			
Habib Bank Limited	-	A-1+	JCR-VIS
MCB Bank Limited	10	A-1+	PACRA
Habib Metropolitan Bank Limited	2	A-1+	PACRA
<b>Savings accounts</b>			
JS Bank Limited	18,944	A-1+	PACRA
MCB Bank Limited	16,933	A-1+	PACRA
Soneri Bank Limited	665	A-1+	PACRA
Habib Bank Limited	2,933	A-1+	JCR-VIS
Zarai Taraqiati Bank Limited	15	A-1+	JCR-VIS
	<u>39,502</u>		

Name of the bank	Balance as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
<b>Rupees in '000</b>			
<b>Current account</b>			
Habib Bank Limited	9	A-1+	JCR-VIS
MCB Bank Limited	10	A-1+	PACRA
<b>Savings accounts</b>			
JS Bank Limited	32,977	A-1+	PACRA
MCB Bank Limited	25,765	A-1+	PACRA
Soneri Bank Limited	511	A-1+	PACRA
Habib Bank Limited	1,876	A-1+	JCR-VIS
	61,148		

The maximum exposure to credit risk before considering any collateral as at June 30, 2020 and June 30, 2019 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:

	2020	2019
	----- (Percentage) -----	
<b>Rating by rating category</b>		
A-1+	<b>100.00</b>	100.00

**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, 2020			
	Upto three months	Over three months and upto one year	Over one year	Total

**Financial liabilities**

Payable to the Management Company	2,649	-	-	2,649
Payable to Trustee	98	-	-	98
Unclaimed dividend	5,388	-	-	5,388
Accrued expenses and other liabilities	446	35	-	481
	<u>8,581</u>	<u>35</u>	<u>-</u>	<u>8,616</u>

Particulars	As at June 30, 2019			
	Upto three months	Over three months and upto one year	Over one year	Total

**Financial liabilities**

Payable to the Management Company	2,144	-	-	2,144
Payable to Trustee	131	-	-	131
Unclaimed dividend	5,389	-	-	5,389
Accrued expenses and other liabilities	459	77	-	536
	<u>8,123</u>	<u>77</u>	<u>-</u>	<u>8,200</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, 2020						
		Carrying amount			Fair Value			
		At fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3	Total
		Rupees in '000						
<b>Financial assets measured at fair value</b>	22.1							
Listed equity securities		556,251	-	556,251	556,251	-	-	556,251
		<u>556,251</u>	<u>-</u>	<u>556,251</u>	<u>556,251</u>	<u>-</u>	<u>-</u>	<u>556,251</u>
<b>Financial assets not measured at fair value</b>	22.2							
Bank balances		-	39,502	39,502				
Dividend and mark-up receivable		-	198	198				
Deposits		-	2,800	2,800				
		<u>-</u>	<u>42,500</u>	<u>42,500</u>				
<b>Financial liabilities not measured at fair value</b>	22.2							
Payable to the Management Company		-	2,649	2,649				
Payable to the Trustee		-	98	98				
Unclaimed dividend		-	5,388	5,388				
Accrued expenses and other liabilities		-	481	481				
		<u>-</u>	<u>8,616</u>	<u>8,616</u>				

Particulars	Note	June 30, 2019						
		Carrying amount			Fair Value			
		At fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3	Total
		Rupees in '000						
<b>Financial assets measured at fair value</b>	22.1							
Listed equity securities		698,072	-	698,072	698,072	-	-	698,072
		<u>698,072</u>	<u>-</u>	<u>698,072</u>	<u>698,072</u>	<u>-</u>	<u>-</u>	<u>698,072</u>
<b>Financial assets not measured at fair value</b>	22.2							
Bank balances		-	61,148	61,148				
Dividend and mark-up receivable		-	680	680				
Deposits		-	2,800	2,800				
		<u>-</u>	<u>64,628</u>	<u>64,628</u>				
<b>Financial liabilities not measured at fair value</b>	22.2							
Payable to the Management Company		-	2,144	2,144				
Payable to the Trustee		-	131	131				
Unclaimed dividend		-	5,389	5,389				
Accrued expenses and other liabilities		-	536	536				
		<u>-</u>	<u>8,200</u>	<u>8,200</u>				

## 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, 2020

- 1 EFG Hermes Pakistan Limited
- 2 AKD Securities Limited
- 3 Insight Securities (Private) Limited
- 4 AL Falah Securities (Private) Limited
- 5 DJM Securities Limited
- 6 JS Global Capital Limited

- 7 Habib Metropolitan Financial Services Limited
- 8 AL Habib Capital Markets (Private) Limited
- 9 Taurus Securities Limited
- 10 Nael Capital (Private) Limited

**Top ten brokers during the year ended June 30, 2019**

- 1 Al Falah Securities (Private) Limited
- 2 Arif Habib Limited
- 3 Concordia Securities (Private) Limited
- 4 DJM Securities (Private) Limited
- 5 EFG Hermes Pakistan Limited
- 6 Foundation Securities (Private) Limited
- 7 Insight Securities (Private) Limited
- 8 Intermarket Securities Limited
- 9 Next Capital Limited
- 10 Taurus 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, 2020 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	Bsc	21+
2	Adeel Abdul Wahab	Head of Equity	ACCA	12+
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+
4	Karim Khawaja	Head of Risk	MBA, CMA	17+

**25 PATTERN OF UNIT HOLDING**

Pattern of unit holding as at June 30, 2020 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
			Rupees in '000	
Individuals	4,610	20,043,949	200,652	35.15%
Associated Companies and Director	1	19,690,192	197,111	34.53%
Insurance Companies	3	2,039,428	20,416	3.58%
Banks and DFIs	2	6,469,719	64,766	11.35%
Retirement Funds	11	5,089,836	50,951	8.93%
Other Corporate	23	2,781,906	27,849	4.88%
NBFCs	2	3,162	32	0.01%
Trust	6	902,371	9,033	1.58%
	<b>4,658</b>	<b>57,020,563</b>	<b>570,810</b>	<b>100.00%</b>

Pattern of unit holding as at June 30, 2019 is as follows:

Category	Number of unit holders	Number of units held	Investment amount	Percentage
<b>Rupees in '000</b>				
Individuals	4,652	24,637,222	273,968	37.31%
Associated Companies and Director	3	22,314,680	248,141	33.79%
Insurance Companies	3	286,219	3,183	0.43%
Banks and DFIs	2	6,469,719	71,944	9.80%
Retirement Funds	13	7,486,345	83,248	11.34%
Other Corporate	23	2,781,905	30,935	4.21%
NBFCs	2	3,162	35	0.00%
Trust	7	2,058,276	22,888	3.12%
	<b>4,705</b>	<b>66,037,528</b>	<b>734,342</b>	<b>100.00%</b>

## 26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 29, 2019 ,October 29, 2019, February 13, 2020 ,March 02, 2020 and April 29, 2020 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	
1	Mr. Farid Ahmed Khan*	1	1	-	-
2	Mr. Mir Adil Rashid **	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa***	2	2	-	-

\* Resigned on September 15, 2019.

\*\* Appointed on September 16, 2019.

\*\*\* Appointed on October 29, 2019 and resigned on February 24, 2020.

\*\*\*\* Resigned on May 14, 2020.

## 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, 2020 is 4.03% (2019: 3.38%) which includes 0.34% (2019: 0.4%) representing Government levy and SECP fee.

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 27, 2020 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.

**30.2** In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

**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

<b>NAME OF FUND</b>	<b>HBL Equity Fund</b>
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITORS</b>	BDO Ebrahim & Co. Chartered Accountants.
<b>NAME OF BANKERS</b>	MCB Bank Limited Soneri Bank Limited JS Bank Limited Habib Bank Limited

**FUND MANAGER'S REPORT – HBL EQUITY FUND**

**Type and Category of Fund**

Open end Equity Fund

**Investment Objective and Accomplishment of Objective**

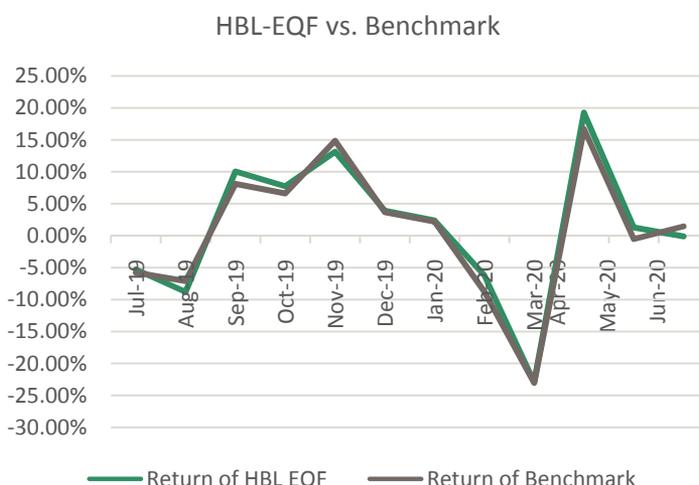
The fund objective is to provide its investors maximum risk adjusted returns over longer investment horizon by investing in a diversified equity portfolio that offers both capital gains and dividend income.

**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:

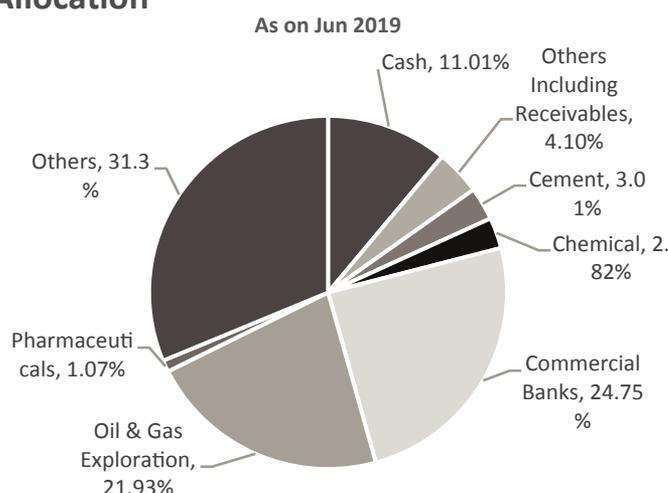
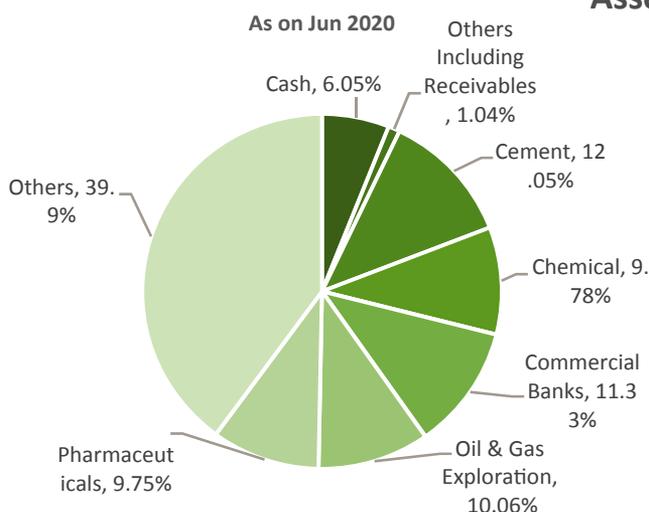
Month	Return of Fund	
	HBL-EQF	Benchmark
Jun-20	-0.10%	1.45%
May-20	1.28%	-0.53%
Apr-20	19.26%	16.69%
Mar-20	-22.90%	-23.04%
Feb-20	-6.19%	-8.76%
Jan-20	2.39%	2.20%
Dec-19	3.90%	3.68%
Nov-19	13.14%	14.86%
Oct-19	7.74%	6.62%
Sep-19	10.06%	8.11%
Aug-19	-8.80%	-7.10%
Jul-19	-5.28%	-5.79%



**Strategies and Policies employed during the Year**

During the year under review, the Fund increased its exposure in equity from 85% of total assets as on June 30, 2019 to 93% of total assets as on June 30, 2020. Furthermore, sector-wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in cements, chemicals and pharmaceuticals was increased, while exposure in commercial banks and oil & gas exploration companies 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, 2020 and June 30, 2019:

Sector Name	As on Jun 2020	As on Jun 2019
Cash	6.05%	11.01%
Others Including Receivables	1.04%	4.10%
Cement	12.05%	3.01%
Chemical	9.78%	2.82%
Commercial Banks	11.33%	24.75%
Oil & Gas Exploration	10.06%	21.93%
Pharmaceuticals	9.75%	1.07%
Others	39.9%	31.3%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The Fund earned a total and net income of Rs. 29.49 million and Rs. 13.21 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 100.3410 per unit as on June 30, 2020 as compared to Rs. 93.3868 per unit as on June 30, 2019, after incorporating dividend of Rs. 0.15 per unit, thereby giving a return of 7.61%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Fund was Rs. 0.42 billion as on June 30, 2020 as compared to Rs. 0.25 billion at the start of the year.

## Review of Market invested in

The equity markets' performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KSE100 index increased by 20% during 1HFY20 to close at 40,735 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KSE100 index made a high of 43,219 on January 13, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KSE100 index as it fell to a low of 27,229 points on March 25, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KSE100 witnessed a sharp 16.69% uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KSE100 index closed the year at 34,422 points (up 1.53%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight due to increased digitalization post covid-19 pandemic. We will maintain our strategic focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

## Distribution

The Board of Directors approved dividend distribution of up to Rs. 0.15 per unit to the unit holders for the year ended June 30, 2020.

## 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	32	1,411
101 – 500	41	10,422
501 – 1,000	16	11,500
100,1 – 10,000	67	249,112
10,001 – 100,000	29	843,761
100,001 – 500,000	4	990,814
500,001 – 1,000,000	2	1,084,077
1,000,001 – 5,000,000	1	1,022,050
5,000,001 and above	-	-
<b>Total</b>	<b>192</b>	<b>4,213,147</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, 2020

	2020	2019	2018	2017	2016	2015
Net assets at the period end (Rs'000)	422,752	245,597	294,168	468,825	173,508	269,694
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	100.3410	98.3868	110.4602	124.6444	107.2297	124.8151
Offer	102.6087	100.6103	112.9566	127.4574	110.4466	128.5596
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	122.8878	117.9947	127.4485	156.3552	143.4474	135.0221
Lowest offer price per unit	78.7581	93.3239	100.9806	111.0413	107.9068	104.7831
Highest redemption price per unit	120.1719	115.3870	124.6318	152.8997	139.2693	131.0894
Lowest redemption price per unit	77.0175	91.2614	98.7489	107.8071	104.7639	101.7312
<b>RETURN ( % )</b>						
Total return	7.61%	-15.46%	-11.38%	27.67%	6.71%	11.15%
Income distribution	0.15%	0.00%	0.00%	12.00%	26.50%	0.00%
Capital growth	7.46%	-15.46%	-11.38%	15.67%	-19.79%	11.15%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	0.15	-	-	12.00	26.50	-
Date of Income Distribution	26-Jun-20	-	-	22-Jun-17	24-Jun-16	-
Total dividend distribution for the year/ period (Rs)	0.15	-	-	12.00	26.50	-
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	7.61%	-15.46%	-11.38%	27.67%	6.71%	11.15%
Average annual return 2 year	-4.62%	-13.44%	6.37%	16.72%	8.91%	25.60%
Average annual return 3 year	-6.93%	-1.47%	6.48%	14.83%	18.96%	32.72%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	6.05%	11.01%	24.06%	10.84%	21%	19%
Stock / Equities	92.91%	84.89%	41.75%	88.35%	76%	68%
Others Including receivables	1.04%	4.10%	18.88%	0.81%	3%	13%

**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.

## PROXY VOTING DISCLOSURE

Summary of Actual Proxy voted by CIS

HBL EQF	Meetings	Resolutions	For	Against
Number	2	4	4	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Allied Bank Ltd	25-Mar-20	
AGP Limited	05-May-20	
Bank of Punjab	31-03-20	
BankIslami Pakistan	07-May-20	
Bank Alfalah Ltd	27-03-20	
Century Paper & Board Mills Limited	26-Sep-19	
Engro Corporation Ltd	12-May-20	
Engro Fertilizer Ltd	08-05-20	
Engro Polymer & Chemicals Ltd	23-04-20	
Fauji Fertilizer Co Ltd	16-03-20	
GlaxoSmithKline Pakistan Ltd	21-05-20	
Highnoon Lab	12-05-20	
Habib Bank Limited	30-Mar-20	
ICI Pakistan Ltd	24-04-20	
K-Electric Limited	30 Jul 2019;	
Kohat Cement Co Ltd	28-10-19	
Lucky Cement Ltd	27-09-19	
MCB Bank Ltd		21-11-19
Nishat Mills Ltd	31/03/2020 28 oct 2019	
Oil & Gas Development Co Ltd	24-10-19	
Pakistan National Shipping Corp.	28-10-19	
Pakistan Petroleum Ltd	04-10-19	19-09-19
Pakistan Oilfields Ltd	17-09-19	24-06-20
Pakistan State Oil Company Ltd	28-Oct-19	
Systems Limited	29-05-20	
Sitara Chemical Ind.	28-10-19	
Thal Limited	26-10-19	
The Searle Company Ltd	18-May-20	
United Bank Ltd	25-03-20	

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**

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S.M.C.H.S. Main Shakra-e-Faisal  
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## TRUSTEE REPORT TO THE UNIT HOLDERS

### HBL EQUITY FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 21, 2020





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 Pakistan



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### 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, 2020, 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, 2020, 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, 2020, the investments held by the Fund comprised of listed equity securities which represent 93% 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>

Page - 1

BDO Ebrahim & Co. Chartered Accountants

BDO Ebrahim & Co., a Pakistan registered partnership firm, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



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, 2020 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> <li>• We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>
2.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p> <p>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.</p> <p>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.</p> <p>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realized or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, 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.</p> <p>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund.</li> <li>• We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</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 Zulfikar Ali Causer.

KARACHI

DATED: 27 AUG 2020

BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

	Note	2020 ------(Rupees in '000)-----	2019
<b>ASSETS</b>			
Bank balances	5	26,474	28,239
Investments	6	406,330	217,781
Dividend and mark-up receivable	7	166	956
Receivable against sale of investments - net		1,657	6,012
Advances and deposits	8	2,804	2,791
<b>TOTAL ASSETS</b>		<b>437,431</b>	<b>255,779</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	1,786	746
Payable to the Trustee	10	84	70
Payable to Securities and Exchange Commission of Pakistan	11	60	275
Payable against redemption of units		2,112	82
Dividend payable		214	-
Accrued expenses and other liabilities	12	10,423	9,009
<b>TOTAL LIABILITIES</b>		<b>14,679</b>	<b>10,182</b>
<b>NET ASSETS</b>		<b>422,752</b>	<b>245,597</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>422,752</b>	<b>245,597</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	----- Number of units -----	
Number of units in issue	14	4,213,147	2,629,886
		----- Rupees -----	
Net assets value per unit		100.3410	93.3868

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	2020 ------(Rupees in '000)-----	2019
<b>INCOME</b>			
Capital gain / (loss) on sale of investments - net		26,853	(19,655)
Dividend income		13,059	12,656
Mark-up on bank deposits		3,501	3,099
		<u>43,413</u>	<u>(3,900)</u>
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.2	(13,921)	(31,065)
		<u>29,492</u>	<u>(34,965)</u>
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	5,897	5,783
Sindh Sales Tax on remuneration of the Management Company	9.2	766	752
Remuneration of Trustee	10.1	600	700
Sindh Sales Tax on remuneration of the trustee	10.2	78	91
Annual fee to Securities and Exchange Commission of Pakistan	11.1	60	275
Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	9.3	918	289
Selling and marketing expenses	9.4	2,493	1,157
Auditors' remuneration	15	463	430
Fees and subscriptions		27	137
Securities transaction costs and settlement charges		4,691	1,763
Bank charges		24	26
		<u>16,017</u>	<u>11,403</u>
<b>Net income / (loss) for the year from operating activities</b>		<u>13,475</u>	<u>(46,368)</u>
Provision for Sindh Workers' Welfare Fund	12.2	(269)	-
<b>Net income / (loss) for the year before taxation</b>		<u>13,206</u>	<u>(46,368)</u>
Taxation	16	-	-
<b>Net income / (loss) for the year after taxation</b>		<u>13,206</u>	<u>(46,368)</u>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		570	-
Accounting income available for distribution:			
Relating to capital gains		12,421	-
Excluding capital gains		215	-
		<u>12,636</u>	<u>-</u>
		<u>13,206</u>	<u>-</u>
<b>Earnings per unit</b>	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

	2020	2019
Note	------(Rupees in '000)-----	
Net income / (loss) for the year after taxation	<b>13,206</b>	(46,368)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u><b>13,206</b></u>	<u>(46,368)</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 EQUITY FUND**  
**Statement of Movement in Unitholders' Fund**  
For the year ended June 30, 2020

	2020			2019		
	------(Rupees in '000)-----					
	Capital value	Undistributed income)	Total	Capital value	Accumulated loss	Total
<b>Net assets at beginning of the year</b>	247,193	(1,596)	245,597	249,396	44,772	294,168
<b>Issuance of 6,631,438 units (2019: 856,649 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	619,260	-	619,260	94,626	-	94,626
Element of income / (loss)	56,731	-	56,731	(1,294)	-	(1,294)
<b>Total proceeds on issuance of units</b>	675,991	-	675,991	93,332	-	93,332
<b>Redemption of 5,048,177 units (2019: 2,154,122 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(471,406)	-	(471,406)	(98,296)	-	(98,296)
Income already paid on units redeemed	-	(570)	(570)	-	-	-
Element of (loss) / income	(39,438)	-	(39,438)	2,761	-	2,761
<b>Total payments on redemption of units</b>	(510,844)	(570)	(511,414)	(95,535)	-	(95,535)
Total comprehensive income / (loss) for the year	-	13,206	13,206	-	(46,368)	(46,368)
<b>Interim distribution of Rs. 0.15 per unit declared on July 26, 2020 as cash dividend</b>						
Refund of capital	(218)	-	(218)	-	-	-
Distribution during the year	-	(410)	(410)	-	-	-
	(218)	12,796	12,578	-	(46,368)	(46,368)
<b>Net assets at end of the year</b>	412,122	10,630	422,752	247,193	(1,596)	245,597
<b>Accumulated (loss) / undistributed income brought forward</b>						
Realised income		29,469			56,123	
Unrealised loss		(31,065)			(11,351)	
		(1,596)			44,772	
<b>Accounting income available for distribution</b>						
Relating to capital gains		12,421			-	
Excluding capital gains		215			-	
		12,636				
Total comprehensive loss for the year		-			(46,368)	
Interim distribution of Rs. 0.15 per unit declared on June 26, 2020 as cash dividend		(410)			-	
Undistributed income / Accumulated (loss) carried forward		10,630			(1,596)	
<b>Undistributed income / Accumulated (loss) carried forward</b>						
Realised income		24,551			29,469	
Unrealised loss		(13,921)			(31,065)	
		10,630			(1,596)	
				(Rupees)		(Rupees)
<b>Net assets value per unit at beginning of the year</b>				93.3868		110.4602
<b>Net assets value per unit at end of the year</b>				100.3410		93.3868

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

	2020	2019
	------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the year before taxation	13,206	(46,368)
Adjustments for:		
Capital (gain) / loss on sale of investments - net	(26,853)	19,655
Dividend income	(13,059)	(12,656)
Mark-up on bank deposits	(3,501)	(3,099)
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	13,921	31,065
	<u>(16,286)</u>	<u>(11,403)</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	(175,617)	(10,202)
Advances and deposits	(13)	13
Receivable against sale of investments - net	4,355	(6,012)
	<u>(171,275)</u>	<u>(16,201)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	1,040	(498)
Payable to the Trustee	14	1
Payable to Securities and Exchange Commission of Pakistan	(215)	(39)
Accrued expenses and other liabilities	1,413	(122)
	<u>2,252</u>	<u>(658)</u>
<b>Cash used in operations</b>	<u>(185,309)</u>	<u>(28,262)</u>
Dividend received	13,742	12,388
Mark-up received on bank deposits	3,608	3,086
	<u>17,350</u>	<u>15,474</u>
Net cash used in operating activities	<u>(167,959)</u>	<u>(12,788)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issue of units	675,991	93,332
Payment against redemption of units	(509,384)	(95,453)
Dividend paid	(414)	-
Net cash generated from / (used in) financing activities	<u>166,193</u>	<u>(2,121)</u>
Net decrease in cash and cash equivalents during the year	<u>(1,765)</u>	<u>(14,909)</u>
Cash and cash equivalents at the beginning of the year	28,239	43,148
Cash and cash equivalents at the end of the year	<u>26,474</u>	<u>28,239</u>

5

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 Equity Fund ("the Fund") was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, HBL Asset Management 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.

Through an order dated August 31, 2016, 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. 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 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.

JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+' (AM Two Plus) to the Management Company.

## **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, the provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984, the 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 convention, except certain financial assets which are measured at fair value.

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 Pakistani Rupees, which is the Fund's functional and presentation 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 18 to these financial statements.

### **Impairment of investment**

For details please refer note 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 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS**

### **3.1 Standards / amendments that are effective in current year and relevant to the Fund**

The Fund has adopted the standards / amendments to the following approved accounting and reporting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

**Effective date  
(annual periods  
beginning on or after)**

IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

**Annual improvements to IFRSs (2015 – 2017) Cycle:**

IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

**3.2 Amendments that are effective in current year and not relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard and are not relevant to the Fund :

IFRS 8	Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 16	Leases - Original issue	January 01, 2019
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRS 14	Regulatory Deferral Accounts - Original issue	July 01, 2019

**3.3 Amendments not yet effective**

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
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	<b>Effective date (annual periods beginning on or after)</b>
IFRS 3 Business Combinations - amendments to clarify the definition of a business	January 01, 2020
IFRS 3 Business Combinations - amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4 Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9 Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9 Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification	January 01, 2020
IFRS 17 Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1 Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 16 Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39 Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

**Effective date  
(annual periods  
beginning on or after)**

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

January 01, 2022

**Annual improvements to IFRSs (2018 – 2020) Cycle:**

January 01, 2022

IFRS 1 First-time Adoption of International Financial Reporting Standards

IFRS 9 Financial Instruments

January 01, 2020

IFRS 41 Agriculture

January 01, 2020

**3.4 Standards or interpretations not yet effective**

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

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

**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. Cash and cash equivalents are carried in the statement of assets and liabilities at nominal amount.

**4.2 Financial instruments**

**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, fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment or fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 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.

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.

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.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest 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.

#### **4.2.1.2 Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. 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 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 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.
- 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 Expenses**

All expenses including NAV based expenses are recognised in the income statement on a time apportionment basis.

**4.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

**4.12 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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**

		2020	2019
	Note	------(Rupees in '000)-----	
Cash at bank			
In savings accounts	5.1	26,210	27,147
In current accounts		264	1,092
		<u>26,474</u>	<u>28,239</u>

**5.1** These accounts carry mark-up range from 7.00% to 14.05% (2019: 10.28% to 13.5%) per annum. This includes an amount held with Habib Bank Limited (a related party) amounting to Rs. 13.744 million (2019: Rs. 4.083 million) on which return is earned at 7.00% (2019: 10.28%) per annum.

**6 INVESTMENTS**

		2020	2019
	Note	------(Rupees in '000)-----	
Financial assets at fair value through profit or loss			
Listed equity securities	6.1	406,330	217,781

**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)	Number of shares					Carrying value as at June 30, 2020	Market value as at June 30, 2020	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 the issued capital of the investee company
	As at July 1, 2019	Purchases made during the year	Bonus/ right issues	Sales made during the year	As at June 30, 2020						
Rupees in 000											
<b>Automobile Assembler</b>											
Honda Atlas Cars (Pakistan) Limited	-	60,200	-	17,900	42,300	8,370	8,192	(178)	2.02%	1.94%	0.57%
Pak Suzuki Motors Company Limited	-	69,500	-	39,500	30,000	5,142	4,855	(287)	1.19%	1.15%	0.59%
Saggar Engineering Works Limited	-	699,600	-	548,700	150,900	19,255	18,801	(454)	4.63%	4.45%	5.26%
	-	829,300	-	606,100	223,200	32,767	31,848	(919)	7.84%	7.54%	6.42%
<b>Automobile Parts and Accessories</b>											
Thal Limited (Par value of Rs 5 per share)	20,400	27,300	-	47,700	-	-	-	-	0.00%	0.00%	0.00%
<b>Cement</b>											
Cherat Cement Company Limited	-	210,000	-	110,000	100,000	7,714	8,717	1,003	2.15%	2.06%	0.45%
D. G. Khan Cement Company Limited	-	100,000	-	-	100,000	8,342	8,534	192	2.10%	2.02%	0.19%
Kohat Cement Limited	22,000	39,500	-	61,500	-	-	-	-	0.00%	0.00%	0.00%
Lucky Cement Limited (6.1.1)	16,400	117,300	-	78,500	55,200	24,648	25,479	831	6.27%	6.03%	0.79%
Maple Leaf Cement Factory Limited	-	1,282,500	-	897,500	385,000	9,038	10,002	964	2.46%	2.37%	0.09%
	38,400	1,749,300	-	1,147,500	640,200	49,742	52,732	2,990	12.98%	12.48%	1.52%
<b>Chemical</b>											
Engro Polymer & Chemicals Limited	183,596	853,500	-	1,037,096	-	-	-	-	0.00%	0.00%	0.00%
ICI Pakistan Limited	-	72,500	-	30,700	41,800	28,902	29,039	137	7.15%	6.87%	3.14%
Sitara Chemical Industries Limited	2,000	10,600	-	12,600	-	-	-	-	0.00%	0.00%	0.00%
Ghani Global Holdings Limited	-	250,000	-	125,000	125,000	1,936	1,966	30	0.48%	0.47%	0.13%
Sitara Peroxide Limited	-	576,000	-	-	576,000	13,261	11,756	(1,505)	2.89%	2.78%	2.13%
Lotte Chemical Pakistan Limited	90,000	408,500	-	498,500	-	-	-	-	0.00%	0.00%	0.00%
	275,596	2,171,100	-	1,703,896	742,800	44,099	42,761	(1,338)	10.52%	10.12%	5.41%
<b>Commercial Banks</b>											
Allied Bank Limited	72,000	124,600	-	196,600	-	-	-	-	0.00%	0.00%	0.00%
The Bank of Punjab	545,000	3,370,500	-	2,926,500	989,000	11,735	8,308	(3,427)	2.04%	1.97%	0.03%
Bank Al-Falah Limited (6.1.1)	281,550	711,000	-	749,500	243,050	10,482	8,159	(2,323)	2.01%	1.93%	0.05%
Faysal Bank Limited (6.1.2)	1,800	-	-	-	1,800	39	25	(14)	0.01%	0.01%	0.00%
Bank Al-Habib Limited	110,000	233,000	-	343,000	-	-	-	-	0.00%	0.00%	0.00%
Habib Bank Limited*	106,600	167,000	-	273,600	-	-	-	-	0.00%	0.00%	0.00%
MCB Bank Limited**	35,300	51,800	-	87,100	-	-	-	-	0.00%	0.00%	0.00%
United Bank Limited	65,200	90,000	-	155,200	-	-	-	-	0.00%	0.00%	0.00%
National Bank of Pakistan (6.1.1)	64,000	1,448,000	-	1,203,000	309,000	10,899	8,544	(2,355)	2.10%	2.02%	0.04%
Standard Chartered Bank (Pakistan) Limited	-	889,500	-	-	889,500	21,752	24,497	2,745	6.03%	5.79%	0.06%
BankIslami Pakistan Limited	-	549,500	-	549,500	-	-	-	-	0.00%	0.00%	0.00%
	1,281,450	7,634,900	-	6,484,000	2,432,350	54,907	49,533	(5,374)	12.19%	11.72%	0.18%
<b>Engineering</b>											
Amreli Steels Limited	-	187,500	-	-	187,500	6,743	6,120	(623)	1.51%	1.45%	0.21%
International Industries Limited	-	58,500	-	58,500	-	-	-	-	0.00%	0.00%	0.00%
International Steels Limited	-	524,500	-	524,500	-	-	-	-	0.00%	0.00%	0.00%
Mughal Iron & Steel Industries Limited	-	221,500	-	-	221,500	9,323	8,833	(490)	2.17%	2.09%	0.35%
	-	992,000	-	583,000	409,000	16,066	14,953	(1,113)	3.68%	3.54%	0.56%
<b>Fertilizers</b>											
Engro Corporation Limited (6.1.1)	55,930	127,800	-	104,100	79,630	23,567	23,325	(242)	5.74%	5.52%	0.31%
Engro Fertilizers Limited	124,000	162,000	-	286,000	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Company Limited	83,500	110,300	-	193,800	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Bin Qasim Limited	-	120,000	-	120,000	-	-	-	-	0.00%	0.00%	0.00%
	263,430	520,100	-	703,900	79,630	23,567	23,325	(242)	5.74%	5.52%	0.31%
<b>Oil and Gas Exploration Companies</b>											
Mari Petroleum Company Limited	14,459	33,040	1,425	39,160	9,764	11,269	12,075	806	2.97%	2.86%	0.91%
Oil & Gas Development Company Limited	139,700	456,816	-	487,100	109,416	11,528	11,926	398	2.94%	2.82%	0.03%
Pakistan Oilfields Limited	24,940	42,500	-	44,440	23,000	8,015	8,064	49	1.98%	1.91%	0.28%
Pakistan Petroleum Limited	91,042	369,000	26,108	348,650	137,500	13,164	11,932	(1,232)	2.94%	2.82%	0.04%
	270,141	901,356	27,533	919,350	279,680	43,976	43,997	21	10.83%	10.41%	1.26%
<b>Oil and Gas Marketing Companies</b>											
Hascol Petroleum Limited	-	1,231,000	-	39,000	1,192,000	17,508	16,211	(1,297)	3.99%	3.83%	0.16%
Pakistan State Oil Company Limited (6.1.1 - 6.1.2)	52,276	332,000	11,155	297,300	98,131	15,199	15,520	321	3.82%	3.67%	0.33%
Sui Northern Gas Pipeline Limited	52,000	315,500	-	367,500	-	-	-	-	0.00%	0.00%	0.00%
	104,276	1,878,500	11,155	703,800	1,290,131	32,707	31,731	(976)	7.81%	7.50%	0.49%
<b>Paper and Board</b>											
Century Paper & Board Mills Limited	25,000	29,000	-	54,000	-	-	-	-	0.00%	0.00%	0.00%
<b>Pharmaceuticals</b>											
AGP Limited	19,500	262,500	-	243,500	38,500	3,529	4,225	696	1.04%	1.00%	0.15%
Abbott Laboratories Pakistan Limited	-	9,000	-	9,000	-	-	-	-	0.00%	0.00%	0.00%
GlaxoSmithKline Pakistan Limited	-	169,600	-	99,500	70,100	12,126	12,203	77	3.00%	2.89%	0.38%
Highnoon Laboratories Limited	-	43,150	2,465	13,150	32,465	15,874	16,274	400	4.01%	3.85%	4.70%
The Searle Company Limited (6.1.2)	8,774	108,500	-	67,400	49,874	9,901	9,936	35	2.45%	2.35%	0.47%
	28,274	592,750	2,465	432,550	190,939	41,430	42,638	1,208	10.50%	10.09%	5.70%
<b>Power Generations and Distribution</b>											
The Hub Power Company Limited	188,188	246,500	-	434,688	-	-	-	-	0.00%	0.00%	0.00%
K-Electric Limited (Par value of Rs 3.5 per share)	616,000	435,000	-	1,051,000	-	-	-	-	0.00%	0.00%	0.00%
Pakgen Power Limited	90,000	43,000	-	133,000	-	-	-	-	0.00%	0.00%	0.00%
	894,188	724,500	-	1,618,688	-	-	-	-	0.00%	0.00%	0.00%
<b>Technology and Communication</b>											
Systems Limited (6.1.2)	2,750	260,900	-	194,412	69,238	8,386	12,718	4,332	3.13%	3.01%	1.03%
Hum Network Limited	-	907,000	-	907,000	-	-	-	-	0.00%	0.00%	0.00%
Avanceon Limited	-	455,500	-	455,500	-	-	-	-	0.00%	0.00%	0.00%
	2,750	1,623,400	-	1,556,912	69,238	8,386	12,718	4,332	3.13%	3.01%	1.03%

Name of the investee companies (Sector wise)	Number of shares					Carrying value as at June 30, 2020	Market value as at June 30, 2020	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 the issued capital of the investee company
	As at July 1, 2019	Purchases made during the year	Bonus / right issues	Sales made during the year	As at June 30, 2020						
Rupees in 000											
<b>Textile Composite</b>											
Nishat Mills Limited	53,000	85,500	-	138,500	-	-	-	-	0.00%	0.00%	0.00%
Interloop Limited	85,436	435,500	-	520,000	936	50	41	(9)	0.01%	0.01%	0.00%
Gul Ahmed Textile Mills Limited	-	1,081,500	-	490,500	591,000	21,045	16,920	(4,125)	4.16%	4.00%	0.40%
	138,436	1,602,500	-	1,149,000	591,936	21,095	16,961	(4,134)	4.17%	4.01%	0.40%
<b>Transport</b>											
Pakistan National Shipping Corporation Limited	4,000	43,500	-	47,500	-	-	-	-	0.00%	0.00%	0.00%
<b>Glass and Ceramics</b>											
Tariq Glass Industries Limited	-	265,500	-	58,500	207,000	14,549	13,356	(1,193)	3.29%	3.16%	1.21%
	-	265,500	-	58,500	207,000	14,549	13,356	(1,193)	3.29%	3.16%	1.21%
<b>Vanaspatti and Allied Industries</b>											
Unity Foods Limited	-	3,053,000	-	2,673,500	379,500	4,242	4,232	(10)	1.04%	1.00%	0.08%
<b>Insurance</b>											
Adamjee Insurance Company Limited	66,000	208,000	-	274,000	-	-	-	-	0.00%	0.00%	0.00%
TPL Insurance Limited	-	100,000	-	-	100,000	2,377	2,200	(177)	0.54%	0.52%	0.23%
IGI Holdings Limited	-	129,000	-	-	129,000	30,341	23,344	(6,997)	5.75%	5.52%	1.64%
	66,000	437,000	-	274,000	229,000	32,718	25,544	(7,174)	6.29%	6.04%	1.87%
<b>As at June 30, 2020</b>	<b>3,412,341</b>	<b>25,075,006</b>	<b>41,153</b>	<b>20,763,896</b>	<b>7,764,604</b>	<b>420,251</b>	<b>406,330</b>	<b>(13,921)</b>	<b>100.00%</b>	<b>96.00%</b>	
<b>As at June 30, 2019</b>	<b>2,626,090</b>	<b>5,328,310</b>	<b>35,324</b>	<b>5,093,614</b>	<b>2,896,110</b>	<b>269,650</b>	<b>258,299</b>	<b>(11,351)</b>	<b>100.00%</b>	<b>87.78%</b>	

\* Sponsor of the Management Company

\*\* a related party due to holding more than 10% units of the Fund.

**6.1.1** As at June 30, 2020 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

- Bank Alfalah Limited (200,000 shares having market value of Rs. 6.714 million)
- Engro Corporation Limited (31,000 shares having market value of Rs. 9.080 million)
- Lucky Cement Limited (20,000 shares having market value of Rs. 9.231 million)
- National Bank of Pakistan (100,000 shares having market value of Rs. 2.765 million)
- Pakistan State Oil Company Limited (50,000 shares having market value of Rs. 7.908 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, 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. 0.53 million at June 30, 2020 (2019: Rs. 0.33 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 favor 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 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 ITO, 2001 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	2020 ------(Rupees in '000)-----	2019
<b>6.2</b>	<b>Net unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net</b>		
	Market value of investments	<b>406,330</b>	217,781
	Less: Carrying value of investments	<b>420,251</b>	248,846
		<u><b>(13,921)</b></u>	<u>(31,065)</u>
<b>7</b>	<b>DIVIDEND AND MARK-UP RECEIVABLE</b>		
	Dividend receivable	<b>23</b>	706
	Mark-up receivable on savings accounts	<b>143</b>	250
		<u><b>166</b></u>	<u>956</u>
<b>8</b>	<b>ADVANCES AND DEPOSITS</b>		
	Security deposits with:		
	National Clearing Company of Pakistan Limited	<b>2,500</b>	2,500
	Central Depository Company of Pakistan Limited	<b>100</b>	100
		<b>2,600</b>	2,600
	Advance tax	<b>204</b>	191
		<u><b>2,804</b></u>	<u>2,791</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 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.

9	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>	Note	2020 ------(Rupees in '000)-----	2019
	Remuneration payable to the Management Company	9.1	700	415
	Sindh Sales Tax Payable on Management Company's	9.2	91	54
	Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	9.3	144	21
	Selling and Marketing expenses payable	9.4	843	255
	Sales load payable		8	1
			<u>1,786</u>	<u>746</u>

**9.1** As per the amendment introduced through SRO 639(I)/2019, dated June 20, 2019, 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, further subject to the guidelines as may be issued by the Commission from time to time. During the year, the fee has been charged, accordingly, at the rate ranging between 1.7% to 2% of average annual net assets of the Fund. The fee is being charged at the rate of 2% from October 1, 2019 onwards. The fee is payable monthly in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019: 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 NBFC Regulations, previously fee and expenses related to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) were chargeable to the CIS, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower.

However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%. During the year, the fee has been charged at the rate ranging between 0.1% to 0.5% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.411% from February 13, 2020 onwards.

**9.4** As per SECP vide its circular No. SCD/PRDD/Circular/361/2016, dated December 30, 2016, selling and marketing expenses was chargeable to open end equity, asset allocation and index funds only, upto maximum 0.4% of the average annual net assets of the fund or the actual expense, whichever is lower.

However, circular No. SCD/PRDD/Circular/04/2019, dated July 5, 2019, issued by SECP, supersedes all previous circulars issued with respect to selling and marketing expenses, according to which, 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 has been charged at the rate ranging between 0.4% to 0.75% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.95% from February 13, 2020 onwards.

10	<b>PAYABLE TO THE TRUSTEE</b>	Note	2020 ------(Rupees in '000)-----	2019
	Trustee fee payable	10.1	70	58
	Sindh Sales Tax payable on Trustee Fee	10.2	9	8
	CDS charges payable		5	5
			<u>84</u>	<u>71</u>

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

Earlier the tariff structure applicable to the Fund as at June 30, 2019 is as follows:

Upto Rs. 1 billion   Rs. 0.7 million or 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 documents. During the year, Management Company has charged the Trustee fee accordingly.

**10.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% (2019 : 13%) on the remuneration of Trustee through Sindh Sales Tax on Services Act, 2011.

<b>11</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	Note	<b>2020</b> ------(Rupees in '000)-----	2019
	Annual fee payable	11.1	<u><b>60</b></u>	<u>275</u>

**11.1** Under the regulation 62 of the NBFC Regulations, a Collective Investment Scheme (CIS) categorized as an equity scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Scheme. However, SECP, vide S.R.O. 685 (I)/2019, dated June 28, 2019, has reduced the rate of the fee to 0.02% of the average annual net assets for all categories of CIS(s), with effect from July 1, 2019. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

<b>12</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>	Note	<b>2020</b> ------(Rupees in '000)-----	2019
	Provision for Federal Excise Duty	12.1	<b>5,685</b>	5,685
	Provision for Sindh Workers' Welfare Fund	12.2	<b>3,037</b>	2,768
	Withholding tax payable		<b>494</b>	36
	Auditors' remuneration		<b>282</b>	264
	Printing and other charges		<b>112</b>	154
	Brokerage payable		<b>729</b>	71
	Other payables		<b>84</b>	31
			<u><b>10,423</b></u>	<u>9,009</u>

**12.1** 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 levied effective from June 13, 2013. However, 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 in 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 June 30, 2016, the SHC declared the said provisions to be 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.

Further, the Finance Act, 2016 also introduced an amendment to Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained provision on FED on remuneration of Management Company, aggregating to Rs. 5.685 million (2019: Rs. 5.685). Had the provision not been provided for, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 1.349 (2019: Rs. 2.162) per unit.

## 12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund

The legal status of applicability of Workers' Welfare Fund and Sindh Workers' Welfare Fund is the same as disclosed in note 12.2 to the annual audited financial statements of the Fund for the year ended June 30, 2019 and a constitutional petition filed by certain CISs, through their trustees, in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, is pending adjudication.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 3.037 million (2019: Rs. 2.768). Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Re. 0.720 (2019: Re. 1.052) per unit.

## 13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2020 (2019: Nil).

	Note	2020 ------(Rupees in '000)-----	2019
<b>14</b>	<b>NUMBER OF UNITS IN ISSUE</b>		
	Total units in issue at the beginning of the year	2,629,886	2,663,116
	Add: Units issued during the year	6,631,438	856,649
	Less: Units redeemed during the year	(5,048,177)	(889,879)
	Total units in issue at the end of the year	<u>4,213,147</u>	<u>2,629,886</u>
<b>15</b>	<b>AUDITORS' REMUNERATION</b>		
	Annual audit fee	291	240
	Fee for half yearly review	135	135
	Other certifications and out of pocket expenses	37	55
		<u>463</u>	<u>430</u>
<b>16</b>	<b>TAXATION</b>		

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 atleast 90% of the Fund's accounting income, as reduced by the capital gains, whether realised or unrealised, for the year ended June 30, 2020, 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 cumulative weighted average number of outstanding units is not practicable.

18 FINANCIAL INSTRUMENTS BY CATEGORY

----- As at June 30, 2020 -----			
Particulars	At fair value through profit or loss	Amortized cost	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	-	26,474	26,474
Investments	406,330	-	406,330
Dividend and mark-up receivable	-	166	166
Receivable against sale of investments - net	-	1,657	1,657
Deposits	-	2,600	2,600
	406,330	30,897	437,227

----- As at June 30, 2020 -----			
Particulars	At fair value through profit or loss	Amortized cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	1,695	1,695
Payable to the Trustee	-	75	75
Payable against redemption of units	-	2,112	2,112
Dividend payable	-	214	214
Accrued expenses and other liabilities	-	1,138	1,138
	-	5,234	5,234

----- As at June 30, 2019 -----			
Particulars	At fair value through profit or loss	Amortized cost	Total
----- Rupees in '000 -----			
<b>Financial assets</b>			
Bank balances	-	28,239	28,239
Investments	217,781	-	217,781
Dividend and mark-up receivable	-	956	956
Receivables against sale of investments - net	-	6,012	6,012
Deposits	-	2,600	2,600
	217,781	37,807	255,588

----- As at June 30, 2019 -----

Particulars	At fair value through profit or loss	Amortized cost	Total
----- Rupees in '000 -----			
<b>Financial liabilities</b>			
Payable to the Management Company	-	692	692
Payable to the Trustee	-	63	63
Payable against redemption of units	-	82	82
Accrued expenses and other liabilities	-	505	505
	-	1,342	1,342

## 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 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 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, if not disclosed elsewhere in these financial statements are as follows:

19.1 Transactions during the year	2020	2019
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	5,897	5,783
Sindh Sales Tax on remuneration of the Management Company	766	752
Allocation of expenses related to registrar services, accounting, operation and valuation services	918	289
Sales load	21	88
Selling and marketing expenses	2,493	1,157
Issue of 3,123,255 (2019: 177,048) units	324,482	20,000
Redemption of 2,943,696 (2019: 311,621) units	296,513	34,000
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	600	700
Sindh Sales Tax on remuneration of the Trustee	78	91
Central Depository service charges	93	39

	2020	2019
	----- (Rupees in '000) -----	
<b>Habib Bank Limited - Sponsor</b>		
Dividend income	252	503
Bank charges	18	5
Mark-up on bank deposits	612	66
<b>Directors and Executives of the Management Company</b>		
Issue of 45,731 (2019: 44,351) units	4,492	4,577
Redemption of 15,868 (2019: 9,222) units	1,493	996
Dividend paid	1	-
<b>MCB Bank Limited - Connected person due to holding more than 10% units:</b>		
Mark-up on bank deposit	27	196
Bank charges	1	2
Dividend paid	153	-
Dividend income	361	864
<b>EFU Insurance Limited - Connected person due to holding more than 10% units</b>		
Issue of 505,761 (2019: Nil) units	50,076	-
<b>The Citizen Foundation - Connected person due to holding more than 10% units</b>		
Issue of 475,449 (2019: Nil) units	45,520	-
Redemption of 180,942 (2019: Nil) units	15,444	-
Dividend paid	71	-
<b>19.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration payable to the Management Company	700	415
Sindh Sales Tax on remuneration of the Management Company	91	54
Allocation of expenses related to registrar services, accounting, operation and valuation services	144	21
Sales load payable	8	1
Selling and marketing expense payable	843	255
Units held: 578,317 (2019: 398,758)	58,029	37,239
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	79	66
Security deposit	100	100
CDS charges payable	5	5
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	14,008	5,175
<b>Directors and Executives of the Management Company</b>		
Units held: 30,472 (2019: 36,471)	3,058	3,406

	2020	2019
	------(Rupees in '000)-----	
<b>MCB Bank Limited - Connected person due to holding more than 10% units:</b>		
Bank balance	781	256
Units held: 1,022,050 (2019: 1,022,050)	<b>102,554</b>	95,446
<b>EFU Insurance Limited - connected person due to holding more than 10% units</b>		
Units held: 505,761 (2019: Nil)	<b>50,749</b>	-
<b>The Citizen Foundation - Connected person due to holding more than 10% units</b>		
Units held: 475,449 (2019: Nil)	<b>47,707</b>	-

## 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 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 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 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 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 7.00% to 14.05% (2019: 10.28% to 13.5%) 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, 2020 with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 0.035 million (2019: Rs 0.031 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, 2020				
		Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	
On-balance sheet financial instruments	Effective yield / interest rate	Upto three months	More than three months and upto one year	More than one year	to Yield / Interest rate risk	Total
Financial assets	%	----- Rupees in '000 -----				
Balances with banks	7.00 - 14.05	26,210	-	-	264	26,474
Investments						
Listed equity securities		-	-	-	406,330	406,330
Dividend and mark-up receivable		-	-	-	166	166
Receivable against sale of investments - net		-	-	-	1,657	1,657
Deposits		-	-	-	2,600	2,600
<b>Sub total</b>		26,210	-	-	411,017	437,227
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	1,695	1,695
Payable to the Trustee		-	-	-	75	75
Payable against redemption of units		-	-	-	2,112	2,112
Accrued expenses and other liabilities		-	-	-	1,138	1,138
<b>Sub total</b>		-	-	-	5,020	5,020
<b>On-balance sheet gap (a)</b>		26,210	-	-	405,998	432,207
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		26,210	-	-	-	-
<b>Cumulative interest rate sensitivity gap</b>		26,210	-	-	-	-

		As at June 30, 2019					
On-balance sheet financial instruments	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 -----					
<b>Financial assets</b>							
Balances with banks	10.28 - 13.50	27,147	-	-	1,092	28,239	
Investments							
Listed equity securities		-	-	-	217,781	217,781	
Dividend and mark-up receivable		-	-	-	956	956	
Deposits		-	-	-	2,600	2,600	
Receivables against sale of investments - net		-	-	-	6,012	6,012	
<b>Sub total</b>		<b>27,147</b>	<b>-</b>	<b>-</b>	<b>228,441</b>	<b>255,588</b>	
<b>Financial liabilities</b>							
Payable to the Management Company		-	-	-	692	692	
Payable to the Trustee		-	-	-	63	63	
Payable against redemption of units		-	-	-	82	82	
Accrued expenses and other liabilities		-	-	-	505	505	
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,342</b>	<b>1,342</b>	
<b>On-balance sheet gap (a)</b>		<b>27,147</b>	<b>-</b>	<b>-</b>	<b>227,099</b>	<b>254,246</b>	
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Total interest rate sensitivity gap (a) + (b)</b>	<b>27,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Cumulative interest rate sensitivity gap</b>		<b>27,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

### 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 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 20.16 million (2019: Rs 10.89 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 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.

**20.2.1** The analysis below summarises the credit quality of the funds' bank balances as at June 30, 2020 and June 30, 2019.

Name of the company	Balances as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
-----Rupees in '000'-----			
<b>Balances with banks by rating category:</b>			
MCB Bank Limited	781	A-1+	PACRA
Habib Bank Limited	14,008	A-1+	JCR - VIS
JS Bank Limited	11,626	A-1+	PACRA
Soneri Bank Limited	59	A-1+	PACRA
	26,474		

Name of the company	Balances as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
-----Rupees in '000'-----			
<b>Balances with banks by rating category:</b>			
MCB Bank Limited	256	A-1+	PACRA
Habib Bank Limited	4,083	A-1+	JCR - VIS
JS Bank Limited	22,749	A-1+	PACRA
Soneri Bank Limited	59	A-1+	PACRA
	27,147		

The maximum exposure to credit risk as at June 30, 2020 and June 30, 2019 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:

	2020	2019
Rating by rating category	(Percentage)	
A-1+	100.00	100.00

**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 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.

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, 2020			
	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	1,695	-	-	1,695
Payable to the Trustee	75	-	-	75
Payable against redemption of units	2,112	-	-	2,112
Dividend payable	102	-	-	102
Accrued expenses and other liabilities	1,026	112	-	1,138
	<u>5,010</u>	<u>112</u>	<u>-</u>	<u>5,122</u>

Particulars	As at June 30, 2019			
	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	692	-	-	692
Payable to the Trustee	63	-	-	63
Payable against redemption of units	82	-	-	82
Accrued expenses and other liabilities	351	154	-	505
	<u>1,188</u>	<u>154</u>	<u>-</u>	<u>1,342</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 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 value 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).

		June 30, 2020						
		Carrying amount			Fair Value			
Note		Fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----								
	<b>Financial assets measured at fair value</b>	22.1						
	Listed equity securities	406,330	-	406,330	406,330	-	-	406,330
		<u>406,330</u>	<u>-</u>	<u>406,330</u>	<u>406,330</u>	<u>-</u>	<u>-</u>	<u>406,330</u>
	<b>Financial assets not measured at fair value</b>	22.2						
	Bank balances	-	26,474	26,474				
	Dividend and mark-up receivable	-	166	166				
	Receivables against sale of investments - net	-	1,657	1,657				
	Deposits	-	2,600	2,600				
		<u>-</u>	<u>30,897</u>	<u>30,897</u>				
	<b>Financial liabilities not measured at fair value</b>	22.2						
	Payable to the Management Company	-	1,695	1,695				
	Payable to the Trustee	-	75	75				
	Payable against redemption of units		2,112	2,112				
	Dividend payable		214	214				
	Accrued expenses and other liabilities	-	1,138	1,138				
		<u>-</u>	<u>5,234</u>	<u>5,234</u>				
------(Rupees in '000)-----								
		June 30, 2019						
		Carrying amount			Fair Value			
Note		Fair value through profit or loss	At amortized cost	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----								
	<b>Financial assets measured at fair value</b>	22.1						
	Listed equity securities	217,781	-	217,781	217,781	-	-	217,781
		<u>217,781</u>	<u>-</u>	<u>217,781</u>	<u>217,781</u>	<u>-</u>	<u>-</u>	<u>217,781</u>
	<b>Financial assets not measured at fair value</b>	22.2						
	Bank balances	-	28,239	28,239				
	Dividend and mark-up receivable	-	956	956				
	Receivable against sale of investments	-	6,012	6,012				
	Deposits	-	2,600	2,600				
		<u>-</u>	<u>37,807</u>	<u>37,807</u>				
	<b>Financial liabilities not measured at fair value</b>	22.2						
	Payable to the Management Company	-	692	692				
	Payable to the Trustee	-	63	63				
	Payable against redemption of units	-	82	82				
	Dividend payable	-	-	-				
	Accrued expenses and other liabilities	-	505	505				
		<u>-</u>	<u>1,342</u>	<u>1,342</u>				

## 22.1 Valuation techniques

For level 1 investments at fair value through profit or loss<sup>1</sup> - 'Investment in respect of equity securities, the Fund uses daily quotation rates which are taken from Pakistan Stock Exchange Limited at the reporting date.

**22.2** 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.

## 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, 2020**

- 1 AKD Securities Limited
- 2 WE Financial Services Limited
- 3 IGI Finex Securities Limited
- 4 Next Capital Limited
- 5 JS Global Capital Limited
- 6 AL Falah Securities (Private) Limited
- 7 BMA Capital Management Limited
- 8 Nael Capital (Private) Limited
- 9 BIPL Securities Limited
- 10 Taurus Securities Limited

**Top ten brokers during the year ended June 30, 2019**

- 1 Aha Ali Habib Securities (Private) Limited
- 2 AL Falah Securities (Private) Limited
- 3 Arif Habib Limited
- 4 BMA Capital Management Limited
- 5 DJM Securities (Private) Limited
- 6 EFG Hermes Pakistan Limited
- 7 Intermarket Securities Limited
- 8 JS Global Capital Limited
- 9 Optimus Capital Management (Private) Limited
- 10 Topline 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, 2020 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	Bsc	21+
2	Adeel Abdul Wahab	Head of Equity	ACCA	12+
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+
4	Karim Khawaja	Head of Risk	MBA, CMA	17+

**25 PATTERN OF UNIT HOLDING**

Pattern of unit holding as at June 30, 2020 is as follows:

Category	As at June 30, 2020			
	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	182	1,095,857	109,960	26.01%
Associated Company and Director	1	578,316	58,029	13.73%
Retirement Funds	4	252,630	25,349	6.00%
Banks	1	1,022,050	102,553	24.26%
Insurance companies	1	505,761	50,749	12.00%
Trust	3	758,533	76,112	18.00%
<b>Total</b>	<b>192</b>	<b>4,213,147</b>	<b>422,752</b>	<b>100.00%</b>

Pattern of unit holding as at June 30, 2019 was as follows:

Category	As at June 30, 2019			
	Number of unit holders	Number of units held	Investment amount	Percentage
Individuals	131	928,879	86,745	35.32%
Associated Company and Director	2	429,406	40,101	16.33%
Retirement Funds	2	60,924	5,690	2.32%
Banks	1	1,022,050	95,446	38.86%
Trust	2	188,627	17,615	7.17%
<b>Total</b>	<b>138</b>	<b>2,629,886</b>	<b>245,597</b>	<b>100.00%</b>

## 26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 29, 2019 ,October 29, 2019, February 13, 2020 ,March 02, 2020 and April 29, 2020 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	
1	Mr. Farid Ahmed Khan*	1	1	-	-
2	Mr. Mir Adil Rashid **	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa***	2	2	-	-

\*Resigned on September 15, 2019.

\*\*Appointed on September 16, 2019.

\*\*\*Appointed on October 29, 2019 and Resigned on February 24, 2020.

\*\*\*\* Resigned on May 14, 2020.

## 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 HBL Equity Fund for the year ended June 30, 2020 is 5.43% (2019: 3.94%) which includes 0.55% (2019: 0.43%) representing Government levy and SECP fee. This exceeds the limit of 4.5% specified by SECP vide SRO 639(I)/2019, dated June 20, 2019. We have been informed that subsequent to the year end, the Fund has reversed Rs. 1.093 million charged under reimbursement charged to the Funds to compensate the breach of the expense ratio for the year ended June 30, 2020.

## 28 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2020 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.

**30.2** In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

**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 Government Securities Fund**

## FUND INFORMATION

<b>NAME OF FUND</b>	<b>HBL Government Securities Fund</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited</b>
<b>NAME OF AUDITORS</b>	<b>BDO Ebrahim &amp; Co. Chartered Accountants.</b>
<b>NAME OF BANKERS</b>	<b>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 Taraqiati Bank Limited MCB Bank Limited Soneri Bank Limited United Bank Limited Sindh Bank limited NRSP Microfinance Bank Limited</b>

**Type and Category of Fund**

Open end Sovereign Income Fund

**Investment Objective and Accomplishment of Objective**

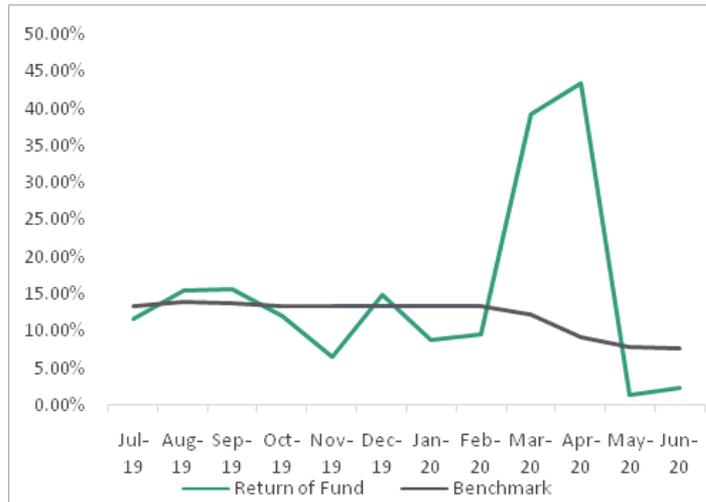
The investment objective of the Fund is to provide consistent returns to its investors through active investments in a blend of short, medium and long term securities issued and / or guaranteed by Government of Pakistan. The Fund will aim to provide superior risk adjusted returns through active duration 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:

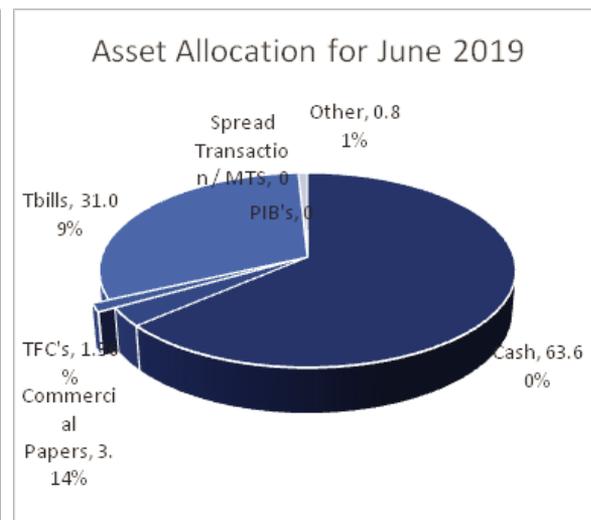
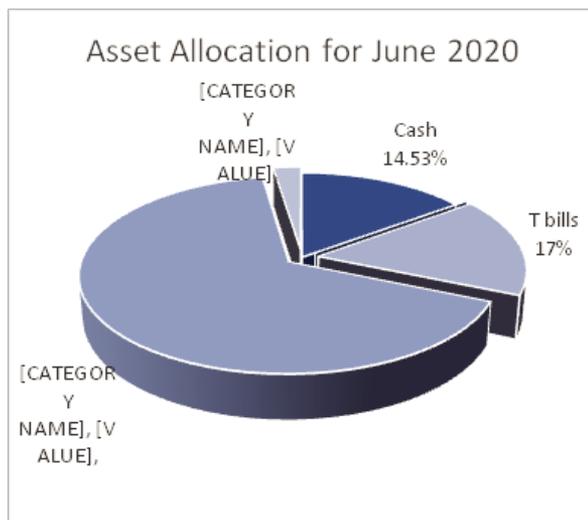
Month	Return of Fund	Benchmark
Jun-20	2.33%	7.64%
May-20	1.31%	7.81%
Apr-20	43.33%	9.18%
Mar-20	39.17%	12.21%
Feb-20	9.47%	13.39%
Jan-20	8.72%	13.33%
Dec-19	14.77%	13.35%
Nov-19	6.45%	13.35%
Oct-19	11.92%	13.41%
Sep-19	15.61%	13.79%
Aug-19	15.35%	13.93%
Jul-19	11.61%	13.37%



**Strategies and Policies employed during the Year**

During the year, the fund was majorly invested in Government Securities (T-Bills and PIBs) of various tenors. HBL Government Securities Fund posted an annualized return (YTD) of 16.02% compared to peer's average of 6.94% in FY19. During the year, our focus was to take only long term holding in both fixed and floating rate PIBs to augment returns for the investors in declining interest rate environment. As per the policy, HBL GSF maintained 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 exposure of 70% on a monthly basis in T-bills and PIBs as per the regulatory requirement. However, towards the Fiscal Year end exposure in Fixed and Floating rate PIBs was increased. Due to above changes in asset allocation, weighted average time to maturity increased to 1,337 days as compared to 60 day in June 2019. Going forward, we will shift exposure from Fixed Rate PIBs to Floating Rate PIBs to augment returns and outperform the benchmark.

## Fund Performance

The total income and net income of the Fund was Rs. 608.77 million and Rs. 520.97 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs. 112.2745 per unit as on June 30, 2020 as compared to Rs. 105.8419 per unit as on June 30, 2019, after incorporating dividend of Rs. 10.60 per unit, thereby giving an annualized return of 16.02%. During the same year the benchmark (6 Month PKRV Rates) return was 12.07%. The size of Fund was Rs. 3.51 billion as on June 30, 2020 as compared to Rs. 2.12 billion at the start of the year.

## Money Market Review

FY20 was a tale of two half for the money market. SBP continued its monetary tightening stance in the first half of FY20 to control the rising current account deficit and anchor increasing inflationary pressures. However post the Covid-19 pandemic SBP turned dovish and decreased the interest rate by a cumulative 625bps to revive the economy.

Yields across all the tenors decreased by 415-641 bps during FY20 due to cumulative decrease of 525 bps in SBP policy rate in FY20. Secondary market yields of 3, 5 and 10-year PIBs decreased by 632, 577 and 503 bps respectively while yields of 3, 6 and 12 month T-Bills decreased in tandem by 566, 580 and 608 bps respectively during FY20. Latest cut-off yields stood at 7.97%, 8.44%, 8.99%, 9.90% and 10.51% for the 3-year, 5-year, 10-year, 15-year and 20-year PIBs, respectively.

During the FY20, Government largely managed its borrowing requirements through domestic sources, and largely from commercial banks. Government borrowed PKR 2,302bn from scheduled banks compared to retirement of PKR 875bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 135bn during the period against borrowing of PKR 3,078bn during same period last year. This shift in borrowing took place as IMF has restricted borrowing from the central bank to avoid inflationary pressure. Going forward the government will continue to meet additional borrowing requirements from the commercial banks.

In the monetary policy held in June-20, SBP decreased the policy rate by a further 100bps to 7.0%. Going forward, we feel that the bulk of monetary easing has taken place and we are close to the bottom of the interest rate cycle. However, SBP has indicated its monetary policy would remain data driven and we may witness another 50-100bps reduction in interest rate in the calendar year.

## Distribution

The Fund has distributed cash dividend up-to Rs. 10.60 per unit for the year ended June 30, 2020.

## 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	314	8,882
101 – 500	130	33,657
501 – 1,000	75	59,326
1,001 – 10,000	426	1,990,879
10,001 – 100,000	369	11,466,279
100,001 – 500,000	49	9,169,896
500,001 – 1,000,000	6	4,563,775
1,000,001 – 5,000,000	3	3,960,052
5,000,001 and above	-	-
<b>Total</b>	<b>1,372</b>	<b>31,252,745</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, 2020

	2020	2019	2018	2017	2016	2015
Net assets at the period end(Rs'000)	3,508,887	2,116,284	313,637	1,369,950	2,114,271	1,324,011
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Class C Units						
Redemption	112.2745	105.8419	110.4244	105.4266	105.2098	102.9612
Offer - Class C	112.2745	105.8419	110.4244	105.4265	105.2098	102.9612
Offer - Class D	112.2745	108.2339	112.2961	107.2135	106.5249	104.2482
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit - Class C	123.1555	115.393	110.4244	112.4052	110.7623	112.5040
Lowest offer price per unit - Class C	105.9108	105.7493	105.4759	105.2610	102.9154	100.2531
Highest offer price per unit - Class D	125.9388	117.9627	112.2482	112.6839	112.1468	113.9103
Lowest offer price per unit - Class D	108.3044	107.5855	107.2637	106.5768	104.2018	101.5063
Highest redemption price per unit	123.1555	115.3557	110.4244	110.8057	110.7623	112.5040
Lowest redemption price per unit	105.9108	105.7219	105.4759	105.2610	102.9154	100.2531
<b>RETURN ( % )</b>						
Total return	16.02%	9.35%	4.74%	5.54%	7.85%	11.75%
Income distribution	10.60%	9.70%	4.75%	5.60%	5.85%	9.00%
Capital growth	5.42%	-0.35%	-0.01%	-0.06%	2.00%	2.75%
<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)		-	-	-	5.85	9.00
Date of Income Distribution					30-Jun-16	24-Jun-15
Final dividend distribution (Rs)	10.60	9.70	4.75	5.60	-	-
Date of Income Distribution	26-Jun-19	25-Jun-19	04-Jul-18	19-Jun-17		
Total dividend distribution for the year/ period (Rs)	10.60	9.70	4.75	5.60	5.85	9.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	16.02%	9.35%	4.74%	5.54%	7.85%	11.75%
Average annual return 2 year	12.64%	7.02%	5.14%	6.70%	9.80%	10.26%
Average annual return 3 year	9.94%	6.52%	6.04%	8.36%	9.46%	10.01%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	14.53%	63.60%	98.68%	32.35%	45.00%	24.00%
T-Bills	16.12%	31.09%	0.00%	2.05%	3.00%	3.00%
Placement with Banks and DFIs	0.00%	0.00%	0.00%	13.32%	10.00%	0.00%
PIBs	64.70%	0.00%	0.00%	49.46%	18.00%	61.00%
Commercial Papers	0.00%	3.14%	0.00%	0.00%	0.00%	0.00%
Corporate Sukuks / TFCs	2.27%	1.36%	0.00%	0.00%	11.00%	7.00%
MTS / Spread Transactions	0.00%	0.00%	0.02%	2.07%	12.00%	1.00%
Others Including receivables	2.38%	0.81%	1.30%	0.75%	1.00%	4.00%
Weighted average portfolio during (No. of days)	1,337	1	1	714	406	1,023

**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.

# PROXY VOTING DISCLOURE

Summary of Actual Proxy voted by CIS

HBL GSF	Meetings	Resolutions	For	Against
Number	7	10	10	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Allied Bank Ltd	14/11/2018)(28/3/2019)(16/5/2019)	27/08/2018
Amreli Steels Limited	23/10/2018	
Askari Bank Ltd	25/3/2019	
AGP Limited	17/4/2019	
Bank of Punjab	29/3/2019	
Bank Al Habib Ltd	27/3/2019	
Bank Alfalah Ltd	25/09/2018)(28/3/2019)	
DG Khan Cement Ltd	27/10/2018	17/4/2019
Engro Corporation Ltd	(3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019)	(25/09/2018)(28/5/2019)
Engro Fertilizer Ltd	(2/10/2018)(26/11/2018)(28/3/2019)	27/5/2019
Engro Polymer & Chemicals Ltd	(18/09/2018)(1/4/2019)	
Exide Pakistan Ltd		
Fauji Fertilizer Bin Qasim Ltd	29/3/2019	
Fauji Fertilizer Co Ltd	(28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019)	
Faysal Bank Limited	28/3/2019	07-10-18
Highnoon Lab	29/4/2019	31/08/2018
Habib Bank Limited	(19/09/2018)(17/12/2018)(27/3/2019)(21/6/2019)	21/6/2019
Hub Power Company Ltd	(5/10/2018)(30/4/2019)	(22/6/2018)(16/4/2019)
Hascol Petroleum	(18/09/2018)(19/11/2018)(29/4/2019)	10-10-18
Indus Motor Company Limited	(16/10/2018)(19/11/2018)(18/3/2019)(17/5/2019)	
International Industries Ltd	(28/09/2018)(22/3/2019)	
International Steels Limited	(25/09/2018)(22/3/2019)	
Kohat Cement Co Ltd	25/10/2018	29/6/2019
Kohinoor Textile Mill Ltd	27/10/2018)(21/3/2019)	
Lucky Cement Ltd	(28/09/2018)(27/10/2018)	
Lotte Chemical Pakistan Ltd	(19/11/2018)(18/4/2019)	
Maple Leaf Cement Factory	27/10/2018	
Mughal Iron & Steel Industries	27/10/2018	
Mari Petroleum Company Ltd	18/10/2018)(20/3/2019)	
Meezan Bank Ltd	2/10/2018)(28/3/2019)(20/5/2019	17/11/2018
MCB Bank Ltd	(28/08/2018)(22/11/2018)(29/3/2019)(23/5/2019)	
Mughal iron & Steel	27/10/2018	
Nishat (Chunian) Ltd	26/10/2018)(17/4/2019)	20/08/2018
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Nishat Chunian Power Ltd	26/10/2018)(2/4/2019)(23/6/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Pakgen Power Ltd	30/4/2019	25/10/2018
Pakistan Petroleum Ltd	26/10/2018	
Pakistan Oilfields Ltd	(25/09/2018)(20/3/2019)	
Pakistan State Oil Company Ltd	(02/10/2018)(16/10/2018)(19/6/2019)	
Sitara Chemical Ind.	27/10/2018	20/6/2019
Sui Northern Gas Pipeline Ltd	23/5/2019	
TPL Insurance	(27/09/2018)(16/10/2018)(12/11/2018)(17/4/2019)	
Thal Limited	(22/10/2018)(20/3/2019)	
The Searle Company Ltd	22/11/2018	
United Bank Ltd	(18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019)	

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL GOVERNMENT SECURITIES FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 21, 2020





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 Pakistan



**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS**

**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, 2020, 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, 2020, 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><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, 2020, the investments held by the Fund comprised of debt instruments which represent 83% 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 at the Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2020 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> <li>We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investments portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>
2.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.</p> <p>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.</p> <p>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realized or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, 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.</p> <p>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations.</li> </ul> <p>We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund.</p> <ul style="list-style-type: none"> <li>We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</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 Zulfikar Ali Causer.

KARACHI

DATED: 27 AUG 2020

BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

**HBL Government Securities Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2020*

	Note	2020 ------(Rupees in '000)-----	2019
<b>ASSETS</b>			
Bank balances	5	523,734	2,013,539
Investments	6	2,994,984	1,127,529
Profit / mark-up receivable	7	83,265	23,146
Advances, deposits, prepayments and other receivables	8	2,279	1,718
<b>TOTAL ASSETS</b>		<b>3,604,262</b>	<b>3,165,932</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	14,233	10,329
Payable to the Trustee	10	233	224
Payable to Securities and Exchange Commission of Pakistan	11	690	670
Payable against redemption of units		-	20,774
Payable against Purchase of investment - net		-	984,910
Dividend payable		32	1,002
Accrued expenses and other liabilities	12	80,188	31,741
<b>TOTAL LIABILITIES</b>		<b>95,376</b>	<b>1,049,650</b>
<b>NET ASSETS</b>		<b>3,508,886</b>	<b>2,116,282</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>3,508,886</b>	<b>2,116,282</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	13		
		----- Number of units -----	
<b>Number of units in issue</b>	14	<b>31,252,745</b>	<b>19,994,755</b>
		----- Rupees -----	
<b>Net assets value per unit</b>		<b>112.2745</b>	<b>105.8419</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**

# HBL Government Securities Fund

## Income Statement

For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
<b>Income</b>			
Capital gain on sale of investments - net		81,783	1,159
Income from Government securities		266,261	18,736
Income from term finance certificates and corporate sukuk bonds		16,167	2,220
Income from commercial papers		677	4,468
Income from Margin Trading System		-	153
Profit / mark-up on bank deposits		123,929	75,450
		<u>488,817</u>	<u>102,186</u>
Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.3	<u>119,956</u>	<u>53</u>
		<b>608,773</b>	<b>102,239</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	41,009	10,705
Sindh Sales Tax on remuneration of the Management Company	9.2	5,331	1,392
Remuneration of the Trustee	10.1	2,242	1,127
Sindh Sales Tax on remuneration of the Trustee	10.3	291	146
Annual fee to Securities and Exchange Commission of Pakistan	11.1	690	670
Allocation of fee and expenses related to registrar services, accounting, operation and valuation services	9.3	7,880	893
Selling and marketing expense	9.4	15,901	943
Auditors' remuneration	15	444	443
Fee and subscription		301	388
Securities transaction costs and settlement charges		2,144	976
Bank charges		938	361
		<u>77,171</u>	<u>18,044</u>
<b>Net income for the year from operating activities</b>		<b>531,602</b>	<b>84,195</b>
Provision for Sindh Workers' Welfare Fund	12.2	(10,632)	(1,684)
<b>Net income for the year before taxation</b>		<b>520,970</b>	<b>82,511</b>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<b>520,970</b>	<b>82,511</b>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		210,079	25,416
Accounting income available for distribution:			
Relating to capital gains		113,979	439
Excluding capital gains		196,912	56,656
		<u>310,891</u>	<u>57,095</u>
		<u>520,970</u>	<u>82,511</u>
<b>Earnings per unit</b>	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

	Note	2020 ------(Rupees in '000)-----	2019
Net income for the year		<b>520,970</b>	82,511
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b><u>520,970</u></b>	<b><u>82,511</u></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**

**HBL Government Securities Fund**  
**Statement of Movement In Unit Holders' Fund**  
For the year ended June 30, 2020

	2020			2019		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	------(Rupees in '000)-----					
<b>Net assets at beginning of the year</b>	2,041,657	74,625	2,116,282	229,135	84,502	313,637
<b>Issuance of 64,035,257 units (2019: 36,463,226 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	6,810,950	-	6,810,950	3,853,322	-	3,853,322
Element of income	506,531	-	506,531	191,579	-	191,579
<b>Total proceeds on issuance of units</b>	7,317,481	-	7,317,481	4,044,901	-	4,044,901
<b>Redemption of 52,777,267 units (2019: 19,308,759 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(5,603,812)	-	(5,603,812)	(2,040,500)	-	(2,040,500)
Income already paid on redemption of units	-	(210,079)	(210,079)	-	(25,416)	(25,416)
Element of loss	(335,979)	-	(335,979)	(69,050)	-	(69,050)
<b>Total payments on redemption of units</b>	(5,939,791)	(210,079)	(6,149,870)	(2,109,550)	(25,416)	(2,134,966)
<b>Total comprehensive income for the year</b>	-	520,970	520,970	-	82,511	82,511
<b>Annual distribution Rs. 4.75 per unit declared on July 04, 2018 as cash dividend</b>						
Refund of capital	-	-	-	(196)	-	(196)
Distribution during the year	-	-	-	-	(13,295)	(13,295)
<b>Interim distribution</b>						
<b>Rs. 9.70 per unit declared on June 25, 2019 as cash dividend</b>						
Refund of capital	-	-	-	(122,633)	-	(122,633)
Distribution during the year	-	-	-	-	(53,677)	(53,677)
<b>Rs 10.60 per unit declared on June 26, 2020 as cash dividend</b>						
Refund of capital	(104,759)	-	(104,759)	-	-	-
Distribution during the year	-	(191,218)	(191,218)	-	-	-
	(104,759)	329,752	224,993	(122,829)	15,539	(107,290)
<b>Net assets at end of the year</b>	3,314,588	194,298	3,508,886	2,041,657	74,625	2,116,282
<b>Undistributed income brought forward</b>						
Realised income		74,572			84,502	
Unrealised income		53			-	
		74,625			84,502	
<b>Accounting income available for distribution</b>						
Relating to capital gains		113,979			439	
Excluding capital gains		196,912			56,656	
		310,891			57,095	
<b>Distributions during the year:</b>						
Annual distribution of Rs. 4.75 per unit declared on July 04, 2018 as cash dividend		-			(13,295)	
Interim distribution Rs. 9.70 per unit declared on June 25, 2019 as cash dividend		-			(53,677)	
Interim distribution of Rs 10.60 per unit declared on June 26, 2020 as cash dividend		(191,218)			-	
		(191,218)			(66,972)	
<b>Undistributed income carried forward</b>		194,298			74,625	
<b>Undistributed income carried forward</b>						
Realised income		74,342			74,572	
Unrealised income		119,956			53	
		194,298			74,625	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			105.8419			110.4244
<b>Net assets value per unit at end of the year</b>			112.2745			105.8419

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 Cash Flows

For the year ended June 30, 2020

Note	2020	2019
	------(Rupees in '000)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net income for the year before taxation</b>	<b>520,970</b>	<b>82,511</b>
<b>Adjustments for:</b>		
Capital gain on sale of investments - net	<b>(81,783)</b>	(1,159)
Income from Government securities	<b>(266,261)</b>	(18,736)
Income from term finance certificates and corporate sukuk bonds	<b>(16,167)</b>	(2,220)
Income from commercial papers	<b>(677)</b>	(4,468)
Income from Margin Trading System	-	(153)
Profit / mark-up on bank deposits	<b>(123,929)</b>	(75,450)
Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	<b>(119,956)</b>	(53)
	<b>(87,803)</b>	(19,728)
<b>(Increase) / decrease in assets</b>		
Investments - net	<b>(2,556,022)</b>	(125,946)
Receivable against Margin Trading System	-	77
Advances, deposits, prepayments and other receivables	<b>(561)</b>	592
	<b>(2,556,583)</b>	(125,277)
<b>Increase in liabilities</b>		
Payable to the Management Company	<b>3,904</b>	9,985
Payable to the Trustee	9	200
Payable to Securities and Exchange Commission of Pakistan	20	156
Accrued expenses and other liabilities	<b>48,447</b>	9,559
	<b>52,380</b>	19,900
<b>Cash used in operations</b>	<b>(2,592,006)</b>	(125,105)
Income received from Government securities	<b>93,718</b>	5,494
Income received from term finance certificates and corporate sukuk bonds	<b>16,246</b>	982
Income from commercial papers	-	2,245
Income received from Margin Trading System	-	154
Profit / mark-up received on bank deposits	<b>142,347</b>	55,597
	<b>252,311</b>	64,472
<b>Net cash used in operating activities</b>	<b>(2,339,695)</b>	(60,633)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	<b>7,317,481</b>	4,044,901
Payment against redemption of units	<b>(6,170,644)</b>	(2,114,715)
Dividend paid	<b>(296,947)</b>	(188,799)
Net cash generated from financing activities	<b>849,890</b>	1,741,387
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(1,489,805)</b>	1,680,754
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,013,539</b>	332,785
<b>Cash and cash equivalents at end of the year</b>	<b>523,734</b>	2,013,539

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 PICIC Asset Management fund Limited (now, HBL Asset Management Limited) as the Management fund and Central Depository fund 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.

Through an order dated August 31, 2016, SECP approved the merger of PICIC Asset Management fund Limited with and into HBL Asset Management Limited effective from August 31, 2016 and the trust deed was revised on February 17, 2017. Effective from September 1, 2016, HBL Asset Management Limited became Management fund 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 fund of Habib Bank Limited.

The Management fund of the Fund has been registered as a Non-Banking Finance fund (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 fund 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.

JCR-VIS Credit Rating fund has assigned a management quality rating of 'AM2+' (AM Two Plus) to the Management fund and assigned stability rating of A+(f) to the Fund as at December 31, 2019 and December 30, 2019, respectively.

Title to the assets of the Fund is held in the name of Central Depository fund 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, the provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984, the 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 convention, except certain financial assets which are measured at fair value.

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 Pakistani Rupees, which is the Fund's functional and presentation 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 18 to these financial statements.

### **Impairment of investment**

For details please refer note 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 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS**

### **3.1 Standards / amendments that are effective in current year and relevant to the Fund**

The Fund has adopted the standards / amendments to the following approved accounting and reporting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 9 Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019

**Effective date  
(annual periods  
beginning on or after)**

IFRIC 23 Uncertainty over Income Tax Treatments

January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

**Annual improvements to IFRSs (2015 – 2017) Cycle:**

IFRS 3 Business Combinations

January 01, 2019

IFRS 11 Joint Arrangements

January 01, 2019

IAS 12 Income Taxes

January 01, 2019

IAS 23 Borrowing Costs

January 01, 2019

**3.2 Amendments that are effective in current year and not relevant to the Fund**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

**Effective date  
(annual periods  
beginning on or after)**

IFRS 8 Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities

January 01, 2019

IFRS 16 Leases - Original issue

January 01, 2019

IAS 19 Employee benefits - Amendments regarding plan amendments, curtailments or settlements

January 01, 2019

IAS 28 Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures

January 01, 2019

IFRS 14 Regulatory Deferral Accounts - Original issue

January 01, 2019

**3.3 Amendments not yet effective**

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.

January 01, 2020

IFRS 3 Business Combinations - Amendments to clarify the definition of a business

January 01, 2020

IFRS 3 Business Combinations - Amendments updating a reference to the Conceptual Framework

January 01, 2022

IFRS 4 Insurance Contracts - Amendments regarding the expiry date of the deferral approach

January 01, 2023

	<b>Effective date (annual periods beginning on or after)</b>
IFRS 7 Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9 Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2023
IFRS 9 Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16 Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification	January 01, 2020
IFRS 17 Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1 Presentation of Financial Statements - amendments regarding the definition of materiality	January 01, 2020
IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 16 Property, Plant and Equipment - Amendments prohibiting a fund from deducting from the cost of property, plant and equipment amounts received from selling items produced while the fund is preparing the asset for its intended use	January 01, 2022
IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39 Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

**Annual improvements to IFRSs (2018 – 2020) Cycle:**

IFRS 1 First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9 Financial Instruments	January 01, 2022
IFRS 41 Agriculture	January 01, 2020

### **3.4 Standards or interpretations not yet effective**

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

The Fund's expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the fund's financial statements in the period of initial application.

## **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. Cash and cash equivalents are carried in the statement of assets and liabilities at nominal amount.

### **4.2 Financial instruments**

#### **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, fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment 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.

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.

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.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest 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.

#### **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, advances, 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 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 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 fund 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 at a time apportionment basis 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 Expenses**

All expenses including NAV based expenses are recognised in the income statement on a time apportionment basis.

#### **4.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

**4.12 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

5	<b>BANK BALANCES</b>	Note	2020 ------(Rupees in '000)-----	2019
	Cash at bank			
	In savings accounts	5.1	523,734	2,009,536
	In current account		-	4,003
			<u>523,734</u>	<u>2,013,539</u>

**5.1** These accounts carry mark-up at rates ranging between 6.00% to 14.50% (2019: 8.00% and 13.60%) per annum. This includes an amount held by a related party (Habib Bank Limited) amounting to Rs. 282.377 million (2019: Rs. 140.432 million) on which return is earned at rate ranging between 6.53% to 14.50% (2019: 13.60%) per annum.

6	<b>INVESTMENTS</b>	Note	2020 ------(Rupees in '000)-----	2019
	Financial assets			
	At fair value through profit or loss	6.1	2,994,984	1,028,205
	At amortized cost	6.2	-	99,324
			<u>2,994,984</u>	<u>1,127,529</u>

**6.1 Financial assets at fair value through profit or loss**

	Government securities			
	Market Treasury Bills	6.1.1	581,032	984,996
	Pakistan Investment Bonds	6.1.2	2,332,126	89
	GoP Ijarah Sukuk Certificates	6.1.3	-	-
			<u>2,913,158</u>	<u>985,085</u>
	Term Finance Certificates and Corporate Sukuk Bonds	6.1.4	81,826	43,120
			<u>2,994,984</u>	<u>1,028,205</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, 2020	Market value as at June 30, 2020	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, 2019	Purchases during the year	Sales / matured during the year	As at June 30, 2020					
Rupees in '000										
April 25, 2019	3 Months	-	4,000,000	4,000,000	-	-	-	-	-	-
May 23, 2019	3 Months	1,000,000	2,150,000	3,150,000	-	-	-	-	-	-
July 18, 2019	3 Months	-	16,695,000	16,695,000	-	-	-	-	-	-
August 1, 2019	3 Months	-	4,250,000	4,250,000	-	-	-	-	-	-
August 16, 2019	3 Months	-	3,000,000	3,000,000	-	-	-	-	-	-
August 29, 2019	12 Months	-	3,000,000	3,000,000	-	-	-	-	-	-
September 12, 2019	12 Months	-	700,000	700,000	-	-	-	-	-	-
September 26, 2019	3 Months	-	150,000	150,000	-	-	-	-	-	-
September 26, 2019	12 Months	-	500,000	500,000	-	-	-	-	-	-
October 10, 2019	3 Months	-	290,000	290,000	-	-	-	-	-	-
October 10, 2019	6 Months	-	500,000	500,000	-	-	-	-	-	-
October 10, 2019	12 Months	-	500,000	500,000	-	-	-	-	-	-
October 12, 2019	12 Months	-	50,000	50,000	-	-	-	-	-	-
October 24, 2019	3 Months	-	2,449,000	2,449,000	-	-	-	-	-	-
October 24, 2019	6 Months	-	550,000	550,000	-	-	-	-	-	-
October 24, 2019	12 Months	-	500,000	500,000	-	-	-	-	-	-
November 7, 2019	3 Months	-	500,000	500,000	-	-	-	-	-	-
November 7, 2019	12 Months	-	500,000	500,000	-	-	-	-	-	-
December 5, 2019	3 Months	-	500,000	500,000	-	-	-	-	-	-
December 19, 2019	3 Months	-	1,675,000	1,675,000	-	-	-	-	-	-
December 19, 2019	12 Months	-	500,000	500,000	-	-	-	-	-	-
January 2, 2020	3 Months	-	750,000	750,000	-	-	-	-	-	-
January 2, 2020	12 Months	-	500,000	500,000	-	-	-	-	-	-
January 30, 2020	3 Months	-	520,000	520,000	-	-	-	-	-	-
January 30, 2020	12 Months	-	500,000	400,000	100,000	93,287	96,084	2,797	2.74%	3.21%
February 27, 2020	3 Months	-	100,000	100,000	-	-	-	-	-	-
March 12, 2020	3 Months	-	375,000	375,000	-	-	-	-	-	-
March 12, 2020	6 Months	-	250,000	-	250,000	244,287	246,596	2,309	7.03%	8.23%
March 12, 2020	12 Months	-	250,000	-	250,000	231,458	238,352	6,894	6.79%	7.96%
March 26, 2020	3 Months	-	380,000	380,000	-	-	-	-	-	-
April 9, 2020	3 Months	-	500,000	500,000	-	-	-	-	-	-
April 9, 2020	12 Months	-	250,000	250,000	-	-	-	-	-	-
April 23, 2020	12 Months	-	200,000	200,000	-	-	-	-	-	-
May 7, 2020	6 Months	-	675,000	675,000	-	-	-	-	-	-
<b>Total - as at June 30, 2020</b>		<b>1,000,000</b>	<b>48,209,000</b>	<b>48,609,000</b>	<b>600,000</b>	<b>569,032</b>	<b>581,032</b>	<b>12,000</b>	<b>16.56%</b>	<b>19.40%</b>
<b>Total - as at June 30, 2019</b>		<b>-</b>	<b>50,704,400</b>	<b>49,704,400</b>	<b>1,000,000</b>	<b>984,910</b>	<b>984,996</b>	<b>86</b>	<b>46.54%</b>	<b>87.36%</b>

**6.1.1.1** As at June 30, 2020, Market Treasury Bills (T-bills) had a face value of Rs. 600 million (2019: Rs. 1,000 million) carrying effective yield ranging between 7.05% to 7.10% (2019: 12.70%), per annum.

**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, 2020	Market value as at June 30, 2020	Unrealised appreciation / (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, 2019	Purchases during the year	Sales / matured during the year	As at June 30, 2020					
Rupees in '000										
July 12, 2018	3 Years	100	2,217,100	2,217,200	-	-	-	-	-	-
July 12, 2018	5 Years	-	2,081,400	2,081,400	-	-	-	-	-	-
July 12, 2018	10 Years	-	75,000	75,000	-	-	-	-	-	-
September 19, 2019	3 Years	-	3,737,500	2,784,500	953,000	912,998	984,326	71,328	28.05%	32.87%
September 19, 2019	5 Years	-	1,612,500	1,150,000	462,500	449,324	486,685	37,361	13.87%	16.25%
September 19, 2019	10 Years	-	100,000	50,000	50,000	43,877	54,315	10,438	1.55%	1.81%
<b>Total - as at June 30, 2020</b>		<b>100</b>	<b>9,823,500</b>	<b>8,358,100</b>	<b>1,465,500</b>	<b>1,406,199</b>	<b>1,525,326</b>	<b>119,127</b>	<b>43.47%</b>	<b>50.93%</b>
<b>Total - as at June 30, 2019</b>		<b>-</b>	<b>6,939,500</b>	<b>6,939,400</b>	<b>100</b>	<b>91</b>	<b>89</b>	<b>(2)</b>	<b>0.004%</b>	<b>0.008%</b>

**6.1.2.1** As at June 30, 2020, Pakistan Investment Bonds (PIBs) had a face value of Rs. 1,465.5 million (2019: Rs. 0.1 million) carrying effective yield ranging between 7.36% to 8.62% per annum (2019: 11.90%), per annum.

- Pakistan Investment Bonds (Floating)

Issue date	Tenure	Face value				Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised appreciation / (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, 2019	Purchases during the year	Sales / matured during the year	As at June 30, 2020					
Rupees in '000										
July 25, 2019	10 Years	-	1,000,000	1,000,000	-	-	-	-	-	-
August 22, 2019	10 Years	-	800,000	-	800,000	816,230	806,800	(9,430)	22.99%	26.94%
<b>Total - as at June 30, 2020</b>		-	<b>1,800,000</b>	<b>1,000,000</b>	<b>800,000</b>	<b>816,230</b>	<b>806,800</b>	<b>(9,430)</b>	<b>22.99%</b>	<b>26.94%</b>
<b>Total - as at June 30, 2019</b>		-	-	-	-	-	-	-	-	-

**6.1.2.2** As at June 30, 2020, Pakistan Investment Bonds (PIBs) had a face value of Rs. 0.8 million (2019: Rs. Nil) carrying effective yield ranging of 8.61%, per annum

**6.1.3 Financial assets at fair value through profit or loss**

- GoP Ijarah Sukuk Certificates

Issue details	Tenure	Face value				Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised appreciation / (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, 2019	Purchases during the year	Sales / matured during the year	As at June 30, 2020					
Rupees in '000										
GOP Ijarah 19	3 Years	-	410,000	410,000	-	-	-	-	-	-
GOP Ijarah 20	5 Years	-	50,000	50,000	-	-	-	-	-	-
<b>Total - as at June 30, 2020</b>		-	<b>460,000</b>	<b>460,000</b>	-	-	-	-	-	-
<b>Total - as at June 30, 2019</b>		-	<b>735,000</b>	<b>735,000</b>	-	-	-	-	-	-

**6.1.4 Financial assets at fair value through profit or loss**

- Term Finance Certificates and Corporate Sukuk Bonds

Name of the investee company	As at July 1, 2019	Purchases during the year	Sales during the year	As at June 30, 2020	Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised diminution on re-measurement of investments	Market value as a percentage of total investments
<b>Term Finance Certificates - unlisted</b>								
The Bank of Punjab	-	500	-	500	49,431	48,992	(439)	1.64%
Askari Bank Limited	7,000	-	-	7,000	34,136	32,834	(1,302)	1.10%
	7,000	500	-	7,500	83,567	81,826	(1,741)	2.73%
<b>Sukuk bonds - listed</b>								
Dawood Hercules Corporation Limited *	100	-	100	-	-	-	-	0.00%
	100	-	100	-	-	-	-	0.00%
<b>Sukuk bonds - unlisted</b>								
The Hub Power Company Limited	-	1,000	1,000	-	-	-	-	0.00%
	-	1,000	1,000	-	-	-	-	0.00%
<b>Total - as at June 30, 2020</b>	<b>7,100</b>	<b>1,500</b>	<b>1,100</b>	<b>7,500</b>	<b>83,567</b>	<b>81,826</b>	<b>(1,741)</b>	<b>2.73%</b>
<b>Total - as at June 30, 2019</b>	<b>-</b>	<b>17,290</b>	<b>10,190</b>	<b>7,100</b>	<b>43,151</b>	<b>43,120</b>	<b>(31)</b>	<b>3.83%</b>

\* Related party (associated company) due to common directorship.

**6.1.4.1** These Term Finance Certificates and Corporate Sukuk Bonds carry mark-up at the rate ranging between 8.68% to 12.45% (2019: 12.30% to 12.67%), per annum.

**6.1.4.2** Significant terms and conditions of Term Finance Certificates as at June 30, 2020 are as follows:

Name of the investee company	Remaining principal (per certificate)	Mark-up rate (per annum)	Issue date
<b>Term Finance Certificates - unlisted</b>			
Bank of Punjab	99,860	6 months KIBOR + 1.00%	23-Dec-16
Askari Bank Limited	4,989	6 months KIBOR + 1.20%	30-Sep-14

6.2	Financial assets at amortized cost	Note	2020 ------(Rupees in '000)-----	2019
	Commercial paper	6.2.1	-	99,324

**6.2.1 Financial assets at amortized cost :  
 - Commercial paper**

Name of the investee company	As at July 1, 2019	Placement made during the year	Income accrued	Matured during the year	As at June 30, 2020	Percentage of net assets	Percentage of total investment
------(Rupees in '000)-----							
The Hub Power Company Limited	99,324	-	676	100,000	-	-	-
Total - as at June 30, 2020	99,324	-	676	100,000	-	-	-
Total - as at June 30, 2019	-	146,856	4,468	52,000	99,324	4.69%	8.81%

**6.2.2** As at June 30, 2020, Commercial Papers issued by The Hub Power Company Limited had a carrying value of Rs. Nil (2019: 99.324 million). It matured on July 22, 2019.

**6.3 Net unrealized appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss**

	Note	2020 ------(Rupees in '000)-----	2019
Market value of investments		2,994,984	1,028,205
less: Carrying value of investments		(2,875,028)	(1,028,152)
		<u>119,956</u>	<u>53</u>

**7 PROFIT / MARK-UP RECEIVABLE**

Profit / mark-up receivable on:

Bank deposits	7.1	3,488	21,905
Pakistan Investment Bonds		78,618	3
Term Finance Certificates and Sukuk Bonds	7.2	1,159	1,238
		<u>83,265</u>	<u>23,146</u>

**7.1** This includes Rs. 0.614 million (2019: Rs. 0.343 million) receivable from Habib Bank Limited, which is a related party.

**7.2** This includes Rs. Nil (2019: Rs. 0.144 million) receivable from Dawood Hercules Corporation Limited, which is a related party.

8	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2020 ------(Rupees in '000)-----	2019
	Security deposits with:			
	Central Depository Company of Pakistan Limited		100	100
	National Clearing Company of Pakistan limited		767	767
			<u>867</u>	<u>867</u>
	Prepaid expenses	8.1	209	460
	Advance tax	8.2	391	391
	Receivable against conversion in of units		812	-
			<u>2,279</u>	<u>1,718</u>

8.1 This includes prepaid expenses recognized in respect of rating and MTS 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, 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 is confident that the same shall be refunded after filing refund application.

9	PAYABLE TO THE MANAGEMENT COMPANY	Note	2020 ------(Rupees in '000)-----	2019
	Remuneration payable to the Management Company	9.1	3,945	2,233
	Sindh Sales Tax on Management Company's remuneration	9.2	513	290
	Sales load payable		4,476	6,684
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	701	179
	Selling and marketing expense payable	9.4	4,598	943
			<u>14,233</u>	<u>10,329</u>

9.1 As per the amendment introduced through SRO 639(I)/2019, dated June 20, 2019, 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, further subject to the guidelines as may be issued by the Commission from time to time. During the year, the fee has been charged, accordingly, at the rate ranging between 0.65% to 1.36% of average annual net assets of the Fund. The fee is being charged at the rate of 1.25% from October 16, 2019 onwards. The fee is payable monthly in arrears.

9.2 The Sindh Government has levied Sindh Sales Tax at the rate of 13% (2019: 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, maximum upto 0.1% of the average annual net assets or the actual cost whichever is lower.

However, SECP vide S.R.O. 639(I)/2019 dated June 20, 2019 has removed the maximum limit of 0.1%. During the years, the fee has been charged at the rate ranging between 0.1% to 0.3% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.22% from October 16, 2019 onwards.

**9.4** As per SECP vide its circular No. SCD/PRDD/Circular/361/2016, dated December 30, 2016, selling and marketing expenses was chargeable to open end equity, asset allocation and index funds only, upto maximum 0.4% of the average annual net assets of the Scheme or the actual cost, whichever is lower.

However, circular No. SCD/PRDD/Circular/04/2019, dated July 5, 2019, issued by SECP, supersedes all previous circulars issued with respect to selling and marketing expenses, according to which, selling and marketing expenses can be charged to all categories of open end mutual funds, except fund of funds with no cap. During the year, the fee has been charged at the rate ranging between 0.4% to 1% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.4% from Sep 30, 2019 onwards.

<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>	<b>Note</b>	<b>2020</b> ----- <b>(Rupees in '000)</b> -----	<b>2019</b> ----- <b>(Rupees in '000)</b> -----
	Trustee fee payable	10.1	<b>205</b>	196
	Sindh Sales Tax on remuneration of the Trustee		<b>27</b>	25
	CDS charges payable		<b>1</b>	3
			<b>233</b>	<b>224</b>

**10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, as per the tariff specified 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:

Up to Rs. 1,000 million	0.15% p.a. of net assets
Rs. 1,000 million to Rs. 10,000 million	Rs. 1.5 million plus 0.075% p.a. of net assets exceeding Rs. 1 billion
Over Rs. 10,000 million	Rs. 8.25 million plus 0.06% p.a. of net assets exceeding Rs. 10 billion

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 at the rate of 0.065% of the average annual net assets of the Fund. During the year, Management Company has charged the Trustee fee ranging from 0.06% to 0.065% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.065% from August 08, 2019 onwards.

**10.3** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

<b>11</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>	<b>Note</b>	<b>2020</b> ----- <b>(Rupees in '000)</b> -----	<b>2019</b> ----- <b>(Rupees in '000)</b> -----
	Annual fee payable	11.1	<b>690</b>	670

**11.1** Under the regulation 62 of the 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 0.075% of the average annual net assets of the Scheme. However, SECP, vide S.R.O. 685 (I)/2019, dated June 28, 2019, has reduced the rate of the fee to 0.02% of the average annual net assets for all categories of CIS(s), with effect from July 1, 2019. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

12	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2020	2019
			------(Rupees in '000)-----	
	Provision for Federal Excise Duty	12.1	15,531	15,531
	Provision for Sindh Workers' Welfare Fund	12.2	18,280	7,648
	Withholding tax payable		44,835	7,708
	Auditors' remuneration		281	282
	Printing charges		142	183
	Brokerage payable		611	110
	Zakat payable		452	232
	Others		56	47
			<u>80,188</u>	<u>31,741</u>

**12.1** 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 in 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 June 30, 2016, the SHC declared the said provisions to be 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.

Further, the Finance Act 2016, also introduced an amendment to the Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal 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 (2019: Rs. 15.531 million). Had the provision not been made, the net asset value per unit of the Fund as at June 30, 2020 would have been higher by Re. 0.4969 per unit (2019: Re. 0.7767 per unit).

**12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund**

The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare Fund is the same as disclosed in note 12.2 to the annual audited financial statements of the Fund for the year ended June 30, 2019 and a constitutional petition filed by certain CISs, through their trustees, in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, is pending adjudication.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 18.280 million (2019: Rs. 7.648 million). Had the provision not been provided for, the net asset value per unit as at June 30, 2020 would have been higher by Re. 0.586 per unit (2019: Re. 0.382 per unit) .

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2020 (2019: Nil).

14	NUMBER OF UNITS IN ISSUE	Note	2020	2019
			----Number of Units----	
	Total units in issue at the beginning of the year		19,994,755	2,840,288
	Add: Units issued		64,035,257	36,463,226
	Less: Units redeemed		(52,777,267)	(19,308,759)
	Total units in issue at the end of the year		<u>31,252,745</u>	<u>19,994,755</u>
15	AUDITORS' REMUNERATION	Note	2020	2019
			----- (Rupees in '000) -----	
	Annual audit fee		240	240
	Fee for half yearly review		135	135
	Other certifications and out of pocket expenses		69	68
			<u>444</u>	<u>443</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, 2020 -----		
	Fair value through profit or loss	Amortized cost	Total
-----Rupees in '000'-----			
<b>Financial assets</b>			
Bank balances	-	523,734	523,734
Investments			
Market Treasury Bills	581,032	-	581,032
Pakistan Investment Bonds	2,332,126	-	2,332,126
Term Finance Certificates and Corporate Sukuk Bonds	81,826	-	81,826
Profit / mark-up receivable	-	83,265	83,265
Deposits and other receivables	-	1,679	1,679
	<u>2,994,984</u>	<u>608,678</u>	<u>3,603,661</u>

----- As at June 30, 2020 -----

Particulars	Fair value through profit or loss	Amortized cost	Total
<b>Financial liabilities</b>			
Payable to the Management Company	-	13,720	13,720
Payable to the Trustee	-	182	182
Dividend payable	-	31	31
Accrued expenses and other liabilities	-	1,076	1,076
	-	15,009	15,009

----- As at June 30, 2019 -----

Particulars	Fair value through profit or loss	Amortized cost	Total
<b>Financial assets</b>			
Bank balances	-	2,013,539	2,013,539
Investments			
Market Treasury Bills	984,996	-	984,996
Pakistan Investment Bonds	89	-	89
Term Finance Certificates and Corporate Sukuk Bonds	43,120		43,120
Commercial Paper	-	99,324	99,324
Profit / mark-up receivable	-	23,146	23,146
Deposits and other receivables	-	867	867
	1,028,205	2,136,876	3,165,081

----- As at June 30, 2019 -----

Particulars	Fair value through profit or loss	Amortized cost	Total
<b>Financial liabilities</b>			
Payable to the Management Company	-	10,039	10,039
Payable to the Trustee	-	199	199
Payable against redemption of units	-	20,774	20,774
Payable against purchase of investments-net	-	984,910	984,910
Dividend payable	-	1,002	1,002
Accrued expenses and other liabilities	-	617	617
	-	1,017,541	1,017,541

## 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 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:

19.1	2020	2019
	------(Rupees in '000)-----	
<b>Transactions during the year</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Remuneration of Management Company	41,009	10,705
Sindh Sales Tax on remuneration of the Management Company	5,331	1,392
Sales load	24,789	7,813
Allocation of expenses related to registrar services, accounting, operation and valuation services	7,880	893
Selling and marketing expense	15,901	943
Issue of Nil (2019: 1,798,049) units	-	197,195
Redemption of Nil (2019: 2,714,922) units	-	299,608
Dividend paid	-	4,355
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	2,242	1,127
Sindh Sales Tax on remuneration of the Trustee	291	146
CDC service charges	50	18
<b>Habib Bank Limited - Sponsor</b>		
Bank charges paid	837	290
Profit / mark-up on deposits accounts	13,350	1,328
<b>Director and Executives of the Management Company</b>		
Issue of 43,189 (2019: 158,780) units	4,903	17,741
Redemption of 57,121 (2019: 135,669) units	6,584	15,387
Dividend paid	4	206
<b>MCBFSL HBL Financial Planning Fund Strategic Allocation Plan - Fund under common management</b>		
Issue of 345,994 (2019: 511,665) units	36,967	57,773
Redemption of 658,073 (2019: 199,586) units	72,496	22,700
Dividend paid	-	2,773
<b>CDC Trustee - HBL Income Fund</b>		
Purchase of Bank of Punjab - Term Finance Certificate	50,201	-
<b>Jubilee Life Insurance Company Limited - Associated Company due to common Directorship</b>		
Sale of GOP Ijarah sukuk	50,000	-

	Note	2020 ------(Rupees in '000)-----	2019
<b>MCBFSL HBL Financial Planning Fund Special</b>			
<b>Income Plan - Fund under common management</b>			
Issue of 1,330,506 (2019: Nil) units		145,394	-
Redemption of 51,197 (2019: Nil) units		5,917	-
Dividend paid		9,451	-
<b>19.2</b>	<b>Balance outstanding as at the year end</b>		
<b>HBL Asset Management Limited - Management Company</b>			
Remuneration payable to the Management Company		3,945	2,233
Sindh Sales Tax payable on Management Company's remuneration		513	290
Sales load payable		4,476	6,684
Allocation of expenses related to registrar services, accounting, operation and valuation services		701	179
Selling and marketing expense payable		4,598	943
Units held: Nil (2019: Nil)		-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Trustee fee payable		205	221
CDC charges payable		1	3
Security deposit held		100	100
<b>Habib Bank Limited - Sponsor</b>			
Bank balances		282,377	144,445
Profit / mark-up receivable		614	343
<b>Director and Executives of the Management Company</b>			
Units held: 1,312 (2019: 23,111)		147,269	2,446
<b>MCBFSL Trustee HBL Financial Planning Fund</b>			
<b>Strategic Allocation Plan - under common management</b>			
Units held: Nil (2019: 312,079)		-	33,031
<b>MCBFSL Trustee HBL Financial Planning Fund</b>			
<b>Special Income Plan - under common management</b>			
Units held: 1,279,309 (2019: Nil)		143,634	-

## 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 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 6.00% to 14.50% per annum, and against investments in Pakistan Investment Bonds and Term Finance Certificates, the interest rate on which range between 7.25% to 10% and 8.68% to 12.45% respectively.

In case of 100 basis points increase / decrease in interest rates on June 30, 2020, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 28.741 million (2019: Rs. 20.536 million).

#### **b) Fair value interest rate risk**

The Fund's investment in Market Treasury Bills, Pakistan Investment Bonds 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, 2020, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 29.950 million (2019: 10.282 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, 2020 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.

As at June 30, 2020						
Particular	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)						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	6 - 8.85	523,734	-	-	-	523,734
Investments						
Market Treasury Bills	7.05 - 7.10	246,596	334,436	-	-	581,032
Pakistan Investment Bonds	7.36 - 8.62	-	-	2,332,126	-	2,332,126
Term Finance Certificates and Corporate Sukuk Bonds	8.68 - 12.45	-	-	81,826	-	81,826
Profit / mark-up receivable		-	-	-	83,265	83,265
Deposits and other receivables		-	-	-	1,679	1,679
<b>Sub total</b>		770,330	334,436	2,413,952	84,944	3,603,662
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	13,720	13,720
Payable to the Trustee		-	-	-	182	182
Dividend payable		-	-	-	32	32
Accrued expenses and other liabilities		-	-	-	1,076	1,076
<b>Sub total</b>		-	-	-	15,010	15,010
<b>On-balance sheet gap (a)</b>		770,330	334,436	2,413,952	69,934	3,588,652
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		770,330	334,436	2,413,952	69,934	3,588,652
<b>Cumulative interest rate sensitivity gap</b>		770,330	334,436	2,413,952	-	-

As at June 30, 2019						
Particular	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)						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	8.0 - 13.6	2,009,536	-	-	4,003	2,013,539
Investments						
Market treasury bills	10.70	984,996	-	-	-	984,996
Pakistan investment bonds	12.16	-	-	89	-	89
Term finance certificates and corporate sukuk bonds	12.30 - 12.67	-	-	43,120	-	43,120
Commercial paper	12.11	99,324	-	-	-	99,324
Profit / interest receivable		-	-	-	23,146	23,146
Deposits		-	-	-	867	867
<b>Sub total</b>		3,093,856	-	43,209	28,016	3,165,081
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	10,039	10,039
Payable to the Trustee		-	-	-	199	199
Payable against redemption of units		-	-	-	20,774	20,774
Accrued expenses and other liabilities		-	-	-	986,529	986,529
<b>Sub total</b>		-	-	-	1,017,541	1,017,541
<b>On-balance sheet gap (a)</b>		3,093,856	-	43,209	(989,525)	2,147,540
<b>Off-balance sheet financial instruments</b>		-	-	-	-	-
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		3,093,856	-	43,209	(989,525)	2,147,540
<b>Cumulative interest rate sensitivity gap</b>		3,093,856	-	43,209	-	-

### 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. 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 Certificate and Commercial Paper 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, 2020 and June 30, 2019:

Name of banks / institutions	Balances held by the Fund as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
-----Rupees in '000'-----			
<b>Balances with banks by rating category</b>			
Allied Bank Limited	225,441	A-1+	PACRA
Bank Al Falah Limited	27	A-1+	JCR-VIS
Habib Metro Bank Limited	38	A-1+	PACRA
JS Bank Limited	11,253	A-1+	PACRA
Zarai Taraqiati Bank Limited	92	A-1+	JCR-VIS
Samba Bank Limited	11	A-1	JCR-VIS
Sindh Bank Limited	11	A-1	JCR-VIS
NRSP Bank Limited	-	A-1	JCR-VIS
United Bank Limited	-	A-1+	JCR-VIS
Soneri Bank Limited	320	A-1+	PACRA
MCB Bank Limited	4,155	A-1+	PACRA
Habib Bank Limited	282,377	A-1+	JCR-VIS
Bank Al Habib Limited	-	A-1+	PACRA
Faysal Bank limited	2	A-1+	JCR VIS
Dubai Islamic Bank limited	7	A-1+	JCR VIS
	523,734		
<b>Investments by rating category</b>			
Term finance certificates - unlisted			
Bank of Punjab	48,992	AA-	PACRA
Askari Bank Limited	32,834	AA-	PACRA
	81,826		
<b>Total</b>	605,560		

Name of banks / institutions	Balances held by the Fund as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
<b>Balances with banks by rating category</b>			
-----Rupees in '000'-----			
Allied Bank Limited	337	A-1+	PACRA
Bank Al Falah Limited	25	A-1+	JCR-VIS
Habib Metro Bank Limited	10	A-1+	PACRA
JS Bank Limited	389,414	A-1+	PACRA
Zarai Taraqiati Bank Limited	1,447,231	A-1+	JCR-VIS
Samba Bank Limited	11	A-1	JCR-VIS
Sindh Bank Limited	10	A-1	JCR-VIS
NRSP Bank Limited	11	A-1	PACRA
United Bank Limited	34	A-1+	JCR-VIS
Soneri Bank Limited	31,956	A-1+	PACRA
MCB Bank Limited	45	A-1+	PACRA
Habib Bank Limited	144,445	A-1+	JCR-VIS
Bank Al Habib Limited	10	A-1+	PACRA
	2,013,539		

**Investments by rating category**

Commercial Paper			
The Hub Power Company Limited	99,324	A-1+	PACRA
Term finance certificates - unlisted			
Askari Bank Limited	34,150	AA-	PACRA
Corporate Sukuk Bonds - listed			
Dawood Hercules Corporation Limited	8,970	AA	PACRA
	142,444		
	2,155,983		

**20.2.2** The analysis below summarizes the credit quality of the Fund's credit exposure:

Rating by rating category	2020	2019
	----- (Percentage) -----	
A-1+	100.00	100.00
A-1	-	-

**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 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.

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.

-----As at June 30, 2020 -----				
Particular	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	13,720	-	-	13,720
Payable to the Trustee	182	-	-	182
Dividend payable	31	-	-	31
Accrued expenses and other liabilities	1,076	-	-	1,076
	<u>15,009</u>	<u>-</u>	<u>-</u>	<u>15,009</u>
-----As at June 30, 2019 -----				
Particular	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	10,039	-	-	10,039
Payable to the Trustee	199	-	-	199
Payable against redemption of units	20,774	-	-	20,774
Payable against purchase of investments-net	984,910	-	-	984,910
Dividend payable	1,002	-	-	1,002
Accrued expenses and other liabilities	617	-	-	617
	<u>1,017,541</u>	<u>-</u>	<u>-</u>	<u>1,017,541</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 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, 2020						
Note		Carrying amount			Fair Value			
		Fair value through profit or loss - Held for trading	Amortized cost	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----								
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
22.1	Market Treasury Bills	581,032	-	581,032	-	581,032	-	581,032
	Pakistan Investment Bonds	2,332,126	-	2,332,126	-	2,332,126	-	2,332,126
	Term Finance Certificates and Corporate Sukuk Bonds	81,826	-	81,826	-	81,826	-	81,826
		<u>2,994,984</u>	<u>-</u>	<u>2,994,984</u>	<u>-</u>	<u>2,994,984</u>	<u>-</u>	<u>2,994,984</u>
<b>Financial assets not measured at fair value</b>								
22.2	Bank balances	-	523,734	523,734				
	Profit / mark-up receivable	-	83,265	83,265				
	Deposits and other receivables	-	1,679	1,679				
		<u>-</u>	<u>608,678</u>	<u>608,678</u>				
<b>Financial liabilities not measured at fair value</b>								
22.2	Payable to Management Company	-	13,720	13,720				
	Payable to the Trustee	-	182	182				
	Dividend payable	-	31	31				
	Accrued expenses and other liabilities	-	1,076	1,076				
		<u>-</u>	<u>15,009</u>	<u>15,009</u>				

		June 30, 2019						
Note		Carrying amount			Fair Value			
		Fair value through profit or loss - Held for trading	Amortized cost	Total	Level 1	Level 2	Level 3	Total
------(Rupees in '000)-----								
<b>On-balance sheet financial instruments</b>								
<b>Financial assets measured at fair value</b>								
22.1	Market treasury bills	984,996	-	984,996	-	984,996	-	984,996
	Pakistan investment bonds	89	-	89	-	89	-	89
	Term finance certificates and corporate sukuk bonds	43,120	-	43,120	-	43,120	-	43,120
		<u>1,028,205</u>	<u>-</u>	<u>1,028,205</u>	<u>-</u>	<u>1,028,205</u>	<u>-</u>	<u>1,028,205</u>
<b>Financial assets not measured at fair value</b>								
22.2	Bank balances	-	2,013,539	2,013,539				
	Commercial paper	-	99,324	99,324				
	Profit / interest receivable	-	23,146	23,146				
	Deposits	-	867	867				
		<u>-</u>	<u>2,136,876</u>	<u>2,136,876</u>				
<b>Financial liabilities not measured at fair value</b>								
22.2	Payable to Management Company	-	10,039	10,039				
	Payable to the Trustee	-	199	199				
	Payable against redemption of units	-	20,774	20,774				
	Accrued expenses and other liabilities	-	986,529	986,529				
		<u>-</u>	<u>1,017,541</u>	<u>1,017,541</u>				

## **22.1 Valuation techniques**

For level 2 investments at fair value through profit or loss - investment in respect of Treasury Bills, and Pakistan Investment Bonds, Fund uses the rates which are derived from PKRV 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, 2020**

- 1 Invest One Markets Limited
- 2 Bright Capital (Private) Limited
- 3 Optimus Markets (Private) Limited
- 4 Pearl Securities Limited
- 5 Arif Habib Limited
- 6 Paramount Capital (Private) Limited
- 7 Vector Capital (Private) Limited
- 8 Magenta Capital (Private) Limited
- 9 JS Global Capital Limited
- 10 Next Capital Limited

### **Top ten brokers during the year ended June 30, 2019**

- 1 Arif Habib Limited
- 2 BIPL Securities Limited
- 3 BMA Capital Management Limited
- 4 Bright Capital (Private) Limited
- 5 Invest One Markets Limited
- 6 JS Global Capital Limited
- 7 Magenta Capital (Private) Limited
- 8 Next Capital Limited
- 9 Optimus Markets (Private) Limited
- 10 Paramount Capital (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, 2020 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	Bsc	21+
2	Muhammad Wamiq Sakrani	Acting Head of Fixed Income	MBA	10+
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+
4	Karim Khawaja	Head of Risk	MBA, CMA	17+

**25 PATTERN OF UNITHOLDING**

----- As at June 30, 2020 -----

Category	No. of unit holders	Number of unit holders	investment amount	Percentage
Individuals	1,338	24,096,532	2,705,426	77.10%
Insurance Companies	1	222,809	25,016	0.71%
Retirement Funds	14	734,383	82,452	2.35%
Trust	10	4,766,774	535,187	15.25%
Other Corporate	9	1,432,247	160,805	4.58%
	<b>1,372</b>	<b>31,252,745</b>	<b>3,508,886</b>	<b>100.00%</b>

----- As at June 30, 2019 -----

Category	No. of unit holders	Number of unit holders	investment amount	Percentage
Individuals	869	14,914,043	1,578,530	74.59%
Associated Companies and Directors	1	76	8	0.0004%
Retirement Funds	13	1,448,671	153,330	7.25%
Others	5	1,160,703	122,851	5.81%
Trust	9	2,471,262	261,563	12.36%
		<b>19,994,755</b>	<b>2,116,282</b>	<b>100%</b>

**26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Five meetings of the Board of Directors were held on August 29, 2019 , October 29, 2019, February 13, 2020 , March 02, 2020 and April 29, 2020 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	
1	Mr. Farid Ahmed Khan *	1	1	-	-
2	Mr. Mir Adil Rashid **	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Raymond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa ***	2	2	-	-

\* Resigned on September 15, 2019.

\*\* Appointed on September 16, 2019.

\*\*\* Appointed on October 29, 2019 and resigned on February 24, 2020.

\*\*\*\* Resigned on May 14, 2020.

**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, 2020 is 2.55% (2019: 2.21%) which includes 0.50% (2019: 0.44%) representing Government levy and SECP fee.

**28 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 27, 2020 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.

**30.2** In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

**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

<b>NAME OF FUND</b>	<b>HBL</b> Stock Fund
<b>NAME OF TRUSTEE</b>	Central Depository Company of Pakistan Limited
<b>NAME OF AUDITORS</b>	Deloitte Yousuf Adil, Chartered Accountants.
<b>NAME OF BANKERS</b>	Habib Bank Limited Allied Bank Limited MCB Bank Limited JS Bank Limited

### Type and Category of Fund

Open end Equity Fund

### Investment Objective and Accomplishment of Objective

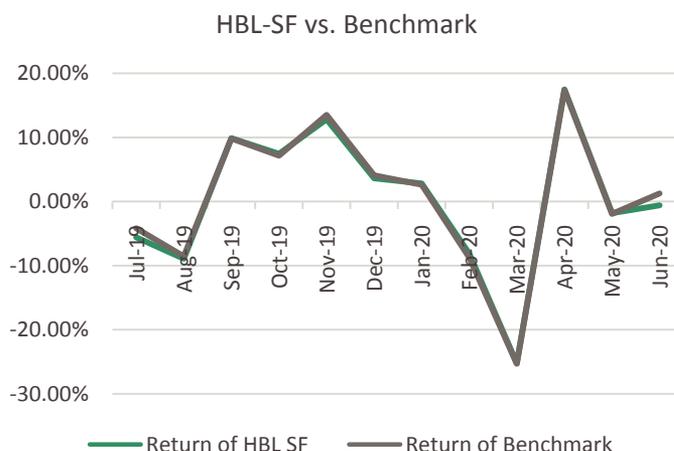
The investment objective of the Fund is to provide long term capital growth by investing primarily in a diversified pool of equities and equity related instruments. The objective of the Fund has been achieved.

### Benchmark and Performance Comparison with Benchmark

KSE30 (Total Return) Index

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

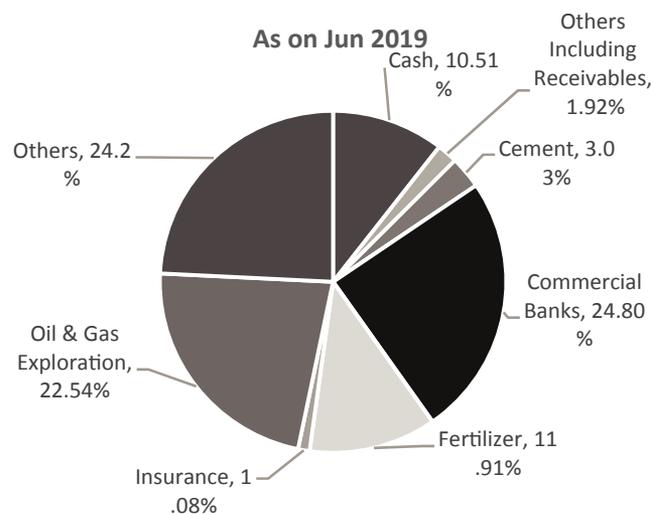
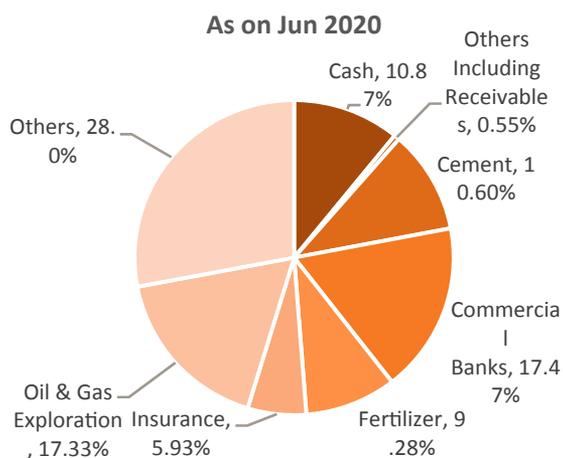
Month	Return of Fund	
	HBL-SF	Benchmark
Jun-20	-0.58%	1.26%
May-20	-1.81%	-1.92%
Apr-20	17.49%	17.41%
Mar-20	-25.23%	-25.30%
Feb-20	-8.11%	-8.71%
Jan-20	2.82%	2.63%
Dec-19	3.63%	4.08%
Nov-19	12.83%	13.51%
Oct-19	7.45%	7.15%
Sep-19	9.90%	9.84%
Aug-19	-8.90%	-8.54%
Jul-19	-5.57%	-4.16%



### Strategies and Policies employed during the Year

During the year under review, the Fund decreased its exposure in equity from 90% of total assets as on June 30, 2018 to 88% of total assets as on June 2019. 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 companies, fertilizers and power generation & distribution were increased; however exposure in oil & gas marketing companies and commercial banks were 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, 2020 and June 30, 2019:

Sector Name	As on Jun 2020	As on Jun 2019
Cash	10.87%	10.51%
Others Including Receivables	0.55%	1.92%
Cement	10.60%	3.03%
Commercial Banks	17.47%	24.80%
Fertilizer	9.28%	11.91%
Insurance	5.93%	1.08%
Oil & Gas Exploration	17.33%	22.54%
Others	28.0%	24.2%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The Fund earned and incurred a total income and net loss of Rs. 6.79 million and Rs. 75.88 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs 86.3419 per unit as on June 30, 2020 as compared to Rs 89.7221 per unit as on June 30, 2019, thereby giving a negative return of 3.77%. During the same year the benchmark KSE 30 index yielded a negative return of 0.52%. The size of Fund was Rs 1.84 billion as on June 30, 2020 as compared to Rs. 2.15 billion at the start of the year.

## Market Review

The equity markets' performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KSE100 index increased by 20% during 1HFY20 to close at 40,735 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KSE100 index made a high of 43,219 on January 13, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KSE100 index as it fell to a low of 27,229 points on March 25, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KSE100 witnessed a sharp 16.69% uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KSE100 index closed the year at 34,422 points (up 1.53%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight due to increased digitalization post covid-19 pandemic. We will maintain our strategic focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

### Distribution

The Board of Directors approved NIL distribution to the unit holders for the year ended June 30, 2020.

### 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	88	4,408
101 – 500	65	17,618
501 – 1,000	41	32,041
1,001 – 10,000	113	440,582
10,001 – 100,000	63	17,92,911
100,001 – 500,000	7	1,134,754
500,001 – 1,000,000	1	552,702
1,000,001 – 5,000,000	1	1,604,623
5,000,001 and above	2	15,741,607
<b>Total</b>	<b>381</b>	<b>21,319,246</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, 2020*

	2020	2019	2018	2017	2016	2015
Net assets at the period end (Rs'000)	1,840,743	2,146,517	5,958,370	6,354,672	4,519,241	4,385,904
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	86.3419	89.7221	107.0620	121.4498	103.6764	102.5537
Offer	88.7811	92.2567	110.0865	124.8822	107.1039	105.9441
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	116.9356	114.7399	124.9877	149.3050	112.7096	119.6740
Lowest offer price per unit	72.4474	90.1337	98.8279	107.4647	92.6803	99.2063
Highest redemption price per unit	113.7229	111.5876	121.5538	145.2030	109.1027	115.8117
Lowest redemption price per unit	70.4570	87.6574	96.1127	104.5122	89.7143	96.0045
<b>RETURN ( % )</b>						
Total return	-3.77%	-16.20%	-11.85%	23.89%	2.43%	8.04%
Income distribution	0.00%	0.00%	0.00%	7.00%	1.50%	25.00%
Capital growth	-3.77%	-16.20%	-11.85%	16.89%	0.93%	-16.96%
<b>DISTRIBUTION</b>						
First Interim dividend distribution						
Second Interim dividend distribution						
Third Interim dividend distribution						
Final dividend distribution (Rs)	-	-	-	7.00	1.50	25.00
Date of Income Distribution	-	-	-	20-Jun-17	27-Jun-16	30-Jun-15
Total dividend distribution for the year/ period (Rs)	-	-	-	7.00	1.50	25.00
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	-3.77%	-16.20%	-11.85%	23.89%	2.43%	8.04%
Average annual return 2 year	-10.20%	-14.05%	4.51%	12.67%	-	-
Average annual return 3 year	-10.75%	-2.91%	3.82%	11.15%	-	-
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	11%	11%	10%	8%	1%	7%
Stock / Equities	89%	88%	89%	87%	95%	93%
Placement with Banks and DFIs	0%	0%	0%	0%	4%	0%
Others Including Receivables	1%	2%	1%	6%	0%	0%

**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.

## PROXY VOTING DISCLOSURE

Summary of Actual Proxy voted by CIS

HBL SF	Meetings	Resolutions	For	Against
Number	6	25	25	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Allied Bank Ltd	14/11/2018)(28/3/2019)(16/5/2019)	
Adamjee Insurance Co	27/09/2018)(29/4/2019)	25/02/2019
Amreli Steels Limited	23/10/2018	
Askari Bank Ltd	25/3/2019	
AGP Limited	17/4/2019	
Bank of Punjab	29/3/2019	
Bank Al Habib Ltd	27/3/2019	
Bank Alfalah Ltd	25/09/2018)(28/3/2019)	
DG Khan Cement Ltd	27/10/2018	
Engro Corporation Ltd	(3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019)	(25/09/2018)(28/5/2019)
Engro Fertilizer Ltd	(2/10/2018)(26/11/2018)(28/3/2019)	27/5/2019
Engro Polymer & Chemicals Ltd	(18/09/2018)(1/4/2019)	
Fauji Fertilizer Bin Qasim Ltd	29/3/2019	
Fauji Fertilizer Co Ltd	(28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019)	
Faysal Bank Limited	28/3/2019	07-10-18
Habib Bank Limited	(19/09/2018)(17/12/2018)(27/3/2019)(21/6/2019)	21/6/2019
Hub Power Company Ltd	(5/10/2018)(30/4/2019)	(16/4/2019)
Hascol Petroleum	(19/11/2018)	
International Industries Ltd	(28/09/2018)(22/3/2019)	
International Steels Limited	(25/09/2018)(22/3/2019)	
Kohat Cement Co Ltd		29/6/2019
Kohinoor Textile Mill Ltd	27/10/2018)(21/3/2019)	
Lucky Cement Ltd	(28/09/2018)(27/10/2018)	
Lotte Chemical Pakistan Ltd	(18/4/2019)	
Maple Leaf Cement Factory	27/10/2018	
Mughal Iron & Steel Industries	27/10/2018	
Mari Petroleum Company Ltd	18/10/2018)(20/3/2019)	
Meezan Bank Ltd	2/10/2018)	
MCB Bank Ltd	(28/08/2018)	
Mughal iron & Steel	27/10/2018	
Nishat (Chunian) Ltd	26/10/2018)	20/08/2018
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Nishat Chunian Power Ltd	26/10/2018)(2/4/2019)(23/6/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Pakgen Power Ltd	30/4/2019	
Pakistan Petroleum Ltd	26/10/2018	
Pakistan Oilfields Ltd	(25/09/2018)(20/3/2019)	
Pakistan State Oil Company Ltd	(02/10/2018)(16/10/2018)(19/6/2019)	
Sitara Chemical Ind.		20/6/2019
Sui Northern Gas Pipeline Ltd	23/5/2019	
Thal Limited	(22/10/2018)(20/3/2019)	
The Searle Company Ltd	22/11/2018	
United Bank Ltd	(18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019)	

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**

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Email: info@cdcpak.com



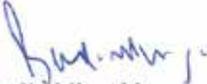
## TRUSTEE REPORT TO THE UNIT HOLDERS

### HBL STOCK FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 11, 2020





## INDEPENDENT AUDITORS' 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, 2020, 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, 2020, 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 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. 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.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investment</b></p> <p>Investments held at fair value through profit or loss are disclosed in note 6 to the financial statements and represent a</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> <li>obtained understanding of relevant controls placed by the Management Company applicable to the balance;</li> </ul>

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in equity securities; which is the main driver of the Fund's performance.</p> <p>Considering the above factors the valuation and existence are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>independently verified existence of investments from the Central Depository Company (CDC) account statement;</li> <li>independently tested the valuations directly with the prices quoted on Pakistan Stock Exchange Limited (PSX);</li> <li>performed test of details on sale and purchase of investments on a sample basis; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</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 audit report.

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 Those Charged with Governance 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 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 Those Charged with Governance of 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 Those Charged with Governance of 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 Those Charged with Governance of 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.



Deloitte Yousuf Adil  
Chartered Accountants

#### 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 Naresh Kumar.

  
Chartered Accountants

**Date:** September 24, 2020  
**Place:** Karachi

Member of  
Deloitte Touche Tohmatsu Limited

**HBL Stock Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2020*

	Note	2020 ------(Rupees in '000)-----	2019
<b>Assets</b>			
Bank balances	5	209,661	236,034
Investments	6	1,708,222	1,967,158
Dividend receivable and accrued mark-up	7	2,587	4,340
Receivable against sale of investments		5,415	36,022
Advances and deposits	8	2,992	3,029
<b>Total assets</b>		<b>1,928,877</b>	<b>2,246,583</b>
<b>Liabilities</b>			
Payable to the Management Company	9	8,994	7,124
Payable to the Trustee	10	263	302
Payable to Securities and Exchange Commission of Pakistan	11	417	4,181
Payable against purchase of investments		4,106	13,603
Accrued expenses and other liabilities	12	74,353	74,856
<b>Total liabilities</b>		<b>88,133</b>	<b>100,066</b>
<b>Net assets</b>		<b>1,840,744</b>	<b>2,146,517</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,840,744</b>	<b>2,146,517</b>
<b>Contingencies and commitments</b>	13	----- Number of units -----	
<b>Number of units in issue</b>	17	<b>21,319,246</b>	<b>23,924,062</b>
<b>Net assets value per unit</b>		<b>86.3419</b>	<b>89.7221</b>

The annexed notes 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**

Income	Note	2020 ------(Rupees in '000)-----	2019
Dividend income		97,133	190,545
Mark-up on deposits with banks		27,395	46,647
Mark-up / return on investments		281	535
Capital gain/(loss) on sale of investments - net		13,513	(433,840)
Unrealised diminution on re-measurement of investments classified 'at fair value through profit or loss - net		(131,531)	(346,147)
<b>Total loss</b>		<b>6,791</b>	<b>(542,260)</b>
<b>Expenses</b>			
Remuneration of the Management Company	9.1 & 9.2	46,167	99,456
Remuneration of the Trustee	10.1 & 10.2	3,491	6,103
Annual fee to Securities and Exchange Commission of Pakistan	11.1	417	4,181
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	6,471	4,401
Selling and marketing expenses	9.3	17,191	17,603
Securities transaction costs		6,469	17,195
Auditors' remuneration	14	638	656
Settlement and bank charges		963	2,152
Fee and subscription		868	2,262
<b>Total expenses</b>		<b>82,675</b>	<b>154,009</b>
<b>Net loss from operating activities</b>		<b>(75,884)</b>	<b>(696,269)</b>
Reversal of provision for Workers' Welfare Fund	12.2	-	-
Provision for Sindh Workers' Welfare Fund	12.2	-	-
<b>Net loss for the year before taxation</b>		<b>(75,884)</b>	<b>(696,269)</b>
Taxation	15	-	-
<b>Net loss for the year after taxation</b>		<b>(75,884)</b>	<b>(696,269)</b>
<b>Allocation of income for the year</b>			
Income already paid on redemption of units		-	-
Accounting income available for distribution:			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		<b>(75,884)</b>	<b>(696,269)</b>
<b>Earnings per unit</b>	16		

The annexed notes 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 Stock Fund**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2020*

	2020	2019
	----- (Rupees in '000) -----	
Net loss for the year after taxation	<b>(75,884)</b>	(696,269)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(75,884)</u></b>	<b><u>(696,269)</u></b>

The annexed notes 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 Stock Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2020

	For the year ended June 30,							
	2020			2019				
	(Rupees in '000)							
Capital value	Undistributed income (Accumulated loss)	Unrealised income / (loss) on investment	Total	Capital value	Undistributed income (Accumulated loss)	Unrealised income / (loss) on investment	Total	
<b>Net assets at beginning of the year</b>	3,154,963	(1,008,446)	-	2,146,517	6,270,547	(378,651)	66,474	5,958,370
Adjustment on adoption of IFRS 9	-	-	-	-	-	66,474	(66,474)	-
Issuance of 10,299,192 units (2019: 10,306,937 units)								
- Capital value (at net asset value per unit at the beginning of the year)	924,065	-	-	924,065	1,103,482	-	-	1,103,482
- Element of loss	37,513	-	-	37,513	(56,117)	-	-	(56,117)
Total proceeds on issuance of units	961,578	-	-	961,578	1,047,364	-	-	1,047,365
Redemption of 12,904,008 units (2019: 42,036,313 units)								
- Capital value (at net asset value per unit at the beginning of the year)	(1,157,775)	-	-	(1,157,775)	(4,500,493)	-	-	(4,500,493)
- Element of income	(33,692)	-	-	(33,692)	337,545	-	-	337,545
Total payment on redemption of units	(1,191,467)	-	-	(1,191,467)	(4,162,948)	-	-	(4,162,948)
Net loss for the year after taxation	-	(75,884)	-	(75,884)	-	(696,269)	-	(696,269)
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Total comprehensive loss for the year	-	(75,884)	-	(75,884)	-	(696,269)	-	(696,269)
<b>Net assets at end of the year</b>	<b>2,925,074</b>	<b>(1,084,330)</b>	<b>-</b>	<b>1,840,744</b>	<b>3,154,963</b>	<b>(1,008,446)</b>	<b>-</b>	<b>2,146,517</b>
<b>Accumulated loss brought forward</b>								
- Realised		(1,008,446)				(378,651)		
- Unrealised		-				-		
		(1,008,446)				(378,651)		
Adjustment on adoption of IFRS 9		-				66,474		
Net loss for the year		(75,884)				(696,269)		
<b>Accumulated loss carried forward</b>		<b>(1,084,330)</b>				<b>(1,008,446)</b>		
<b>Accumulated loss carried forward</b>								
- Realised		(1,084,330)				(1,008,446)		
- Unrealised		-				-		
		(1,084,330)				(1,008,446)		
				<b>Rupees</b>				<b>Rupees</b>
Net assets value per unit at beginning of the year				89.7221				107.0620
Net assets value per unit at end of the year				86.3419				89.7221

The annexed notes 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

	2020	2019
Note	------(Rupees in '000)-----	
<b>Cash flows from operating activities</b>		
Net loss for the year after taxation		
<b>Adjustments for:</b>		
Profit on bank deposits	(27,395)	(46,647)
Dividend income	(97,133)	(190,545)
Mark-up / return on investments	(281)	(535)
Capital (gain) / loss on sale of investments - net	(13,513)	433,840
Unrealised diminution on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading' - net	131,531	346,147
	<u>(82,675)</u>	<u>(154,009)</u>
<b>Decrease in assets</b>		
Investments - net	162,028	2,699,220
Advances and deposits	37	-
	<u>162,065</u>	<u>2,699,220</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	1,870	(16,858)
Payable to the Trustee	(39)	(356)
Payable to Securities and Exchange Commission of Pakistan	(3,764)	(1,366)
Accrued expenses and other liabilities	(503)	(1,388)
	<u>(2,436)</u>	<u>(19,968)</u>
<b>Net cash generated from operations</b>	<u>76,954</u>	<u>2,525,243</u>
Profit on bank deposits received	28,924	48,421
Dividend received	97,356	199,901
Mark-up / return on investments received	281	535
	<u>126,561</u>	<u>248,857</u>
<b>Net cash generated from operating activities</b>	<u>203,515</u>	<u>2,774,100</u>
<b>Cash flows from financing activities</b>		
Amount received on issue of units	961,578	1,047,364
Payments against redemption of units	(1,191,467)	(4,162,948)
Net cash used in financing activities	(229,889)	(3,115,584)
	<u>(26,374)</u>	<u>(341,484)</u>
<b>Net decrease in cash and cash equivalents</b>		
<b>Cash and cash equivalents at beginning of the year</b>	<u>236,034</u>	<u>577,518</u>
<b>Cash and cash equivalents at end of the year</b>	<u>5</u> <u>209,661</u>	<u>236,034</u>

The annexed notes 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 Stock Fund (the Fund) was established under a Trust Deed, dated August 09, 2007, executed between HBL Asset Management Limited (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 (SECP) as a unit trust scheme on August 21, 2007.

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.

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 Limited. The units of the Fund were initially offered for public subscription at par from August 29, 2007 to August 31, 2007.

The principal activity of the Fund is to provide long-term capital growth by investing primarily in a diversified pool of equities and equities related instruments.

JCR-VIS Credit Rating Agency has assigned an asset manager rating of 'AM2+' (AM Two Plus) to the Management Company.

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

### **Covid Impact**

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / governments across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

## **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; 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 requirements of the Trust Deed.

Wherever provisions of and directives issued under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRS, the provisions of and directives issued under the Companies Act, 2017, requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

**2.1.1** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that these financial statements gives a true and fair view of the state of the Fund's affairs as at June 30, 2020.

## **2.2 Basis of measurement**

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

## **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 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting and reporting standards 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 its 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:

- (i) classification and valuation of financial assets (note 4.2.1)

## **3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS**

### **3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020**

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations 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 date (annual periods beginning on or after)</b>
IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

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

### **3.2 New accounting standards / amendments and IFRS 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, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
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.

Other than the aforesaid standards, interpretations and 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**

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

##### **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. Cash and cash equivalents are carried in the statement of assets and liabilities at cost.

##### **4.2 Financial assets and liabilities**

###### **4.2.1 Initial recognition**

All financial assets and liabilities are initially measured at cost which is the fair value of the consideration given or received. These are subsequently measured at fair value or amortised cost as the case may be.

###### **4.2.2 Classification**

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

The Fund classifies its financial instruments in the following categories:

- at fair value through profit and loss ("FVTPL"),
- at fair value through other comprehensive income ("FVTOCI"), or
- at amortised cost.

The Fund determines the classification of financial assets at initial recognition. The classification of instruments (other than equity instruments) is driven by the Fund's business model for managing the financial assets and their contractual cash flow characteristics.

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

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

By default, all other financial assets are subsequently measured at FVTPL.

#### **Financial liabilities**

The Fund classifies its financial liabilities in the following categories:

- at fair value through profit and loss ("FVTPL"), or"
- at amortised cost.

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Fund has opted to measure them at FVTPL.

#### **Subsequent measurement**

##### **Financial assets at FVTOCI**

Elected investments in equity instruments at FVTOCI are initially recognised at fair value plus transaction costs. Subsequently they are measured at fair value, with gains or losses arising from changes in fair value recognised in other comprehensive income / (loss).

##### **Financial assets and liabilities at amortised cost**

Financial assets and liabilities at amortised cost are initially recognised at fair value, and subsequently carried at amortised cost, and in the case of financial assets, less any impairment.

##### **Financial assets and liabilities at FVTPL**

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the Income Statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the Income Statement in the period in which they arise. Where Fund has opted to recognize a financial liability at FVTPL, any changes associated with the Fund's own credit risk will be recognised in other comprehensive (loss) income in Statement of Comprehensive Income. Currently, there are no financial liabilities designated at FVTPL.

#### **4.2.3 Business Model Assessment**

The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered. Following three business models are defined under the IFRS 9:

- 1) Hold to collect business model
- 2) Hold to collect and sell business model
- 3) FVTPL business model

Considering above, the Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

#### **4.2.4 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.

For financial assets classified as at 'Amortised Cost', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

The SECP/Commission has 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.

#### **4.2.5 Derecognition**

##### **4.2.5.1 Financial assets**

The Fund derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in Income Statement.

##### **4.2.6 Financial liabilities**

The Fund derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Income Statement.

#### **4.3 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.

#### **4.4 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.

#### **4.5 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 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 ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.6 Proposed distributions**

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.

#### **4.7 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors 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.

#### **4.8 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 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.
- 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.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Mark-up / return on government securities, bank profits and investment in debt securities are recognised on a time apportionment basis using the effective interest method.

**4.10 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.

5. <b>BANK BALANCES</b>	Note	2020 ------(Rupees in '000)-----	2019
Savings accounts	5.1	<b>209,637</b>	236,034
Current account		<b>24</b>	-
		<u><b>209,661</b></u>	<u>236,034</u>

**5.1** This represent bank accounts held with different banks. Mark-up rates on these accounts range between 6.31% - 14.05% (June 30, 2019: 8% - 13.6%) per annum.

6. <b>INVESTMENTS - At fair value through profit or loss</b>	Note	2020 ------(Rupees in '000)-----	2019
- Listed equity securities	6.1	<b>1,708,222</b>	1,967,158
		<u><b>1,708,222</b></u>	<u>1,967,158</u>

**6.1 Listed equity securities - At fair value through profit or loss**

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

Name of the Investee Company	Number of shares					Market value as at June 30, 2020 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 01, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Total Investments	Net Assets	
<b>TEXTILE COMPOSITE</b>									
Nishat Mills Ltd	496,500	486,700	-	538,000	445,200	34,730	2.03%	1.89%	0.13%
Kohinoor Textile Mills Ltd	331,000	-	-	331,000	-	-	0%	0%	-
Gul Ahmed Textile Mills Ltd	-	1,334,000	-	420,500	913,500	26,154	1.53%	1.42%	0.21%
Interloop Limited	751,250	342,000	-	668,000	425,250	18,677	1.09%	1.01%	0.05%
	<b>1,578,750</b>	<b>2,162,700</b>	<b>-</b>	<b>1,957,500</b>	<b>1,783,950</b>	<b>79,561</b>			
<b>CEMENT</b>									
Lucky Cement Ltd	143,650	223,000	-	100,500	266,150	122,850	7.19%	6.67%	0.08%
Maple Leaf Cement Factory Ltd	-	2,442,000	-	1,359,000	1,083,000	28,136	1.65%	1.53%	0.10%
Kohat Cement Ltd	199,500	213,500	-	224,000	189,000	25,978	1.52%	1.41%	0.09%
Cherat Cement Company Ltd.	-	374,000	-	60,000	314,000	27,371	1.60%	1.49%	0.16%
	<b>343,150</b>	<b>3,252,500</b>	<b>-</b>	<b>1,743,500</b>	<b>1,852,150</b>	<b>204,335</b>			
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	1,667,863	475,500	-	1,008,500	1,134,863	82,278	4.82%	4.47%	0.09%
K-Electric Limited	4,530,000	2,350,000	-	2,487,000	4,393,000	13,223	0.77%	0.72%	0.02%
Nishat Chunian Power Ltd	588,500	9,000	-	597,500	-	-	0%	0.00%	-
Pakgen Power Limited	788,000	168,000	-	956,000	-	-	0%	0.00%	-
	<b>7,574,363</b>	<b>3,002,500</b>	<b>-</b>	<b>5,049,000</b>	<b>5,527,863</b>	<b>95,501</b>			
<b>ENGINEERING</b>									
International Steels Limited	-	724,500	-	337,500	387,000	19,989	1.17%	1.09%	0.09%
International Industries Limited	-	117,600	-	25,000	92,600	8,494	0.50%	0.46%	0.07%
Mughal Iron & Steel Inds Limited	18,165	-	-	-	18,165	724	0.04%	0.04%	0.01%
	<b>18,165</b>	<b>842,100</b>	<b>-</b>	<b>362,500</b>	<b>497,765</b>	<b>29,207</b>			
<b>AUTOMOBILE ASSEMBLER</b>									
Sazgar Engineering Works Limited	-	25,000	-	25,000	-	-	-	-	-
<b>TRANSPORT</b>									
Pakistan National Shipping Corp Limited	66,500	295,000	-	225,000	136,500	10,314	0.60%	0.56%	0.10%
<b>PHARMACEUTICALS</b>									
The Searle Company Ltd	88,681	100,500	-	93,000	96,181	19,162	1.12%	1.04%	0.05%
GlaxoSmithKline Pakistan Ltd	-	129,900	-	-	129,900	22,613	1.32%	1.23%	0.04%
AGP Limited	193,000	259,500	-	233,000	219,500	24,088	1.41%	1.31%	0.08%
Highnoon Laboratories Limited	5,000	72,500	7,250	5,000	79,750	39,977	2.34%	2.17%	0.23%
	<b>286,681</b>	<b>562,400</b>	<b>7,250</b>	<b>331,000</b>	<b>525,331</b>	<b>105,840</b>			
<b>PAPER &amp; BOARD</b>									
Century Paper & Board Mills Limited	190,500	115,000	-	305,500	-	-	-	-	0.00%
<b>GLASS &amp; CERAMICS</b>									
Tariq Glass Industries Ltd	-	222,000	-	96,000	126,000	8,130	0.48%	0.44%	0.11%
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Pakistan Oilfields Ltd	221,410	90,800	-	286,210	26,000	9,116	0.53%	0.50%	0.01%
Oil & Gas Development Co Ltd	1,247,100	1,030,000	-	1,075,300	1,201,800	130,996	7.67%	7.12%	0.03%
Pakistan Petroleum Ltd	806,745	950,900	165,929	1,103,200	820,374	71,192	4.17%	3.87%	0.03%
Mari Petroleum Company Ltd	134,658	55,100	11,011	101,280	99,489	123,033	7.20%	6.68%	0.07%
	<b>2,409,913</b>	<b>2,126,800</b>	<b>176,940</b>	<b>2,565,990</b>	<b>2,147,663</b>	<b>334,338</b>			
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Pakistan State Oil Company Ltd	469,368	494,000	70,873	676,000	358,241	56,659	3.32%	3.08%	0.08%
Sui Northern Gas Pipeline Ltd	485,400	661,000	-	326,000	820,400	44,794	2.62%	2.43%	0.13%
Hascol Petroleum Ltd	-	200,000	-	-	200,000	2,720	0.16%	0.15%	0.02%
	<b>954,768</b>	<b>1,355,000</b>	<b>70,873</b>	<b>1,002,000</b>	<b>1,378,641</b>	<b>104,173</b>			

Name of the Investee Company	Number of shares					Market value as at June 30, 2020 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 01, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Total Investments	Net Assets	
<b>COMMERCIAL BANKS</b>									
Bank of Punjab Ltd	4,711,000	5,769,000	-	4,230,500	6,249,500	52,496	3.07%	2.85%	0.24%
National Bank of Pakistan Ltd	492,500	1,974,000	-	1,588,500	878,000	24,277	1.42%	1.32%	0.04%
Bank Al-Falah Ltd	2,562,600	1,633,000	-	1,587,620	2,607,980	87,550	5.13%	4.76%	0.15%
Faysal Bank Limited	26,018	-	-	-	26,018	362	0.02%	0.02%	0.00%
MCB Bank Ltd	295,300	380,900	-	406,000	270,200	43,791	2.56%	2.38%	0.02%
United Bank Limited	577,200	510,200	-	536,500	550,900	56,941	3.33%	3.09%	0.05%
Allied Bank Ltd	670,300	195,100	-	865,400	-	-	-	-	-
Bank Al-Habib Limited	951,500	622,500	-	1,228,396	345,604	18,075	1.06%	0.98%	0.03%
BankIslami Pakistan Limited	-	918,500	-	-	918,500	6,944	0.41%	0.38%	0.08%
Standard Chartered Bank (Pakistan) Ltd	-	278,500	-	-	278,500	7,670	0.45%	0.42%	0.01%
Habib Bank Ltd	916,219	758,900	-	1,274,700	400,419	38,789	2.27%	2.11%	0.03%
	<b>11,202,637</b>	<b>13,040,600</b>	<b>-</b>	<b>11,717,616</b>	<b>12,525,621</b>	<b>336,895</b>			
<b>FERTILIZER</b>									
Engro Corporation Ltd	495,150	193,500	-	366,200	322,450	94,452	5.53%	5.13%	0.06%
Fauji Fertilizer Co Ltd	730,000	768,000	-	983,000	515,000	56,645	3.32%	3.08%	0.04%
Engro Fertilizers Limited	1,133,000	834,068	-	1,506,500	460,568	27,763	1.63%	1.51%	0.03%
	<b>2,358,150</b>	<b>1,795,568</b>	<b>-</b>	<b>2,855,700</b>	<b>1,298,018</b>	<b>178,860</b>			
<b>CHEMICAL</b>									
Lotte Chemical Pakistan Ltd	748,500	1,572,000	-	2,320,500	-	-	-	-	-
Engro Polymer & Chemicals Ltd	1,686,579	1,537,000	-	1,987,500	1,236,079	30,877	1.81%	1.68%	0.14%
Sitara Chemical Industries Limited	13,700	92,000	-	-	105,700	29,291	1.71%	1.59%	0.49%
	<b>2,448,779</b>	<b>3,201,000</b>	<b>-</b>	<b>4,308,000</b>	<b>1,341,779</b>	<b>60,168</b>			
<b>AUTOMOBILE PARTS &amp; ACCESSOR</b>									
Thal Limited	<b>204,800</b>	<b>146,000</b>	<b>-</b>	<b>207,500</b>	<b>143,300</b>	<b>46,564</b>	2.73%	2.53%	0.18%
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Systems Limited	-	<b>63,500</b>	<b>-</b>	<b>63,500</b>	-	-	-	-	-
<b>INSURANCE</b>									
Adamjee Insurance Co Ltd	661,000	273,000	-	143,000	791,000	26,190	1.53%	1.42%	0.23%
TPL Insurance Limited	-	654,000	-	-	654,000	14,388	0.84%	0.78%	0.70%
IGI Holdings Limited	-	407,600	-	-	407,600	73,759	4.32%	4.01%	0.29%
	<b>661,000</b>	<b>1,334,600</b>	<b>-</b>	<b>143,000</b>	<b>1,852,600</b>	<b>114,337</b>			
<b>Total as at June 30, 2020</b>	<b>30,298,156</b>	<b>33,542,268</b>	<b>255,063</b>	<b>32,958,306</b>	<b>31,137,181</b>	<b>1,708,222</b>			
Carrying value as at June 30, 2020						<b>1,839,753</b>			

**6.1.1** Investments include shares having market value aggregating to Rs. 279.809 million (June 30, 2019: Rs.268.127 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.

**6.1.2** This includes gross bonus shares as per Fund's entitlement declared by the investee company. Finance Act, 2014 had 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 percent 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, 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 mutual funds based on the premise of exemption available to mutual funds under clause 99 of Part I and clause 47B of Part IV 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 fair market value of Rs. 3.10 million at June 30, 2020 (June 30, 2019: Rs. 2.59 million) and not yet deposited on CDC account of department of Income tax. 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 Fund's investments at year end.

**6.2 Government Securities - Fair value through profit or loss**

Issue Date	Tenure	Face value				Market Value as at June 30, 2020	Market value as a percentage of	
		As at July 1, 2019	Purchases during the year	Sales / Matured during the year	As at June 30, 2020		Total Investments	Net Assets
----- (Rupees in '000) -----								
Treasury bills								
24-Oct-19	3 month	-	175,000	175,000	-	-	-	-
07-Nov-19	3 month	-	65,000	65,000	-	-	-	-
07-Nov-19	3 month	-	80,000	80,000	-	-	-	-
07-Nov-19	3 month	-	10,000	10,000	-	-	-	-
<b>Cost of investment at June 30, 2020</b>						<b>-</b>		

	Note	2020	2019
----- (Rupees in '000) -----			
<b>6.3 Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss</b>			
Market value of investments		<b>1,708,222</b>	551,171,884
Less: carrying value of investments before mark to market		<b>(1,839,753)</b>	(551,518,031)
		<b>(131,531)</b>	(346,147)
<b>7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP</b>			
Dividend receivable		<b>1,364</b>	1,588
Mark-up accrued on deposits with banks		<b>1,223</b>	2,752
		<b>2,587</b>	4,340
<b>8. ADVANCES AND DEPOSITS</b>			
Security deposit with:			
- National Clearing Company of Pakistan Limited		<b>2,500</b>	2,500
- Central Depository Company of Pakistan Limited		<b>100</b>	100
Advance tax		<b>392</b>	429
Advance against subscription of Term Finance Certificates (TFC) 8.1		<b>25,000</b>	25,000
		<b>27,992</b>	28,029
Less: Provision in respect of advance against subscription of term finance certificates	27	<b>25,000</b>	25,000
		<b>2,992</b>	3,029

**8.1** 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, 2020. 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, 2020, 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.

9.	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>	Note	2020 ------(Rupees in '000)-----	2019
	Management fee	9.1	<b>3,025</b>	3,701
	Sindh Sales Tax	9.2	<b>393</b>	481
	Sales load payable		<b>259</b>	160
	Selling and marketing payable	9.3	<b>4,485</b>	2,597
	Allocation of expenses related to registrar services, accounting, operation and valuation services	9.4	832	185
			<u><b>8,994</b></u>	<u>7,124</u>

**9.1** Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The management fee expense charged by the asset Management Company varied between 1.7% to 2% during the year. Currently, the management fee is charged at the rate of 2% of average annual net assets of the fund.

**9.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) on the remuneration of the Management Company through Sindh Sales Tax on Services Act, 2011.

**9.3** SECP vide SRO 639(I)/2019 dated June 20, 2019 has removed cap of 0.4 percent (of average net assets, calculated on daily basis), on charging of selling and marketing expenses which are charged by Asset Management Companies to all categories of open-end mutual funds (except fund of funds). Resultantly, Management Company has charged selling and marketing expenses to the Fund. The selling and marketing expenses charged by the asset Management Company varied between 0.4% to 1.05% during the year. Currently, the selling and marketing expense is charged at the rate of 1.05% of average annual net assets of the fund.

**9.4** In accordance with Regulation 60 of the NBFC Regulations, the Management Company has charged expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS). The expense charged by the asset Management Company varied between 0.1% to 0.55% during the year. Currently, the expense is charged at the rate of 0.55% of average annual net assets of the fund.

10.	<b>PAYABLE TO THE TRUSTEE</b>	Note	2020 ------(Rupees in '000)-----	2019
	Trustee fee	10.1	<b>233</b>	267
	Sindh Sales Tax	10.2	<b>30</b>	35
			<u><b>263</b></u>	<u>302</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 fee is paid to the Trustee monthly in arrears.

The tariff structure applicable to the Fund is as follows:

<b>Amount of Funds Under Management [Average Net Assets Value (NAV)]</b>	<b>Tariff per annum</b>
Up to Rs. One billion	0.20% per annum of NAV
Exceeding Rs. One billion	Rs 2.0 million plus 0.10% of NAV, exceeding Rs. 1,000 million

**10.2** The Sindh Government has levied Sindh Sales Tax at the rate of 13% (June 30, 2019: 13%) on the remuneration of the Trustee through Sindh Sales Tax on Services Act, 2011.

	<b>2020</b>	2019
	------(Rupees in '000)-----	
<b>11. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		
Annual fee	<u><b>417</b></u>	<u>4,181</u>

**11.1** In accordance with Regulation 62 of the NBFC Regulations, uptill June 19, 2019, the Fund was required to pay SECP an amount at the rate of 0.095% per annum of the average daily net assets of the fund. SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the fund and accordingly such fee has been charged at the rate of 0.02% percent during the year.

		<b>2020</b>	2019
		------(Rupees in '000)-----	
<b>12. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Federal Excise Duty	12.1	<b>37,838</b>	37,838
Provision for Sindh Workers' Welfare Fund	12.2	<b>34,381</b>	34,381
Withholding tax payable		<b>807</b>	838
Auditors' remuneration		<b>478</b>	459
Payable to brokers		<b>138</b>	558
Others		<b>711</b>	782
		<u><b>74,353</b></u>	<u>74,856</u>

**12.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent 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 30, 2016, the SHC declared the said provisions to be 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, 2020.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company has made a provision on FED on remuneration of the Management Company with effect from June 13, 2013 till June 30, 2016, aggregating to Rs. 37.838 million. Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 1.77 (June 30, 2019: Rs. 1.58) per unit.

**12.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008. The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, 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.

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 56.825 million and started recognising provision for SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 34.381 million (2019: Rs. 34.381 million). Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 1.6127 (June 30, 2019: Rs. 1.4371) per unit.

### 13. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

### 14. AUDITORS' REMUNERATION

	2020	2019
	------(Rupees in '000)-----	
Annual audit fee	520	520
Fee for half yearly review	84	84
Out of pocket	34	52
	638	656

### 15. TAXATION

No provision for taxation has been made as the Fund has incurred a net loss and as such is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the 'Income statement' and 'Statement of comprehensive income'.

**16. EARNINGS PER UNIT**

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

**17. NUMBER OF UNITS IN ISSUE**

	2020	2019
	----- (Number of units) -----	
Opening units in issue	23,924,062	55,653,438
Units issued during the year	10,299,192	10,306,937
Less: Units redeemed	(12,904,008)	(42,036,313)
Total units in issue at the end of the year	<u>21,319,246</u>	<u>23,924,062</u>

**18. FINANCIAL INSTRUMENTS BY CATEGORY**

	----- As at June 30, 2020 -----		
	Fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial Assets</b>			
Bank balances	-	209,661	209,661
Investments	1,708,222	-	1,708,222
Dividend and profit receivable	-	2,587	2,587
Receivable against sale of Investment	-	5,415	5,415
Deposits	-	2,600	2,600
	<u>1,708,222</u>	<u>220,263</u>	<u>1,928,485</u>

	----- As at June 30, 2020 -----		
	Fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial Liabilities</b>			
Payable to the Management Company	-	8,994	8,994
Payable to Trustee	-	263	263
Payable against purchase of investments	-	4,106	4,106
Accrued expenses and other liabilities	-	1,327	1,327
Net assets attributable to unit holders	-	1,840,744	1,840,744
	<u>-</u>	<u>1,855,434</u>	<u>1,855,434</u>

	----- As at June 30, 2019 -----		
	Fair value through profit or loss	At amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial Assets</b>			
Bank balances	-	236,034	236,034
Investments	1,967,158	-	1,967,158
Dividend and profit receivable	-	4,340	4,340
Receivable against sale of Investment	-	36,022	36,022
Deposits	-	2,600	2,600
	<u>1,967,158</u>	<u>278,996</u>	<u>2,246,154</u>

----- As at June 30, 2019 -----		
Fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----		
<b>Financial Assets</b>		
Payable to the Management Company	-	7,124
Payable to Trustee	-	267
Payable against purchase of investments	-	13,603
Accrued expenses and other liabilities	-	1,799
Net assets attributable to redeemable units	-	2,146,517
	<u>2,169,310</u>	<u>2,169,310</u>

## 19. 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.

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

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

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

### 19.1 Transactions during the year

	2020	2019
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management Fee including sales tax thereon	<u>46,167</u>	<u>99,456</u>
Selling and marketing expenses	<u>17,191</u>	<u>17,603</u>
Issue of 1,944,438 units (2019: Nil)	<u>200,000</u>	<u>-</u>
Redemption of 1,944,438 units (2019: Nil)	<u>195,017</u>	<u>-</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>6,471</u>	<u>4,401</u>
Bank charges paid	<u>19</u>	<u>33</u>
Mark-up earned during the year	<u>2,832</u>	<u>2,633</u>
Dividend income earned	<u>3,374</u>	<u>6,836</u>
Dividend income received	<u>3,374</u>	<u>6,836</u>
<b>Directors and Executives of the Management Company and their relatives</b>		
Issue of 10,176 units (2019: 54,808 units)	<u>1,026</u>	<u>5,251</u>
Redemption of 10,318 units (2019: 12,887 units)	<u>1,092</u>	<u>1,382</u>
Dividend paid	<u>-</u>	<u>-</u>

	2020	2019
	----- (Rupees in '000) -----	
<b>MCBFSL Trustee HBL Financial Planning Fund</b>		
<b>Active Allocation Plan - Associate</b>		
Issue of 195,769 units (2019: 320,521 units)	<u>16,500</u>	<u>33,100</u>
Redemption of 337,880 units (2019: 1,703,198 units)	<u>29,451</u>	<u>170,847</u>
<b>MCBFSL Trustee HBL Financial Planning Fund</b>		
<b>Conservative Allocation Plan - Associate</b>		
Issue of 224,516 units (2019: 43,349 units)	<u>20,319</u>	<u>4,400</u>
Redemption of 237,103 units (2019: 149,780 units)	<u>21,821</u>	<u>15,418</u>
<b>MCBFSL Trustee HBL Financial Planning Fund</b>		
<b>Strategic Allocation Plan - Associate</b>		
Issue of Nil units (2019: 464,108 units)	<u>-</u>	<u>46,916</u>
Redemption of 440,522 units (2019: 986,912 units)	<u>36,967</u>	<u>96,640</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	<u>3,491</u>	<u>6,103</u>
<b>19.2 Balances outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<u>3,025</u>	<u>3,701</u>
Sindh Sales Tax	<u>393</u>	<u>481</u>
Sales load payable	<u>259</u>	<u>160</u>
Selling and marketing	<u>4,485</u>	<u>2,597</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>832</u>	<u>185</u>
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 8,616,219 units (2019: 8,616,219 units)	<u>743,941</u>	<u>773,065</u>
Bank balances	<u>57,932</u>	<u>40,102</u>
Mark-up receivable	<u>270</u>	<u>238</u>
<b>Directors and Executives of the Management Company and their relatives</b>		
Investment held in the Fund: 4,727 units (2019: 131,486 units)	<u>408</u>	<u>11,797</u>
<b>MCBFSL Trustee HBL Financial Planning Fund</b>		
<b>Active Allocation Plan - Associate</b>		
Investment held in the Fund : 325,954 units (2019: 468,065 units)	<u>28,143</u>	<u>41,996</u>
<b>MCBFSL Trustee HBL Financial Planning Fund</b>		
<b>Conservative Allocation Plan - Associate</b>		
Investment held in the Fund : 129,177 units (2019: 141,765 units)	<u>11,153</u>	<u>12,719</u>



### 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 instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund's equity securities are primarily exposed to equity price risk because of investments held and classified by the Fund on the statement of assets and liabilities as 'available for sale' and 'held for trading'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Fund's constitutive documents. The Fund's constitutive documents / NBFC Regulations also limit investment in individual equity securities to not more than 15% of its net assets, or 15% of the issued capital of the investee company and the sector exposure limit to 35% of net assets.

In case of 5% increase / decrease in the fair value of the Fund's equity securities on June 30, 2020, net assets of the Fund would increase / decrease by Rs. 85.411 million (2019: Rs. 98.358 million) as a result of gains / losses on equity securities at "fair value through profit and loss".

### 20.2 Credit risk

Credit risk represents the risk of a loss if the counterparties fail to perform as contracted. The Fund's credit risk mainly arises from deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities.

The Fund's credit risk is primarily attributable to balances with banks, deposits with and other receivables from National Clearing Company of Pakistan Limited and Central Depository Company of Pakistan Limited, respectively. The Fund also carries credit risk in respect of dividend receivable (if any) on equity securities. The credit risk of the Fund with respect to bank accounts is limited as the balances are maintained with counter parties that are financial institutions with reasonably high credit ratings. Further, credit risk in respect of deposits and other receivables is also minimal as the counter parties are well reputed and financially sound. Credit risk on dividend receivable is also minimal due to the statutory protection.

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.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2020 is the carrying amount of the financial assets as follows:

	2020	2019
	----- (Rupees in '000) -----	
<b>Bank balances by rating category</b>		
AA- (PACRA)	150,568	195,791
AA+ (PACRA)	2	-
AAA (JCR-VIS)	1,159	40,102
AAA (PACRA)	57,932	141
	<u>209,661</u>	<u>236,034</u>
<b>Dividend and profit receivable</b>	<u>2,587</u>	<u>4,340</u>
<b>Deposits</b>	<u>2,600</u>	<u>2,600</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 equity securities which are primarily subject to price risk. The Fund's portfolio of other financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk.

### 20.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or 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 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 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. 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.

	----- As at June 30, 2020 -----			Total
	Upto three months	More than three months and upto one year	More than one year	
	----- Rupees in '000 -----			
<b>Liabilities</b>				
Payable to the Management Company	8,994	-	-	8,994
Payable to the Trustee	263	-	-	263
Payable against purchase of investments	4,106	-	-	4,106
Accrued expenses and other liabilities	1,327	-	-	1,327
	<b>14,690</b>	<b>-</b>	<b>-</b>	<b>14,690</b>

	----- As at June 30, 2019 -----			Total
	Upto three months	More than three months and upto one year	More than one year	
	----- Rupees in '000 -----			
Liabilities				
Payable to the Management Company	7,124	-	-	7,124
Payable to the Trustee	302	-	-	302
Payable against purchase of investments	13,603	-	-	13,603
Accrued expenses and other liabilities	1,799	-	-	1,799
	<u>22,828</u>	<u>-</u>	<u>-</u>	<u>22,828</u>

## 21. FAIR VALUE AND CATAGORIES 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 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.

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, 2020						
		Carrying amount			Fair Value			
		Fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial instruments</b>	Note	----- (Rupees in '000) -----						
<b>Financial assets measured at fair value</b>								
		<u>1,708,222</u>	-	<u>1,708,222</u>	<u>1,708,222</u>	-	-	<u>1,708,222</u>
		<u>1,708,222</u>	-	<u>1,708,222</u>	<u>1,708,222</u>	-	-	<u>1,708,222</u>
<b>Financial assets not measured at fair value</b>								
	21.1							
		-	209,661	209,661				
		-	2,587	2,587				
		-	5,415	5,415				
		-	2,600	2,600				
		-	<u>220,263</u>	<u>220,263</u>				
<b>Financial liabilities not measured at fair value</b>								
	21.1							
		-	8,994	8,994				
		-	263	263				
		-	4,106	4,106				
		-	1,327	1,327				
		-	<u>1,840,744</u>	<u>1,840,744</u>				
		-	<u>1,855,434</u>	<u>1,855,434</u>				

		June 30, 2019						
		Carrying amount			Fair Value			
		Fair value through profit or loss	At amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial instruments</b>	Note	----- (Rupees in '000) -----						
<b>Financial assets measured at fair value</b>								
		<u>1,967,158</u>	-	<u>1,967,158</u>	<u>1,967,158</u>	-	-	<u>1,967,158</u>
		<u>1,967,158</u>	-	<u>1,967,158</u>	<u>1,967,158</u>	-	-	<u>1,967,158</u>
<b>Financial assets not measured at fair value</b>								
	21.1							
		-	236,034	236,034				
		-	4,340	4,340				
		-	36,022	36,022				
		-	2,600	2,600				
		-	<u>278,996</u>	<u>278,996</u>				
<b>Financial liabilities not measured at fair value</b>								
	21.1							
		-	7,124	7,124				
		-	302	302				
		-	13,603	13,603				
		-	1,799	1,799				
		-	<u>2,146,517</u>	<u>2,146,517</u>				
		-	<u>2,169,345</u>	<u>2,169,345</u>				

**21.1** 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.

**21.2 Transfers during the year**

There were no transfers between various levels of fair value hierarchy during the year.

**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 unit holders' fund.

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue 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. LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE

#### Top ten brokers during the year ended June 30, 2020

- 1 JS Global Capital Ltd
- 2 Intermarket Securities Ltd.
- 3 Aba Ali Habib Securities (Pvt) Ltd
- 4 DJM Securities (Pvt) Ltd
- 5 Habib Metropolitan Financial Services Ltd
- 6 EFG Hermes Pakistan Limited
- 7 IGI Finex Securities Limited
- 8 Insight Securities (Pvt) Ltd
- 9 AL Falah Securities (Pvt) Ltd.
- 10 BMA Capital Management Limited

#### Top ten brokers during the year ended June 30, 2019

- 1 AKD Securities Limited
- 2 AL Falah Securities (Pvt) Limited
- 3 Arif Habib Limited
- 4 BMA Capital Management Limited
- 5 DJM Securities (Pvt) Limited
- 6 EFG Hermes Pakistan Limited
- 7 Intermarket Securities Limited
- 8 JS Global Capital Limited
- 9 Optimus Capital Management (Pvt) Limited
- 10 Topline Securities (Pvt) Limited

### 24. PARTICULARS OF THE INVESTMENT COMMITTEE

Details of members of the Investment Committee of the Fund as on June 30, 2020 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	21 + years
2	Adeel Abdul Wahab	Head of Equity	ACCA	12+ years
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+ years
4	Karim Khawaja	Head of Risk	MBA, CMA	17 + years

**25. PATTERN OF UNIT HOLDING**

	2020			
	Number of unit holders	Number of units held	Investment amount	Percentage investment
	----- Rupees in '000 -----			
Associated Companies	2	15,741,608	1,359,160	73.84%
Trust	2	455,131	39,298	2.13%
Banks/DFIs	1	1,604,623	138,546	7.53%
Retirement Funds	2	94,118	8,126	0.44%
Other Corporate	3	234,653	20,260	1.10%
Individuals	371	3,189,113	275,354	14.96%
	<b>381</b>	<b>21,319,246</b>	<b>1,840,744</b>	<b>100%</b>

	2019			
	Number of unit holders	Number of units held	Investment amount	Percentage investment
	----- Rupees in '000 -----			
Director	2	116,559	10,458	0.49%
Associated Companies	2	15,741,608	1,412,370	65.80%
Trust	4	1,610,412	144,491	6.73%
Insurance companies	6	1,725,777	154,840	7.21%
Banks/DFIs	1	1,604,623	143,970	6.71%
Retirement Funds	2	160,991	14,444	0.67%
Other Corporate	5	266,486	23,910	1.11%
Individuals	344	2,692,641	241,589	11.25%
Foreign Individual	1	4,964	445	0.02%
	<b>367</b>	<b>23,924,062</b>	<b>2,146,517</b>	<b>100%</b>

**26. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Five meetings of the Board of Directors were held on August 29,2019 ,October 29,2019, February 13, 2020 ,March 02,2020 and April 29, 2020 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. Farid Ahmed Khan <sup>1</sup>	1	1	-	4
2	Mr. Mir Adil Rashid <sup>2</sup>	4	4	-	1
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad <sup>5</sup>	5	5	-	-
9	Mr. Atif Aslam Bajwa <sup>3,4</sup>	2	1	1	3

- 1 Resigned on September 15, 2019.
- 2 Appointed on September 16, 2019.
- 3 Appointed on October 29, 2019.
- 4 Resigned on February 24, 2020.
- 5 Resigned on May 14, 2020.

**27. 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, 2019, 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
Dewan Cement Limited	TFC	25,000	25,000	-	-

**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 Fund for the year ended June 30, 2020 is 3.96% (YTD) which includes 0.29% representing Sindh Worker's Welfare Fund, government levy and SECP fee.

**29. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 27, 2020 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**

Figures have been rounded off to the nearest thousand Rupees.

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

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

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

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



11.12

14.56

1.7900

1.7855

1.7810

1.77

**HBL** Cash Fund

<b>NAME OF FUND</b>	<b>HBL Cash Fund</b>
<b>NAME OF AUDITORS</b>	<b>BDO Ebrahim &amp; Co. Chartered Accountants.</b>
<b>NAME OF BANKERS</b>	<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 United Bank Limited Samba Bank Limited Zarai Taraqiati Bank Limited JS Bank Limited Sindh Bank Limited</b>
<b>FUND RATING</b>	<b>'AA(f)' (JCR-VIS)</b>

**Type and Category of Fund**

Open end Money Market Fund

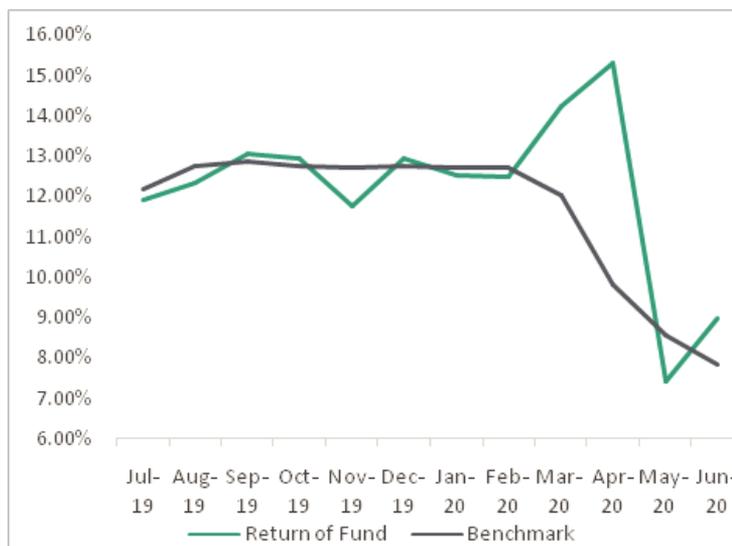
**Investment Objective and Accomplishment of Objective**

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 is given below:

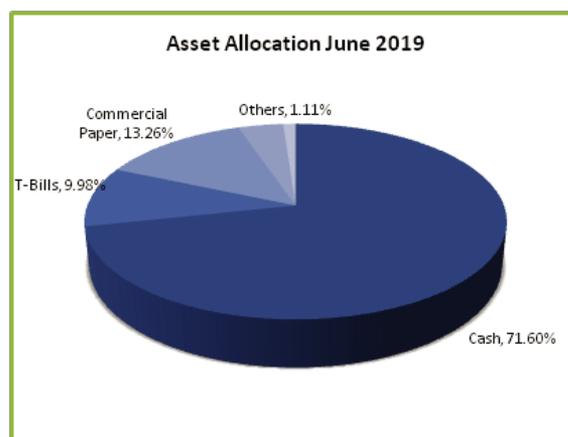
Month	Return of Fund	Benchmark
Jun-20	8.99%	7.85%
May-20	7.42%	8.57%
Apr-20	15.30%	9.81%
Mar-20	14.24%	12.04%
Feb-20	12.50%	12.72%
Jan-20	12.52%	12.72%
Dec-19	12.94%	12.75%
Nov-19	11.75%	12.72%
Oct-19	12.93%	12.75%
Sep-19	13.06%	12.88%
Aug-19	12.35%	12.77%
Jul-19	11.93%	12.19%



**Strategies and Policies employed during the Year**

In line with the investment policy of the Fund, the Fund continued to hold major investments in the form of short maturity T-Bills and placements with Commercial Banks and DFIs in Daily Product Accounts and LOPs, besides commercial paper. Average exposure of cash and T-Bills were recorded at 44.78% and 60.00% of total assets respectively. However on quarter and year end, better opportunities were offered in Bank Deposits which assisted in optimizing 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 2019. At the end of the year, 55.88% assets were deployed in Cash at bank as they were offering better returns. Other asset allocation comprises of investment in commercial papers and T-Bills at 3.88% and 40.01% of total assets respectively.

## Fund Performance

The total income and net income of the Fund was Rs. 1.60 billion and Rs. 1.47 billion respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs 101.1599 per unit as on June 30, 2020 as compared to Rs 100.8886 per unit as on June 30, 2019, after incorporating dividend of Rs. 12.0041 per unit, thereby giving an annualized return of 12.86%. During the year the benchmark (70% 3M PKRV & 30% 3M deposit rates) return was 11.63%. The size of Fund was Rs 17.97 billion as on June 30, 2020 as compared to Rs. 8.81 billion at the start of the year.

## Market Review

FY20 was a tale of two halves for the money market. SBP continued its monetary tightening stance in the first half of FY20 to control the rising current account deficit and anchor increasing inflationary pressures. However post the Covid-19 pandemic SBP turned dovish and decreased the interest rate by a cumulative 625bps to revive the economy.

Yields across all the tenors decreased by 415-641 bps during FY20 due to cumulative decrease of 525 bps in SBP policy rate in FY20. Secondary market yields of 3, 5 and 10-year PIBs decreased by 632, 577 and 503 bps respectively while yields of 3, 6 and 12 month T-Bills decreased in tandem by 566, 580 and 608 bps respectively during FY20. Latest cut-off yields stood at 7.97%, 8.44%, 8.99%, 9.90% and 10.51% for the 3-year, 5-year, 10-year, 15-year and 20-year PIBs, respectively.

During the FY20, Government largely managed its borrowing requirements through domestic sources, and largely from commercial banks. Government borrowed PKR 2,302bn from scheduled banks compared to retirement of PKR 875bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 135bn during the period against borrowing of PKR 3,078bn during same period last year. This shift in borrowing took place as IMF has restricted borrowing from the central bank to avoid inflationary pressure. Going forward the government will continue to meet additional borrowing requirements from the commercial banks.

In the monetary policy held in June-20, SBP decreased the policy rate by a further 100bps to 7.0%. Going forward, we feel that the bulk of monetary easing has taken place and we are close to the bottom of the interest rate cycle. However, SBP has indicated its monetary policy would remain data driven and we may witness another 50-100bps reduction in interest rate in the calendar year.

## Distribution

The Fund has distributed cash dividend up-to Rs. 12.0041 per unit for the year ended June 30, 2020.

## 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	339	8,342
101 – 500	184	35,568
501 – 1,000	60	42,295
1,001 – 10,000	373	1,734,684
10,001 – 100,000	303	8,922,758
100,001 – 500,000	72	16,486,650
500,001 – 1,000,000	8	6,216,189
1,000,001 – 5,000,000	15	37,542,356
5,000,001 and more	7	106,668,361
<b>Total</b>	<b>1,361</b>	<b>177,657,203</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, 2020*

	2020	2019	2018	2017	2016	2015
Net assets at the period end (Rs'000)	17,975,752	8,808,923	12,039,734	5,954,130	2,103,956	3,249,017
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	101.1599	100.8886	106.0021	100.4888	100.5696	100.3250
Offer - Class C	101.1599	100.8886	106.0021	100.4888	100.5696	100.3250
Offer - Class D	102.3030	102.0286	107.1999	101.6243	101.5753	101.3283
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit - Class C	102.0921	104.3893	106.0021	106.0546	106.1453	108.7769
Lowest offer price per unit - Class C	100.8886	100.7521	100.5287	100.3862	100.3425	100.1000
Highest offer price per unit - Class D	103.2457	105.5689	107.1999	107.2530	107.2068	109.8647
Lowest offer price per unit - Class D	101.0330	101.8906	101.6647	101.5206	101.3459	101.1010
Highest redemption price per unit	102.0921	104.3893	106.0021	106.0546	106.1453	108.7769
Lowest redemption price per unit	100.8886	100.7521	100.5287	100.3862	100.3425	100.1000
<b>RETURN ( % )</b>						
Total return	12.86%	8.89%	5.49%	7.18%	6.06%	10.51%
Income distribution	12.00%	8.53%	5.25%	7.15%	5.87%	10.31%
Capital growth	0.86%	0.36%	0.24%	0.03%	0.19%	0.20%
<b>DISTRIBUTION</b>						
Date of Income Distribution			-	-	-	-
Income Distribution (Rs. Per unit)			-	-	-	-
Date of Income Distribution	01-Aug-19		-	-	-	-
Income Distribution (Rs. Per unit)	1.1585		-	-	-	-
Date of Income Distribution	02-Sep-19		-	-	-	-
Income Distribution (Rs. Per unit)	1.0317		-	-	-	-
Date of Income Distribution	01-Oct-19		-	-	-	-
Income Distribution (Rs. Per unit)	1.0471		-	-	-	-
Date of Income Distribution	03-Nov-19		-	-	-	-
Income Distribution (Re. Per unit)	1.1689		-	-	-	-
Date of Income Distribution	02-Dec-19	28-Dec-18	-	-	-	-
Income Distribution (Rs. Per unit)	0.9464	3.50	-	-	-	-
Date of Income Distribution	01-Jan-20	29-Jan-19	-	-	-	-
Income Distribution (Re. Per unit)	1.0760	0.9751	-	-	-	-
Date of Income Distribution	03-Feb-20	27-Feb-19	-	-	-	-
Income Distribution (Re. Per unit)	1.1608	0.7372	-	-	-	-
Date of Income Distribution	02-Mar-20	28-Mar-19	-	-	-	-
Income Distribution (Re. Per unit)	0.9473	0.7532	-	-	-	-
Date of Income Distribution	02-Apr-20	29-Apr-19	-	-	-	-
Income Distribution (Re. Per unit)	1.2980	0.8571	-	-	-	-
Date of Income Distribution	07-May-20	31-May-19	-	-	-	-
Income Distribution (Re. Per unit)	1.2349	0.9532	-	-	-	-
Date of Income Distribution	04-Jun-20	27-Jun-19	-	-	24-Jun-16	15-Jun-15
Income Distribution (Rs. Per unit)	0.6173	0.75	-	-	5.85	10.31
Date of Income Distribution	18-Jun-20		04-Jul-18	20-Jun-17	26-Aug-16	
Income Distribution (Re. Per unit)	0.3172		5.25	7.15	0.02	
Total dividend distribution for the year/ period (Rs)	12.0041	8.5258	5.25	7.15	5.87	10.31
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	12.86%	8.89%	5.49%	7.18%	6.06%	10.51%
Average annual return 2 year	10.86%	7.17%	6.32%	6.62%	8.27%	9.44%
Average annual return 3 year	9.04%	7.17%	6.24%	7.90%	8.30%	9.32%
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Net Assets as at 30 June:						
Bank Balances	55.88%	71.60%	81.03%	90.86%	75%	13%
T-Bills	40.01%	9.98%	0.00%	0.00%	5%	55%
Placement with Banks and DFIs	0.00%	4.05%	18.61%	7.50%	20%	31%
Commercial Paper	3.88%	13.26%	0.00%	1.35%	0%	0%
Corporate Sukuks / TFCs	0.00%	0.00%	0.00%	0.00%	0%	0%
MTS / Spread Transactions	0.00%	0.00%	0.00%	0.00%	0%	0%
Others Including receivables	0.23%	1.11%	0.36%	0.29%	0%	1%
Weighted average portfolio during (No. of days)	60.00	16.00	6.00	16.00	24	83

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**

**Head Office**

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URL: www.cdcPakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL CASH FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 24, 2020







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 Karachi-74200  
 Pakistan



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### 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, 2020, 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, 2020, 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, 2020, the investments held by the Fund comprised of debt instruments which represent 44% 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>

Page - 1

BDO Ebrahim & Co. Chartered Accountants

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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, 2020 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> <li>• We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>
2.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.</p> <p>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.</p> <p>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realized or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, 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.</p> <p>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>• We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund.</li> <li>• We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</li> </ul>



**BDO**



#### 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.

Page - 4

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- 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 year 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 Zulfikar Ali Causer.

KARACHI

DATED: 27 AUG 2020

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

**HBL Cash Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2020*

	Note	2020 ------(Rupees in '000)-----	2019
<b>ASSETS</b>			
Bank balances	5	13,602,521	7,064,377
Investments	6	10,689,435	2,693,870
Profit / mark-up receivable	7	47,645	104,600
Advances, deposits and prepayments	8	1,183	3,384
<b>TOTAL ASSETS</b>		<b>24,340,784</b>	<b>9,866,231</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	5,544	7,387
Payable to the Trustee	10	989	809
Payable to Securities and Exchange Commission of Pakistan	11	2,462	8,887
Payable against purchase of investments - net		6,279,629	984,910
Dividend payable		-	138
Accrued expenses and other liabilities	12	80,374	55,177
<b>TOTAL LIABILITIES</b>		<b>6,368,998</b>	<b>1,057,308</b>
<b>NET ASSETS</b>		<b>17,971,786</b>	<b>8,808,923</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>17,971,786</b>	<b>8,808,923</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13	------(Number of Units)-----	
Number of units in issue	14	177,657,203	87,313,394
<b>Net assets value per unit</b>		<b>101.1599</b>	<b>100.8886</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**

	Note	2020 ------(Rupees in '000)-----	2019
<b>Income</b>			
Capital gain / (loss) on sale of investments - net		39,249	(11,505)
Income from Government securities		676,016	383,177
Income from money market transactions and placements		194,199	273,941
Income from corporate sukuk bonds		15,089	-
Mark-up on bank deposits		661,031	495,051
		<u>1,585,584</u>	<u>1,140,664</u>
Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.3	10,946	86
		<u>1,596,530</u>	<u>1,140,750</u>
<b>Expenses</b>			
Remuneration of the Management Company	9.1	54,063	80,927
Sindh Sales Tax on remuneration of the Management Company	9.2	7,028	10,520
Remuneration of the Trustee	10.1	8,000	9,350
Sindh Sales Tax on remuneration of the Trustee	10.3	1,040	1,216
Annual fee to Securities and Exchange Commission of Pakistan	11.1	2,462	8,887
Allocation of fees and expenses related to registrar services, accounting, operation and valuation services	9.3	11,188	11,298
Selling and marketing expenses	9.4	6,218	-
Auditors' remuneration	15	446	443
Fees and subscription		351	341
Securities transaction costs and settlement charges		1,617	905
Bank charges		571	463
Printing charges		30	-
		<u>93,014</u>	<u>124,350</u>
<b>Net income for the year from operating activities</b>		<u>1,503,516</u>	<u>1,016,400</u>
Provision for Sindh Workers' Welfare Funds	12.2	(30,070)	(20,328)
<b>Net income for the year before taxation</b>		<u>1,473,446</u>	<u>996,072</u>
Taxation	16	-	-
<b>Net income for the year</b>		<u>1,473,446</u>	<u>996,072</u>
<b>Allocation of net income for the year</b>			
Income already paid on redemption of units		70,668	250,484
Accounting income available for distribution:			
Relating to capital gains		50,195	-
Excluding capital gains		1,352,583	745,588
		<u>1,402,778</u>	<u>745,588</u>
		<u>1,473,446</u>	<u>996,072</u>
<b>Earnings per unit</b>	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 Cash Fund**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2020*

	2020	2019
	----- (Rupees in '000) -----	
Net income for the year	1,473,446	996,072
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u><u>1,473,446</u></u>	<u><u>996,072</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 Cash Fund**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2020

	For the year ended June 30,					
	2020			2019		
	(Rupees in '000)					
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the year	8,764,853	44,070	8,808,923	11,727,212	312,522	12,039,734
<b>Issuance of 314,753,601 units (2019: 293,039,963 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	31,755,040	-	31,755,040	30,014,985	-	30,014,985
Element of income / (loss)	119,343	-	119,343	(182,513)	-	(182,513)
<b>Total proceeds on issuance of units</b>	31,874,383	-	31,874,383	29,832,472	-	29,832,472
<b>Redemption of 224,409,792 units (2019: 319,306,698 units)</b>						
Capital value (at net asset value per unit at the beginning of the year)	(22,640,383)	-	(22,640,383)	(32,170,825)	-	(32,170,825)
Income already paid on redemption of units	-	(70,668)	(70,668)	-	(250,484)	(250,484)
Element of loss	(12,993)	-	(12,993)	(133,412)	-	(133,412)
<b>Total payments on redemption of units</b>	(22,653,376)	(70,668)	(22,724,044)	(32,304,237)	(250,484)	(32,554,721)
Total comprehensive income for the year	-	1,473,446	1,473,446	-	996,072	996,072
<b>Annual distribution of Rs. 5.25 per unit declared on July 04, 2018 as cash dividend</b>						
Refund of capital	-	-	-	(319,181)	-	(319,181)
Distribution during the year	-	-	-	-	(277,112)	(277,112)
<b>Interim distributions</b>						
Rs. 3.50 per unit declared on December 28, 2018 as cash dividend						
Refund of capital	-	-	-	(132,687)	-	(132,687)
Distribution during the year	-	-	-	-	(250,794)	(250,794)
Rs. 0.98 per unit declared on January 29, 2019 as cash dividend						
Refund of capital	-	-	-	(14,015)	-	(14,015)
Distribution during the year	-	-	-	-	(97,424)	(97,424)
Rs. 0.74 per unit declared on February 27, 2019 as cash dividend						
Refund of capital	-	-	-	(425)	-	(425)
Distribution during the year	-	-	-	-	(86,810)	(86,810)
Rs. 0.75 per unit declared on March 28, 2019 as cash dividend						
Refund of capital	-	-	-	(4,435)	-	(4,435)
Distribution during the year	-	-	-	-	(75,196)	(75,196)
Rs. 0.86 per unit declared on April 29, 2019 as cash dividend						
Refund of capital	-	-	-	(2,444)	-	(2,444)
Distribution during the year	-	-	-	-	(67,668)	(67,668)
Rs. 0.95 per unit declared on May 31, 2019 as cash dividend						
Refund of capital	-	-	-	(12,646)	-	(12,646)
Distribution during the year	-	-	-	-	(99,721)	(99,721)
Rs. 0.75 per unit declared on June 27, 2019 as cash dividend						
Refund of capital	-	-	-	(4,761)	-	(4,761)
Distribution during the year	-	-	-	-	(59,315)	(59,315)
Rs. 1.1585 per unit declared on August 02, 2019 as cash dividend						
Refund of capital	(10,589)	-	(10,589)	-	-	-
Distribution during the year	-	(95,237)	(95,237)	-	-	-
Rs. 1.0137 per unit declared on September 03, 2019 as cash dividend						
Refund of capital	(961)	-	(961)	-	-	-
Distribution during the year	-	(94,473)	(94,473)	-	-	-
Rs. 1.0471 per unit declared on October 02, 2019 as cash dividend						
Refund of capital	(4,030)	-	(4,030)	-	-	-
Distribution during the year	-	(96,321)	(96,321)	-	-	-
Rs. 1.1689 per unit declared on November 04, 2019 as cash dividend						
Refund of capital	(5,371)	-	(5,371)	-	-	-
Distribution during the year	-	(111,020)	(111,020)	-	-	-
Rs. 0.9464 per unit declared on December 03, 2019 as cash dividend						
Refund of capital	(5,373)	-	(5,373)	-	-	-
Distribution during the year	-	(99,595)	(99,595)	-	-	-
Rs. 1.076 per unit declared on January 02, 2020 as cash dividend						
Refund of capital	(4,000)	-	(4,000)	-	-	-
Distribution during the year	-	(106,883)	(106,883)	-	-	-
Rs. 1.1608 per unit declared on February 04, 2020 as cash dividend						
Refund of capital	(7,784)	-	(7,784)	-	-	-
Distribution during the year	-	(129,346)	(129,346)	-	-	-
Rs. 0.9473 per unit declared on March 04, 2020 as cash dividend						
Refund of capital	(9,542)	-	(9,542)	-	-	-
Distribution during the year	-	(115,097)	(115,097)	-	-	-
Rs. 1.298 per unit declared on April 03, 2020 as cash dividend						
Refund of capital	(15,306)	-	(15,306)	-	-	-
Distribution during the year	-	(178,161)	(178,161)	-	-	-
Rs. 1.2349 per unit declared on May 08, 2020 as cash dividend						
Refund of capital	(20,894)	-	(20,894)	-	-	-
Distribution during the year	-	(198,773)	(198,773)	-	-	-
Rs. 0.6173 per unit declared on June 05, 2020 as cash dividend						
Refund of capital	(19,486)	-	(19,486)	-	-	-
Distribution during the year	-	(81,836)	(81,836)	-	-	-

**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, 2020

For the year ended June 30,					
2020			2019		
(Rupees in '000)					
Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Rs. 0.3172 per unit declared on June 19, 2020 as cash dividend					
Refund of capital	-	-	-	-	-
Distribution during the year	(48,397)	(48,397)	-	-	-
(105,783)	118,307	12,524	(490,594)	(17,968)	(508,562)
<b>Net assets at end of the year</b>					
17,880,077	91,709	17,971,786	8,764,853	44,070	8,808,923
<b>Undistributed income brought forward</b>					
Realised income					
	44,070				312,522
Unrealised income					
	-				-
	44,070				312,522
<b>Accounting income available for distribution</b>					
Relating to capital gains					
	50,195				-
Excluding capital gains					
	1,352,583				745,588
	1,402,778				745,588
<b>Distributions during the year:</b>					
Annual distribution of Rs. 5.25 per unit declared on July 04, 2018 as cash dividend					
	-			(277,112)	
Interim distribution of Rs. 3.50 per unit declared on December 28, 2018 as cash dividend					
	-			(250,794)	
Interim distribution of Rs. 0.98 per unit declared on January 29, 2019 as cash dividend					
	-			(97,424)	
Interim distribution of Rs. 0.74 per unit declared on February 27, 2019 as cash dividend					
	-			(86,810)	
Interim distribution of Rs. 0.75 per unit declared on March 28, 2019 as cash dividend					
	-			(75,196)	
Interim distribution of Rs. 0.86 per unit declared on April 29, 2019 as cash dividend					
	-			(67,668)	
Interim distribution of Rs. 0.95 per unit declared on May 31, 2019 as cash dividend					
	-			(99,721)	
Interim distribution of Rs. 0.75 per unit declared on June 27, 2019 as cash dividend					
	-			(59,315)	
Interim distribution of Rs. 1.1585 per unit declared on August 02, 2019 as cash dividend					
	(95,237)			-	
Interim distribution of Rs. 1.0317 per unit declared on September 03, 2019 as cash dividend					
	(94,473)			-	
Interim distribution of Rs. 1.0471 per unit declared on October 02, 2019 as cash dividend					
	(96,321)			-	
Interim distribution of Rs. 1.1689 per unit declared on November 04, 2019 as cash dividend					
	(111,020)			-	
Interim distribution of Rs. 0.9464 per unit declared on December 03, 2019 as cash dividend					
	(99,595)			-	
Interim distribution of Rs. 1.076 per unit declared on January 02, 2020 as cash dividend					
	(106,883)			-	
Interim distribution of Rs. 1.1608 per unit declared on February 04, 2020 as cash dividend					
	(129,346)			-	
Interim distribution of Rs. 0.9473 per unit declared on March 04, 2020 as cash dividend					
	(115,097)			-	
Interim distribution of Rs. 1.298 per unit declared on April 03, 2020 as cash dividend					
	(178,161)			-	
Interim distribution of Rs. 1.2349 per unit declared on May 08, 2020 as cash dividend					
	(198,773)			-	
Interim distribution of Rs. 0.6173 per unit declared on June 05, 2020 as cash dividend					
	(81,836)			-	
Interim distribution of Rs. 0.3172 per unit declared on June 19, 2020 as cash dividend					
	(48,397)			-	
	(1,355,139)			(1,014,040)	
Undistributed income carried forward					
	91,709			44,070	
<b>Undistributed income carried forward</b>					
Realised income					
	80,763			44,070	
Unrealised income					
	10,946			-	
	91,709			44,070	
<b>Net assets value per unit at beginning of the year</b>					
		100.8886			106.0021
<b>Net assets value per unit at end of the year</b>					
		101.1599			100.8886

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

2020  
------(Rupees in '000)-----  
2019

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net income for the year before taxation		1,473,446	996,072
<b>Adjustments for:</b>			
Capital (gain) / loss on sale of investment - net		(39,249)	11,505
Income from Government securities		(676,016)	(383,177)
Income from money market transactions and placements		(194,199)	(273,941)
Income from corporate sukuk bonds		(15,089)	-
Mark-up on bank deposits		(661,031)	(495,051)
Unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net		(10,946)	(86)
		<u>(123,084)</u>	<u>(144,678)</u>
<b>Increase in assets</b>			
Investments - net		(2,592,891)	(570,379)
Advances, deposits and prepayments		2,201	(3,185)
		<u>(2,590,690)</u>	<u>(573,564)</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to the Management Company		(1,843)	(443)
Payable to the Trustee		180	(172)
Payable to Securities and Exchange Commission of Pakistan		(6,425)	966
Accrued expenses and other liabilities		25,197	18,638
		<u>17,109</u>	<u>18,989</u>
<b>Cash used in operations</b>		<u>(2,696,665)</u>	<u>(699,253)</u>
Income received from Government securities		657,082	383,177
Income received from money market placement		161,965	276,263
Income received from corporate sukuk bonds		15,089	-
Mark-up received on bank deposits		711,394	431,683
		<u>1,545,530</u>	<u>1,091,123</u>
<b>Net cash (used in) / generated from operating activities</b>		<u>(1,151,135)</u>	<u>391,870</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts from issue of units		31,874,383	29,832,472
Payments against redemption of units		(22,724,044)	(32,554,721)
Dividend paid		(1,461,060)	(1,504,496)
Net cash generated from / (used in) financing activities		<u>7,689,279</u>	<u>(4,226,745)</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>6,538,144</u>	<u>(3,834,875)</u>
<b>Cash and cash equivalents at the beginning of the year</b>		<u>7,064,377</u>	<u>10,899,252</u>
<b>Cash and cash equivalents at the end of the year</b>	5	<u><u>13,602,521</u></u>	<u><u>7,064,377</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**

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

HBL Cash Fund (the Fund) was established under a Trust Deed executed between PICIC Asset Management Company Limited (now, 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.

Through an order dated August 31, 2016, 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. 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.

JCR-VIS Credit Rating Agency has assigned management quality rating of 'AM2+' to the Management Company and a stability rating of AA(f) to the Fund as at December 31, 2019 and December 30, 2019, 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, the provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984, the Non-Banking Finance Companies Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations') and the 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 convention, except for certain financial assets which are measured at fair value.

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 Pakistani Rupees, which is the Fund's functional and presentation 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 18 to these financial statements.

**Impairment of investment**

For details please refer note 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 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS**

**3.1 Standards / amendments that are effective in current year and relevant to the Fund**

The Fund has adopted the standards / amendments to the following approved accounting and reporting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		<b>Effective date (annual periods beginning on or after)</b>
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

<b>Annual improvements to IFRSs (2015 – 2017) Cycle:</b>		<b>Effective for accounting periods beginning on or after:</b>
IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

### 3.2 Amendments that are effective in current year and not relevant to the Fund

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		<b>Effective for accounting periods beginning on or after:</b>
IFRS 8	Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 16	Leases - Original issue	January 01, 2019
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019
IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRS 14	Regulatory Deferral Accounts - Original issue	January 01, 2019

### 3.3 Amendments not yet effective

The following amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

		<b>Effective for accounting periods beginning on or after:</b>
	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3	Business Combinations - Amendments to clarify the definition of a business	January 01, 2020
IFRS 3	Business Combinations - Amendments updating a reference to the Conceptual Framework	January 01, 2022

**Effective for accounting periods  
beginning on or after:**

IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16	Leases - Amendment to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification	January 01, 2020
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - Amendments regarding the definition of materiality	January 01, 2020
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - amendments regarding the definition of materiality	January 01, 2020
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

**Annual improvements to IFRSs (2018 – 2020) Cycle:**

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9	Financial Instruments	January 01, 2022
IFRS 41	Agriculture	January 01, 2020

### **3.4 Standards or interpretations not yet effective**

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

The Funds expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Company's financial statements in the period of initial application.

## **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. Cash and cash equivalents are carried in the statement of assets and liabilities at cost / nominal amount.

### **4.2 Financial instruments**

#### **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, fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment 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.

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.

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.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest 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.

#### **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 trade debts, deposits, loans, advances, other receivables 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 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 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 / return on Government securities, bank profits and investment in debt securities are recognized at a time apportionment basis 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 Expenses**

All expenses including NAV based expenses are recognised in the income statement on a time apportionment basis.

#### 4.11 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

#### 4.12 Transactions with related parties / connected persons

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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

5	BALANCES WITH BANKS	Note	2020	2019
			------(Rupees in '000)-----	
	In current account		4,000,007	9
	In saving accounts	5.1	9,602,514	5,464,368
	Call deposit receipts	5.2	-	1,600,000
			<u>13,602,521</u>	<u>7,064,377</u>

5.1 These accounts carry mark-up at rates ranging between 5.00% and 14.50% (2019: 8.00% and 13.60%) per annum. This includes a balance held by a related party (Habib Bank Limited) amounting to Rs. 7,083.668 million (2019: Rs. 1,333.668 million) on which return is earned at rate ranging between 5.50% to 14.50% (2019: 8.00% to 13.60%) per annum.

5.2 This carries return of Nil (2019: 13.3%) per annum.

6	INVESTMENTS	Note	2020	2019
			------(Rupees in '000)-----	
	<b>Financial assets</b>			
	At fair value through profit or loss	6.1	9,742,269	984,996
	At amortised cost	6.2	947,166	1,708,874
			<u>10,689,435</u>	<u>2,693,870</u>

#### 6.1 Financial assets at fair value through profit or loss

##### Government securities

Market Treasury Bills	6.1.1	9,742,269	984,996
Pakistan Investment Bonds	6.1.3	-	-
		<u>9,742,269</u>	<u>984,996</u>
Corporate Sukuk Bonds	6.1.4	-	-
		<u>9,742,269</u>	<u>984,996</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, 2020	Market value as at June 30, 2020	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, 2019	Purchases made during the year	Sales / matured during the year	As at June 30, 2020					
-----Rupees in '000-----										
May 23, 2019	3 months	1,000,000	3,350,000	4,350,000	-	-	-	-	-	-
June 10, 2019	3 months	-	570,000	570,000	-	-	-	-	-	-
July 18, 2019	3 months	-	20,362,000	20,362,000	-	-	-	-	-	-
July 18, 2019	6 months	-	144,000	144,000	-	-	-	-	-	-
August 1, 2019	3 months	-	4,725,000	4,725,000	-	-	-	-	-	-
August 16, 2019	3 months	-	912,000	912,000	-	-	-	-	-	-
August 29, 2019	3 months	-	200,000	200,000	-	-	-	-	-	-
August 29, 2019	1 year	-	1,200,000	1,200,000	-	-	-	-	-	-
September 12, 2019	1 year	-	1,000,000	1,000,000	-	-	-	-	-	-
October 10, 2019	3 months	-	3,780,000	3,780,000	-	-	-	-	-	-
October 10, 2019	6 months	-	2,590,000	2,590,000	-	-	-	-	-	-
October 10, 2019	12 months	-	5,000,000	2,500,000	2,500,000	2,449,105	2,453,368	4,263	13.65%	22.95%
October 24, 2019	3 months	-	6,040,000	6,040,000	-	-	-	-	-	-
October 24, 2019	6 months	-	4,400,000	4,400,000	-	-	-	-	-	-
November 7, 2019	3 months	-	4,160,000	4,160,000	-	-	-	-	-	-
November 7, 2019	6 months	-	1,425,000	1,425,000	-	-	-	-	-	-
December 5, 2019	3 months	-	3,595,000	3,595,000	-	-	-	-	-	-
December 5, 2019	6 months	-	9,800,000	9,800,000	-	-	-	-	-	-
December 5, 2019	1 year	-	533,730	-	533,730	518,270	518,313	43	2.88%	4.85%
December 19, 2019	3 months	-	4,000,000	4,000,000	-	-	-	-	-	-
January 2, 2020	3 months	-	10,465,000	10,465,000	-	-	-	-	-	-
January 16, 2020	3 months	-	2,195,000	2,195,000	-	-	-	-	-	-
January 16, 2020	6 months	-	1,915,000	1,915,000	-	-	-	-	-	-
January 30, 2020	3 months	-	4,825,000	4,825,000	-	-	-	-	-	-
January 30, 2020	6 months	-	100,000	-	100,000	99,373	99,440	67	0.55%	0.93%
March 12, 2020	3 months	-	20,675,000	20,675,000	-	-	-	-	-	-
March 12, 2020	6 months	-	1,500,000	250,000	1,250,000	1,233,115	1,233,216	101	6.86%	11.54%
March 26, 2020	3 months	-	330,000	330,000	-	-	-	-	-	-
March 26, 2020	6 months	-	550,000	-	550,000	540,060	541,064	1,004	3.01%	5.06%
April 9, 2020	3 months	-	7,424,485	7,424,485	-	-	-	-	-	-
April 9, 2020	6 months	-	2,750,000	1,375,000	1,375,000	1,347,008	1,349,352	2,344	7.51%	12.62%
April 23, 2020	3 months	-	2,980,000	2,980,000	-	-	-	-	-	-
April 23, 2020	6 months	-	375,000	375,000	-	-	-	-	-	-
May 7, 2020	3 months	-	500,000	-	500,000	496,747	497,199	452	2.77%	4.65%
May 7, 2020	6 months	-	3,725,000	600,000	3,125,000	3,047,645	3,050,317	2,672	16.97%	28.54%
May 21, 2020	3 months	-	850,000	850,000	-	-	-	-	-	-
<b>Total - as at June 30, 2020</b>		<b>1,000,000</b>	<b>138,946,215</b>	<b>130,012,485</b>	<b>9,933,730</b>	<b>9,731,323</b>	<b>9,742,269</b>	<b>10,946</b>	<b>54%</b>	<b>91%</b>
<b>Total - as at June 30, 2019</b>		<b>-</b>	<b>156,187,000</b>	<b>155,187,000</b>	<b>1,000,000</b>	<b>984,910</b>	<b>984,996</b>	<b>86</b>	<b>11%</b>	<b>37%</b>

**6.1.2** As at June 30, 2020, Market Treasury Bills (T-bills) had a face value of Rs. 9,933.730 million (2019: Rs. 1,000 million) carrying effective yield ranging between 7.07% to 8.35% (2019: 12.69%) per annum.

**6.1.3 Financial assets at fair value through profit or loss - Pakistan Investment Bonds**

Issue date	Tenure	Face value				Carrying value as at June 30, 2020	Market value as at June 30, 2020	Unrealised appreciation / (diminution) 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, 2019	Purchases made during the year	Sales / matured during the year	As at June 30, 2020					
-----Rupees in '000-----										
January 22, 2010	10 Years	-	2,900,000	2,700,000	200,000	-	-	-	-	-
<b>Total - as at June 30, 2020</b>		<b>-</b>	<b>2,900,000</b>	<b>2,700,000</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total - as at June 30, 2019</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 6.1.4 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, 2020	Market value as at June 30, 2020	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, 2019	Purchases made during the year	Sales / matured during the year	As at June 30, 2020					
-----Rupees in '000-----										
Hub Power Sukuk	10 Months	-	50,000	50,000	-	-	-	-	-	-
Hub Power Sukuk	10 Months	-	100,000	100,000	-	-	-	-	-	-
Hub Power Sukuk	10 Months	-	133,000	133,000	-	-	-	-	-	-
<b>Total - as at June 30, 2020</b>		-	283,000	283,000	-	-	-	-	-	-
<b>Total - as at June 30, 2019</b>		-	-	-	-	-	-	-	-	-

#### 6.2 Financial assets at amortised cost

Note -----(Rupees in '000)-----

Commercial papers	6.2.1	<b>947,166</b>	1,308,874
Letter of placement	6.2.4	-	400,000
		<b>947,166</b>	<b>1,708,874</b>

#### 6.2.1 Financial assets at amortised cost - Commercial paper

Name of investee company	Maturity date	As at July 1, 2019	Placement made during the year	Income accrued	Matured during the year	As at June 30, 2020	Percentage of net assets	Percentage of total of investments
----- (Rupees in '000) -----								
Hub Power Company Limited	July 22, 2019	347,632	-	2,368	350,000	-	0%	0%
K Electric Limited	September 2, 2019	961,242	-	18,758	980,000	-	0%	0%
K Electric Limited	February 28, 2020	-	29,188	812	30,000	-	0%	0%
K Electric Limited	March 19, 2020	-	418,239	31,761	450,000	-	0%	0%
K Electric Limited	August 14, 2020	-	356,011	19,537	-	375,548	2%	4%
K Electric Limited	August 26, 2020	-	125,816	6,289	-	132,105	1%	1%
K Electric Limited	September 10, 2020	-	96,373	4,017	-	100,390	1%	1%
K Electric Limited	October 6, 2020	-	329,857	9,266	-	339,123	2%	3%
<b>Total - as at June 30, 2020</b>		<b>1,308,874</b>	<b>1,355,484</b>	<b>92,808</b>	<b>1,810,000</b>	<b>947,166</b>	<b>6%</b>	<b>9%</b>
<b>Total - as at June 30, 2019</b>		<b>-</b>	<b>1,264,769</b>	<b>44,105</b>	<b>-</b>	<b>1,308,874</b>	<b>49%</b>	<b>15%</b>

6.2.2 As at June 30,2020, Commercial papers issued by K-Electric Limited had a carrying value of Rs. 947.17 million (2019: 961.24 million) carrying effective yield ranging between 11.76% to 14.13% (2019: 11.75%) per annum.

6.2.3 As at June 30,2020, Commercial papers issued by Hub Power Company Limited had a carrying value of Rs. Nil (2019: 347.632 million) and it matured on July 22, 2019.

6.2.4 This carries mark-up of Nil (2019: 11.35%) per annum.

#### 6.3 Net unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss

Note -----(Rupees in '000)-----

Market value of investments	<b>9,742,269</b>	984,996
Less: Carrying value of investments	<b>(9,731,323)</b>	(984,910)
	<b>10,946</b>	<b>86</b>

#### 7 PROFIT / MARK-UP RECEIVABLE

Profit / mark-up receivable on Bank deposits	7.1	<b>47,645</b>	98,008
Letter of placement		-	6,592
		<b>47,645</b>	<b>104,600</b>

**7.1** These include a balance held by a related party (Habib Bank Limited) amounting to Rs. 25.169 million (2019: Rs. 7.131 million).

<b>8</b>	<b>ADVANCES, DEPOSITS AND PREPAYMENTS</b>	Note	<b>2020</b> ------(Rupees in '000)-----	2019
	Security deposits with Central Depository Company of Pakistan Limited	100	<b>100</b>	
	Prepaid rating fee		<b>72</b>	107
	Advance tax	8.1	<b>1,011</b>	3,177
			<b>1,183</b>	3,384

**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 is confident that the same shall be refunded after filing refund application.

<b>9</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>	Note	<b>2020</b> ------(Rupees in '000)-----	2019
	Remuneration payable to the Management Company	9.1	<b>4,038</b>	5,628
	Sindh Sales Tax payable on Management Company's remuneration	9.2	<b>525</b>	732
	Allocation of fees and expenses related to registrar services, accounting, operation and valuation services	9.3	<b>337</b>	889
	Sales load payable		<b>133</b>	138
	Selling and marketing expense payable	9.4	<b>511</b>	-
			<b>5,544</b>	7,387

**9.1** As per the amendment introduced through SRO 639(I)/2019, dated June 20, 2019, 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, further subject to the guidelines as may be issued by the Commission from time to time. During the year, the fee has been charged, accordingly, at the rate ranging between 0.15% to 0.68% of average annual net assets of the Fund. The fee is being charged at the rate of 0.3% from February 13, 2020 onwards. The fee is payable monthly in arrears.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (2019: 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 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. Previously, such expenses were chargeable maximum upto 0.1% of the average annual net assets of the Fund or the actual cost, whichever is lower.

However, SECP vide S.R.O. 639(I)/2019, dated June 20, 2019, has removed the maximum limit of 0.1%. During the year, the fee has been charged at the rate ranging between 0% to 0.20% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.025% from May 13, 2020 onwards.

**9.4** As per SECP vide its circular No. SCD/PRDD/Circular/361/2016, dated December 30, 2016, selling and marketing expenses was chargeable to open end equity, upto maximum 0.4% of the average annual net assets of the scheme or the

actual cost, whichever is lower.

However, circular No. SCD/PRDD/Circular/04/2019, dated July 5, 2019, issued by SECP, supersedes all previous circulars issued with respect to selling and marketing expenses, according to which, selling and marketing expenses can be charged to all categories of open end mutual funds, except fund of funds with no cap. During the period, the fee has been charged at the rate ranging between 0% to 0.5% of the average annual net assets of the Fund. The fee is being charged at the rate of 0.025% from May 13, 2020 onwards.

	Note	2020 ------(Rupees in '000)-----	2019
<b>10</b>	<b>PAYABLE TO THE TRUSTEE</b>		
	Trustee fee payable	10.1 <b>875</b>	716
	Sindh Sales Tax payable on remuneration of the Trustee	10.3 <b>114</b>	93
		<b>989</b>	809

**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:

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

However, 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 at the rate of 0.065% of the average annual net assets of the Fund. During the period, Management Company has charged the Trustee fee accordingly.

**10.3** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

	Note	2020 ------(Rupees in '000)-----	2019
<b>11</b>	<b>PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		

Annual fee payable	11.1	<b>2,462</b>	8,887
--------------------	------	--------------	-------

**11.1** Under the regulation 62 of the NBFC Regulations, a Collective Investment Scheme (CIS) categorized as an money market is required to pay as annual fee to the SECP, an amount equal to 0.075% of the average annual net assets of the scheme. However, SECP, vide S.R.O. 685 (I)/2019, dated June 28, 2019, has reduced the rate of the fee to 0.02% of the annual net assets for all categories of CIS(s), with effect from July 01, 2019. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

	Note	2020 ------(Rupees in '000)-----	2019
<b>12</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Provision for Federal Excise Duty	12.1 <b>7,528</b>	7,528
	Provision for Sindh Workers' Welfare Fund	12.2 <b>63,567</b>	33,497
	Withholding tax payable	<b>8,254</b>	13,711
	Sales load-payable	<b>253</b>	56
	Auditors' remuneration	<b>313</b>	313
	Printing charges	-	13
	Brokerage payable	<b>408</b>	9
	Zakat payable	<b>51</b>	50

**80,374**                      55,177

**12.1** 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 levied 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 June 30, 2016, the SHC declared the said provisions to be 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.

Further, the Finance Act, 2016 also introduced an amendment to Federal Excise Act, 2015 whereby FED was withdrawn on services of different industries including Non-Banking Financial institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, has retained provision on FED on remuneration of Management Company, aggregating to Rs. 7.528 million (2019: Rs. 7.528 million). Had the provision not been provided for, the net asset value per unit as at June 30, 2020 would have been higher by Re. 0.0424 (2019: Re. 0.09) per unit.

**12.2 Workers' Welfare Fund and Sindh Workers' Welfare Fund**

The legal status of applicability of Worker's Welfare Fund and Sindh Workers' Welfare Fund is the same as disclosed in note 12.2 to the annual audited financial statements of the Fund for the year ended June 30, 2019 and a constitutional petition filed by certain CISs, through their trustees, in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, is pending adjudication.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 63.567 million (2019: Rs. 33.497 million). Had the provision not been made, the net asset value per unit as at June 30, 2020 would have been higher by Re. 0.36 (2019: Re. 0.38) per unit.

**13 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2020 (2019: Nil).

**14 NUMBER OF UNITS IN ISSUE**

	<b>2019</b>	<b>2018</b>
	------(Number of Units)-----	
Total units in issue at the beginning of the year	<b>87,313,394</b>	113,580,129
Add: Units issued during the year	<b>314,753,601</b>	293,039,963
Less: Units redeemed during the year	<b>(224,409,792)</b>	(319,306,698)
Total units in issue at the end of the year	<b>177,657,203</b>	87,313,394

**15 AUDITORS' REMUNERATION**

	<b>2020</b>	<b>2019</b>
	------(Rupees in '000)-----	
Annual audit fee	<b>220</b>	220
Fee for half yearly review	<b>110</b>	110
Other certifications and out of pocket expenses	<b>116</b>	113

**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**

	----- As on June 30, 2020 -----		
	At fair value through profit or loss	Amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial assets</b>			
Bank balances	-	13,602,521	13,602,521
Investments			
Market Treasury Bills	9,742,269	-	9,742,269
Commercial Paper	-	947,166	947,166
Profit / mark-up receivable	-	47,645	47,645
Deposits	-	100	100
	<u>9,742,269</u>	<u>14,597,432</u>	<u>24,339,701</u>

	----- As on June 30, 2020 -----		
	At fair value through profit or loss	Amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	5,019	5,019
Payable to the Trustee	-	774	774
Payable against purchase of investments	-	6,279,629	6,279,629
Accrued expenses and other liabilities	-	974	974
	<u>-</u>	<u>6,286,396</u>	<u>6,286,396</u>

	----- As on June 30, 2019 -----		
	At fair value through profit or loss	Amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial assets</b>			
Bank balances	-	7,064,377	7,064,377
Investments			
Market treasury bills	984,996	-	984,996
Commercial paper	-	1,308,874	1,308,874
Letter of placement	-	400,000	400,000
Profit / mark-up receivable	-	104,600	104,600
Deposits	-	100	100
	<u>984,996</u>	<u>8,877,951</u>	<u>9,862,947</u>

	----- As on June 30, 2019 -----		
	At fair value through profit or loss	Amortised cost	Total
	----- Rupees in '000 -----		
<b>Financial liabilities</b>			
Payable to the Management Company	-	6,655	6,655
Payable to the Trustee	-	634	634
Payable against purchase of investments	-	984,910	984,910
Dividend payable	-	138	138
Accrued expenses and other liabilities	-	391	391
	<u>-</u>	<u>992,728</u>	<u>992,728</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 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:

19.1	Transactions during the year	2020	2019
		-----	-----
		(Rupees in '000)	
	<b>HBL Asset Management Limited - Management Company</b>		
	Remuneration of the Management Company	54,063	80,927
	Sindh Sales Tax on remuneration of the Management Company	7,028	10,520
	Sales load	133	138
	Allocation of expenses related to registrar services, accounting, operation and valuation services	11,188	11,298
	Selling and marketing expense	6,218	-
	Issue of 13,118,419 (2019: 2,541,011) units	1,330,382	257,365
	Redemption of 13,438,048 (2019: 3,060,430) units	1,362,751	311,175
	Dividend paid	10,560	2,038
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Remuneration of the Trustee	8,000	9,350
	Sindh Sales Tax on remuneration of the Trustee	1,040	1,216
	CDC service charges	770	177
	<b>Habib Bank Limited - Sponsor</b>		
	Bank charges paid	397	299
	Profit / mark-up on savings accounts	172,349	38,975
	Sales load	253	56
	<b>Directors and Executives of the Management Company</b>		
	Issue of 42,387 (2019: 540,777) units	4,288	54,859
	Redemption of 27,604 (2019: 738,538) units	2,805	74,842
	Dividend paid	47	4,444
	<b>MCBFSL Trustee HBL Financial Planning Fund Active Allocation Plan - Fund under common management</b>		
	Issue of 88,518 (2019: 612,052) units	8,955	62,280
	Redemption of 405,595 (2019: 1,340,785) units	41,144	135,864
	Dividend paid	3,130	4,910
	<b>MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Fund under common management</b>		
	Issue of 158,389 (2019: 87,575) units	16,019	8,827
	Redemption of 158,273 (2019: 1,087,565) units	16,038	111,440
	Dividend paid	2	3,610
	<b>MCBFSL Trustee HBL Financial Planning Fund Strategic Allocation Plan - Fund under common management</b>		
	Issue of 5,435 (2019: 240,163) units	548	24,731
	Redemption of 182,477 (2019: 443,164) units	18,456	45,126
	Dividend paid	548	1,626
	<b>MCBFSL Trustee HBL Financial Planning Fund Special Income Plan - Fund under common management</b>		
	Issue of 47,154 (2019: Nil) units	4,795	-
	Redemption of 47,154 (2019: Nil) units	4,780	-
	Dividend paid	157	-

	2020	2019
	----- (Rupees in '000) -----	
<b>Attock Cement Pakistan Limited - Associated</b>		
<b>Company due to common directorship</b>		
Issue of 407,704 (2019: Nil) units	41,434	-
Redemption of 407,704 (2019: Nil) units	41,238	-
Dividend paid	1,333	-
<b>Fauji Fertilizers Company Limited - Connected person</b>		
<b>due to holding of more than 10% units</b>		
Issue of 62,771,647 (2019: 44,834,064) units	6,363,683	4,544,924
Redemption of 45,198,960 (2019: 24,609,747) units	4,564,668	2,518,899
Dividend paid	292,100	29,627
<b>Jubilee Life Insurance Company Limited - Associated</b>		
<b>Company due to common Directorship</b>		
Sales of T-Bills	-	5,000,000
<b>Tourism Promotion Services (Pakistan) Limited - Connected</b>		
<b>person due to holding more than 10% units</b>		
Issue of 18,932,615 (2019: Nil) units	1,915,424	-
Dividend paid	82,453	-
<b>CDC Trustee HBL Income Fund - Fund under common management</b>		
<b>Purchase of Hub Power Company Limited -</b>		
Corporate Sukuk Bonds	187,022	-
<b>CDC Trustee HBL Islamic Asset Allocation Fund - Fund</b>		
<b>under common management</b>		
<b>Purchase of Hub Power Company Limited -</b>		
Corporate Sukuk Bonds	101,404	-
<b>Purchase of K-Electric Limited -</b>		
Corporate Sukuk Bonds	29,188	-
<b>19.2</b>	<b>Balances outstanding as at the year end</b>	
<b>HBL Asset Management Limited</b>		
Remuneration payable to the Management Company	4,038	5,628
Sindh Sales Tax payable on Management Company's remuneration	525	732
Allocation of expenses related to registrar services, accounting, operation and valuation services	337	889
Sales load payable	133	138
Selling and marketing expense payable	511	-
Units held: Nil (2019: 319,629)	-	32,247
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	989	809
Security deposit held	100	100

	2020	2019
	----- (Rupees in '000) -----	
<b>Habib Bank Limited - Sponsor</b>		
Bank balances	7,083,668	1,333,678
Profit / mark-up receivable	25,169	7,131
Sales load payable	253	56
<b>Directors and Executives of the Management Company</b>		
Units held: 34,450 (2019: 305,217)	3,485	30,793
<b>MCBFSL Trustee HBL Financial Planning Fund Active Allocation Plan - Fund under common management</b>		
Units held: 185,093 (2019: 502,169)	18,724	50,663
<b>MCBFSL Trustee HBL Financial Planning Fund Conservative Allocation Plan - Fund under common management</b>		
Units held: 116 (2019: Nil)	12	-
<b>MCBFSL Trustee HBL Financial Planning Fund Strategic Allocation Plan - Fund under common management</b>		
Units held: Nil (2019: 177,042)	-	17,862
<b>Fauji Fertilizers Company Limited - Connected person due to holding of more than 10% units</b>		
Units held: 37,797,004 (2019: 20,224,317)	3,823,542	2,040,402
<b>Tourism Promotion Services (Pakistan) Limited - Connected person due to holding more than 10% units</b>		
Units held: 18,932,615 (2019: Nil)	1,915,222	-

## 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 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 5.50% to 14.50% per annum.

In case of 100 basis points increase / decrease in interest rates on June 30, 2020, with all other variables held constant, the net income for the year and the net assets would have been higher / lower by Rs. 13,603 million (2019: Rs. 7,464 million).

**b) Fair value interest rate risks**

The Fund's investment in Market Treasury Bills and Commercial paper exposes 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, 2020, with all other variables held constant, the net income for the year and the net assets would be lower by Rs. 106.894 million (2019: 22.939 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2020, with all other variables held constant, the net income for the year and the net assets would be higher by Rs. 106.894 million (2019: 22.939).

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, 2020 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, 2020					
	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				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	5.50 - 14.5	13,602,521	-	-	-	13,602,521
Investments						
Market Treasury Bills	7.07 - 8.35	9,742,269	-	-	-	9,742,269
Commercial Paper	11.76 - 14.13	947,166	-	-	-	947,166
Profit / mark-up receivable		-	-	-	47,645	47,645
Deposits		-	-	-	100	100
<b>Sub total</b>		<b>24,291,956</b>	<b>-</b>	<b>-</b>	<b>47,745</b>	<b>24,339,701</b>
<b>Financial liabilities</b>						
Payable to the Management		-	-	-	5,019	5,019
Payable to the Trustee		-	-	-	774	774
Payable against purchase of investments		-	-	-	6,279,629	6,279,629
Accrued expenses and other liabilities		-	-	-	974	974
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>6,286,396</b>	<b>6,286,396</b>
<b>On-balance sheet gap (a)</b>		<b>24,291,956</b>	<b>-</b>	<b>-</b>	<b>(6,238,651)</b>	<b>18,053,305</b>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>24,291,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>24,291,956</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Particulars	As at June 30, 2019					
	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				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	8.00 - 13.6	7,064,377	-	-	-	7,064,377
Investments						
Market Treasury Bills	12.69	984,996	-	-	-	984,996
Commercial Paper	11.75 - 12.11	1,308,874	-	-	-	1,308,874
Letter of Placement	11.35	400,000	-	-	-	400,000
Profit / mark-up receivable		-	-	-	104,600	104,600
Deposits		-	-	-	100	100
<b>Sub total</b>		<b>9,758,247</b>	<b>-</b>	<b>-</b>	<b>104,700</b>	<b>9,862,947</b>
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	6,655	6,655
Payable to the Trustee		-	-	-	634	634
Payable against purchase of investments		-	-	-	984,910	984,910
Dividend payable		-	-	-	138	138
Accrued expenses and other liabilities		-	-	-	391	391
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>992,728</b>	<b>992,728</b>
<b>On-balance sheet gap (a)</b>		<b>9,758,247</b>	<b>-</b>	<b>-</b>	<b>(888,028)</b>	<b>8,870,219</b>
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>9,758,247</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Cumulative interest rate sensitivity gap</b>		<b>9,758,247</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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 debt securities, loans and receivables and bank balances. Risks attributable to investments in Market Treasury Bills is 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, 2020 and June 30, 2019:

Name of Bank / Institutions	Balances held by the Fund as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
<b>(Rupees in '000)</b>			
<b>Balances with banks by rating category</b>			
Bank Alfalah Limited	349	A-1+	JCR-VIS
Bank Al Habib Limited	5	A-1+	PACRA
Habib Metro Bank Limited	917	A-1+	PACRA
Habib Bank Limited	7,083,668	A-1+	JCR-VIS
Allied Bank Limited	6,512,557	A-1+	PACRA
Dubai Islamic Bank Limited	81	A-1+	JCR-VIS
Samba Bank Limited	10	A-1	JCR-VIS
Zarai Taraqiati Bank Limited	43	A-1+	JCR-VIS
MCB Bank Limited	4,554	A-1+	PACRA
Sindh Bank Limited	18	A-1	JCR-VIS
Faysal Bank Limited	319	A-1+	JCR-VIS
	13,602,521		
<b>Commercial Paper</b>			
K Electric Limited	947,166	A-1+	PACRA

Name of Bank / Institutions	Balances held by the Fund as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
<b>Balances with banks by rating category</b>			
Bank Alfalah Limited	2,970,370	A-1+	JCR-VIS
Bank Al Habib Limited	14	A-1+	PACRA
Habib Metro Bank Limited	114	A-1+	PACRA
Habib Bank Limited	1,333,678	A-1+	JCR-VIS
Allied Bank Limited	251,490	A-1+	PACRA
MCB Bank Limited	13	A-1+	PACRA
United Bank Limited	37	A-1+	JCR-VIS
Samba Bank Limited	8	A-1	JCR-VIS
Zarai Taraqiati Bank Limited	887,270	A-1+	JCR-VIS
JS Bank Limited	19,341	A-1+	PACRA
Sindh Bank Limited	17	A-1	JCR-VIS
Faysal Bank Limited	2,025	A-1+	PACRA
Call Deposit Receipts	1,600,000	A-1	PACRA
	<u>7,064,377</u>		
<b>Letter of placement</b>			
Zarai Taraqiati Bank Limited	<u>400,000</u>	A-1+	JCR-VIS
<b>Commercial Paper</b>			
K Electric Limited	961,242	A-1+	PACRA
The Hub Power Company Limited	347,632	A-1+	PACRA
	<u>1,308,874</u>		

**20.2.1** The analysis below summarizes the credit quality of the Fund's credit exposure:

	2020	2019
Rating by rating category	------(Percentage)-----	
A-1+	100.00	100.00
A-1	-	-

**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 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 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.

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, 2020 -----			
	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	5,019	-	-	5,019
Payable to the Trustee	774	-	-	774
Payable against purchase of investments	6,279,629	-	-	6,279,629
Accrued expenses and other liabilities	974	-	-	974
	<u>6,286,396</u>	<u>-</u>	<u>-</u>	<u>6,286,396</u>

Particulars	----- As at June 30, 2019 -----			
	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	6,655	-	-	6,655
Payable to the Trustee	634	-	-	634
Payable against purchase of investments	984,910	-	-	984,910
Dividend payable	138	-	-	138
Accrued expenses and other liabilities	391	-	-	391
	<u>992,728</u>	<u>-</u>	<u>-</u>	<u>992,728</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, 2020							
	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 measured at fair value</b>	22.1							
Market Treasury Bills		9,742,269	-	-	-	9,742,269	-	9,742,269
<b>Financial assets not measured at fair value</b>	22.2							
Bank balances		-	13,602,521	13,602,521				
Commercial Paper		-	947,166	947,166				
Profit / mark-up receivable		-	47,645	47,645				
Deposits		-	100	100				
		-	14,597,432	14,597,432				
<b>Financial liabilities not measured at fair value</b>	22.2							
Payable to the Management Company		-	5,019	5,019				
Payable to the Trustee		-	774	774				
Payable against purchase of investments			6,279,629	6,279,629				
Accrued expenses and other liabilities		-	974	974				
		-	6,286,396	6,286,396				

Particulars	June 30, 2019							
	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>	22.1							
Market Treasury Bills		984,996	-	984,996	-	984,996	-	984,996
<b>Financial assets not measured at fair value</b>	22.2							
Bank balances		-	7,064,377	7,064,377				
Investments								
Commercial Paper		-	1,308,874	1,308,874				
Letter of Placement		-	400,000	400,000				
Profit / mark-up receivable		-	104,600	104,600				
Deposits		-	100	100				
		-	8,877,951	8,877,951				
<b>Financial liabilities not measured at fair value</b>	22.2							
Payable to the Management Company		-	6,655	6,655				
Payable to the Trustee		-	634	634				
Payable against purchase of investments		-	984,910	984,910				
Dividend payable		-	138	138				
Accrued expenses and other liabilities		-	391	391				
		-	992,728	992,728				

## **22.1 Valuation techniques**

For level 2 investments at fair value through profit or loss - investment in respect of Treasury Bills, Fund uses rates which are derived from PKRV rates at reporting date per certificate multiplied by the number of certificates held as at period end.

**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 transfer were made between various levels of fair value hierarchy during the year.

## **23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

### **Top ten brokers during the year ended June 30, 2020**

- 1 Invest One Markets Limited
- 2 Paramount Capital (Private) Limited
- 3 Bright Capital (Private) Limited
- 4 Optimus Markets (Private) Limited
- 5 JS Global Capital Limited
- 6 Magenta Capital (Private) Limited
- 7 BMA Capital Management Limited
- 8 Currency Market Associates (Private) Limited
- 9 Arif Habib Limited
- 10 BIPL Securities Limited

### **Top ten brokers during the year ended June 30, 2019**

- 1 AKD Securities Limited
- 2 AL Falah Securities (Private) Limited
- 3 Arif Habib Limited
- 4 BMA Capital Management Limited
- 5 DJM Securities (Private) Limited
- 6 EFG Hermes Pakistan Limited
- 7 Intermarket Securities Limited
- 8 JS Global Capital Limited
- 9 Optimus Capital Management (Private) Limited
- 10 Topline 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, 2020 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	21+
2	Muhammad Wamiq Sakrani	Acting Head of Fixed Income	MBA	10+
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+
4	Karim Khawaja	Head of Risk	MBA, CMA	17+

**25 PATTERN OF UNITHOLDING**

**2019**

Category	Number of unit holders	Number of units held	Unit holding or investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	1263	22,736,956	2,300,068	12.80%
Insurance Companies	5	347,706	35,174	0.20%
Retirement Funds	29	4,795,267	485,089	2.70%
Trust	7	510,659	51,658	0.29%
Others Corporate	57	149,266,615	15,099,797	84.02%
		<u>177,657,203</u>	<u>17,971,786</u>	<u>100.00%</u>

**2019**

Category	Number of unit holders	Number of units held	Unit holding or investment amount	Percentage investment
----- Rupees in '000 -----				
Individuals	985	11,349,018	1,144,986	10.67%
Associated Companies and Directors	3	575,928	58,105	3.46%
Insurance Companies	5	454,012	45,805	1.28%
Retirement Funds	20	3,397,758	342,795	2.74%
Trust	4	993,538	100,237	1.94%
Others	34	70,543,140	7,116,995	79.91%
		<u>87,313,394</u>	<u>8,808,923</u>	<u>100.00%</u>

**26 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020 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. Farid Ahmed Khan *	1	1	-	-
2	Mr. Mir Adil Rashid **	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Raymond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa ***	2	2	-	-

\* Resigned on September 15, 2019.

\*\* Appointed on September 16, 2019.

\*\*\* Appointed on October 29, 2019 and resigned on February 24, 2020.

\*\*\*\* Resigned on May 14, 2020.

**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, 2020 is 1% (2019: 1.22%) which includes 0.33% (2019: 0.35%) representing Government Levy and SECP fee.

**28 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on August 27, 2020 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.

**30.2** In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

**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** Multi Asset Fund

<b>NAME OF FUND</b>	<b>HBL Multi Asset Fund</b>
<b>NAME OF AUDITORS</b>	<b>Deloitte Yousuf Adil, Chartered Accountants.</b>
<b>NAME OF TRUSTEE</b>	<b>KPMG Taseer Hadi &amp; Co., Chartered Accountants.</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</b>

**Type and Category of Fund**

Open end Balanced Fund

**Investment Objective and Accomplishment of Objective**

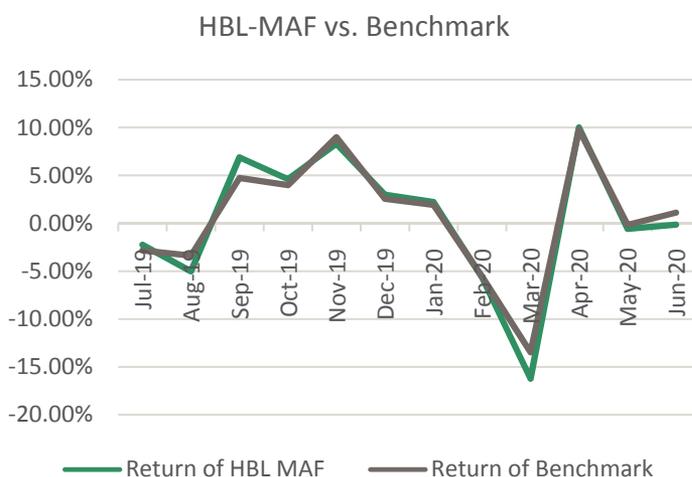
The objective of the Fund is to provide long-term capital growth and income by investing in multiple asset classes such as equity, equity-related instruments, fixed-income securities, continuous funding system, derivatives, money market instruments, etc.

**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:

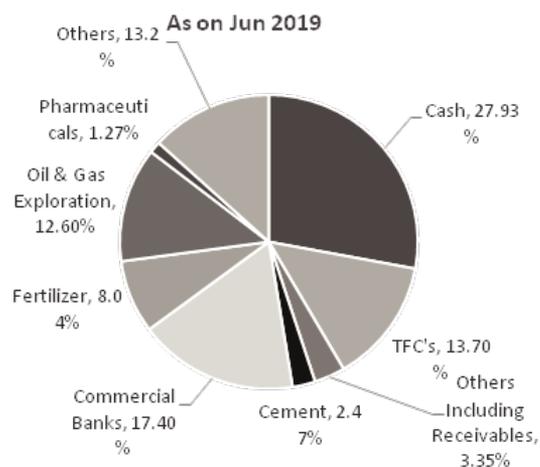
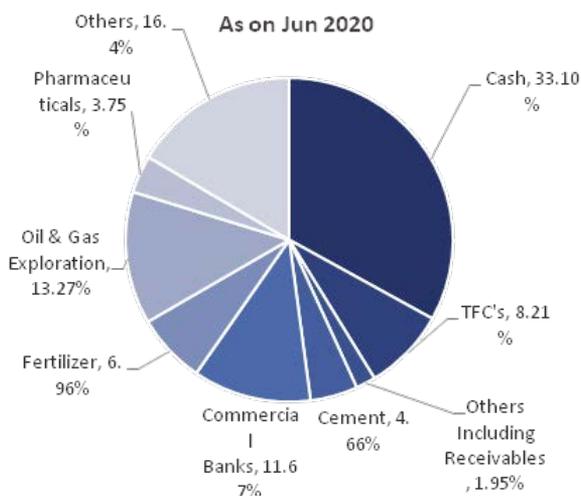
Month	Return of Fund	
	HBL-MAF	Benchmark
Jun-20	-0.15%	1.11%
May-20	-0.58%	-0.16%
Apr-20	10.02%	9.79%
Mar-20	-16.24%	-13.48%
Feb-20	-5.68%	-5.57%
Jan-20	2.23%	1.92%
Dec-19	2.98%	2.56%
Nov-19	8.30%	9.00%
Oct-19	4.61%	4.00%
Sep-19	6.89%	4.73%
Aug-19	-5.02%	-3.38%
Jul-19	-2.24%	-2.84%



**Strategies and Policies employed during the Year**

During the year under review, the Fund has increased its exposure in equity securities from 55% as at June 30, 2019 to 57% as on June 30, 2020. Furthermore, sector wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in cements and pharmaceuticals was increased, while exposure in fertilizers and commercial banks was decreased. The Fund gradually decreased its exposure in TFCs, while increasing Cash holding with banks.

**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, 2020 and June 30, 2019:

Sector Name	As on Jun 2020	As on Jun 2019
Cash	33.10%	27.93%
TFC's	8.21%	13.70%
Others Including Receivables	1.95%	3.35%
Cement	4.66%	2.47%
Commercial Banks	11.67%	17.40%
Fertilizer	6.96%	8.04%
Oil & Gas Exploration	13.27%	12.60%
Pharmaceuticals	3.75%	1.27%
Others	16.4%	13.2%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

The Fund earned a total and net income of Rs. 13.54 million and Rs. 6.53 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Fund was Rs 94.0814 per unit as on June 30, 2020 as compared to Rs 95.6506 per unit as on June 30, 2019, after incorporating dividend of Rs. 3.60 per unit, thereby giving a return of 2.14%. During the same year the benchmark index (Weighted average daily return KSE 100 and 6 Month PKRV rates) yielded a return of 5.48%. The size of Fund was Rs 0.20 billion as on June 30, 2020 as compared to Rs. 0.20 billion at the start of the year.

## Review of Market invested in

### Money Market Review

SBP continued monetary tightening in FY19 to control the rising current account deficit and anchor increasing inflationary pressures.

Yields across all the tenors increased by 469-601 bps during FY19 due to cumulative increase of 525 bps in SBP policy rate in FY19. Secondary market yields of 3, 5 and 10-year PIBs increased by 556, 511 and 469 bps respectively while yields of 3, 6 and 12 month T-Bills increased in tandem by 597, 595 and 593 bps respectively during FY19. Government further raised PKR 674bn through the PIBs auction during FY19 against a target of PKR 950bn due to increased interest from market participants at higher PIB yields. Latest cut-off yields stood at 13.69%, 13.80% and 13.70% for the 3-year, 5-year and 10-year PIBs, respectively.

During the FY19, Government largely managed its borrowing requirements through domestic sources, and largely from central bank. Government retired PKR 893bn from scheduled banks compared to retirement of PKR 210bn during same period last year. Meanwhile, Government borrowing from SBP increased by PKR 2,596bn during the period against borrowing of PKR 1,469bn during same period last year. Moreover, we expect that Government borrowing will shift from SBP towards Commercial banks under IMF program. It is important to note that IMF staff level report suggests that incremental borrowing requirements have to be met via commercial banks as borrowing from SBP will remain limited to avoid indirect inflationary pressures.

In the monetary policy held in May-19, SBP increased the policy rate by a further 150bps to 12.25%. Going forward, we expect that large part of monetary tightening has been done, however upward risk to inflation emanate from higher than expected impact of electricity and gas price hike.

### Stock Market Review

The equity markets' performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KSE100 index increased by 20% during 1HFY20 to close at 40,735 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KSE100 index made a high of 43,219 on January 13, 2020.

However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KSE100 index as it fell to a low of 27,229 points on March 25, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KSE100 witnessed a sharp 16.69% uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KSE100 index closed the year at 34,422 points (up 1.53%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mm in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight due to increased digitalization post covid-19 pandemic. We will maintain our strategic focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

#### Distribution

The Board of Directors approved cash distribution of up to Rs. 3.60 per unit to the unit holders for the year ended June 30, 2020.

#### 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	27	1,238
101 – 500	41	9,449
501 – 1,000	15	10,589
1,001 – 10,000	31	155,755
10,001 – 100,000	22	497,850
1,000,001 – 5,000,000	2	561,850
500,001 – 1,000,000	1	822,848
1,000,001 – 5,000,000	-	-
5,000,001 and above	-	-
<b>Total</b>	<b>139</b>	<b>2,059,534</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, 2020*

	2020	2019	2018	2017	2016	2015
Net assets at the period end (Rs'000)	193,764	203,154	324,123	966,784	765,506	767,249
<b>NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES</b>						
Redemption	94.0814	95.6506	105.0519	112.09	98.05	94.98
Offer	96.2076	97.8123	107.4261	114.63	100.64	97.52
<b>OFFER / REDEMPTION DURING THE PERIOD - RUPEES</b>						
Highest offer price per unit	118.9252	110.1991	114.9534	129.29	105.63	103.48
Lowest offer price per unit	88.2349	95.669	98.0981	100.75	90.70	91.27
Highest redemption price per unit	116.2969	107.7636	112.4129	126.37	102.91	100.79
Lowest redemption price per unit	86.2849	93.5547	95.9301	98.52	88.37	88.90
<b>RETURN ( % )</b>						
Total return	2.14%	-8.95%	-6.28%	18.40%	5.89%	4.83%
Income distribution	3.60%	0.00%	0.00%	4.00%	2.50%	5.10%
Capital growth	-1.46%	-8.95%	-6.28%	14.40%	3.39%	-0.27%
<b>DISTRIBUTION</b>						
Final dividend distribution (Rs)	3.6	0	0	4.00	2.50	5.10
Date of Income Distribution	26-Jun-20	-	-	20-Jun-17	27-Jun-16	30-Jun-15
Total dividend distribution for the year/ period (Rs)	3.60	0	0	4.00	2.50	5.10
<b>AVERAGE RETURNS ( % )</b>						
Average annual return 1 year	2.14%	-8.95%	-6.28%	18.40%	5.89%	4.83%
Average annual return 2 year	-3.56%	-7.62%	5.34%	11.99%	5.36%	7.54%
Average annual return 3 year	-4.48%	0.34%	5.54%	9.57%	6.99%	17.56%
Weighted average portfolio during (No. of days)						
<b>PORTFOLIO COMPOSITION - (%)</b>						
Percentage of Total Assets as at 30 June:						
Bank Balances	33.10%	27.93%	35.03%	19.79%	3.00%	7.00%
Placements with Banks & DFIs	0.00%	0.00%	0.00%	8.24%	5.00%	0.00%
TFC / Sukuk	8.21%	13.71%	9.48%	6.98%	0.00%	5.00%
Stock/Equities	56.74%	55.01%	53.14%	64.27%	66.00%	63.00%
Government Securities	0.00%	0.00%	0.00%	0.00%	23.00%	24.00%
Others Including receivables	1.95%	3.36%	2.35%	0.72%	3.00%	1.00%

**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 DISCLOSURE

As at June 30, 2019

Summary of Actual Proxy voted by CIS

HBL MAF	Meetings	Resolutions	For	Against
Number	3	12	12	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Allied Bank Ltd	14/11/2018)(28/3/2019)(16/5/2019)	27/08/2018
Amreli Steels Limited	23/10/2018	
Askari Bank Ltd	25/3/2019	
AGP Limited	17/4/2019	
Bank of Punjab	29/3/2019	
Bank Al Habib Ltd	27/3/2019	
Bank Alfalah Ltd	25/09/2018)(28/3/2019)	
Dawood Hercules Corporation	(5/12/2018)(27/4/2019)(20/5/2019)	
Engro Corporation Ltd	(3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019)	(25/09/2018)(28/5/2019)
Engro Fertilizer Ltd	(28/3/2019)	27/5/2019
Engro Polymer & Chemicals Ltd	(1/4/2019)	
Fauji Fertilizer Bin Qasim Ltd	29/3/2019	
Fauji Fertilizer Co Ltd	(28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019)	
Faysal Bank Limited		07-10-18
Habib Bank Limited	(17/12/2018)(27/3/2019)(21/6/2019)	21/6/2019
Hub Power Company Ltd	(30/4/2019)	(16/4/2019)
Hascol Petroleum	(19/11/2018)(29/4/2019)	10-10-18
Indus Motor Company Limited	(18/3/2019)	
International Industries Ltd	(28/09/2018)(22/3/2019)	
International Steels Limited	(25/09/2018)	
Kohat Cement Co Ltd		29/6/2019
Kohinoor Textile Mill Ltd	(21/3/2019)	
Lucky Cement Ltd	(28/09/2018)(27/10/2018)	
Lotte Chemical Pakistan Ltd	(18/4/2019)	
Maple Leaf Cement Factory	27/10/2018	
Mughal Iron & Steel Industries	27/10/2018	
Mari Petroleum Company Ltd	18/10/2018)(20/3/2019)	
Meezan Bank Ltd	2/10/2018)	
MCB Bank Ltd	(28/08/2018)(22/11/2018)(29/3/2019)(23/5/2019)	
Mughal iron & Steel	27/10/2018	
Nishat (Chunian) Ltd	26/10/2018)	20/08/2018
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Nishat Chunian Power Ltd	26/10/2018)(2/4/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Pakgen Power Ltd	30/4/2019	25/10/2018
Pakistan Petroleum Ltd	26/10/2018	
Pakistan Oilfields Ltd	(25/09/2018)(20/3/2019)	
Pakistan State Oil Company Ltd	(02/10/2018)(16/10/2018)(19/6/2019)	
Sui Northern Gas Pipeline Ltd	23/5/2019	
Security Paper Ltd	(25/2/2019)	
Thal Limited	(22/10/2018)(20/3/2019)	
The Searle Company Ltd	22/11/2018	
United Bank Ltd	(18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019)	

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 MULTI ASSET FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 11, 2020





KPMG Taseer Hadi & Co.  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2, Beaumont Road  
Karachi 75530 Pakistan  
+92 (21) 35685847, Fax +92 (21) 35685095

### **Independent Auditors' Report**

#### **To the Unit holders of HBL Multi Asset Fund**

#### **Report on the Audit of the Financial Statements**

##### ***Opinion***

We have audited the annexed financial statements of **HBL Multi Asset Fund** ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2020, income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2020, 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 *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 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 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.



KPMG Taseer Hadi & Co.

### ***Other Information***

Management is responsible for the other information. The other information comprises the information included in the annual report for the year ended June 30, 2020 but does not include the financial statements and our auditors' 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 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



#### KPMG Taseer Hadi & Co.

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.
- 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



KPMG Taseer Hadi & Co.

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, 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.

#### ***Other Matter***

The Financial Statements of the Fund for the year ended 30 June 2019 were audited by another firm of auditors whose report dated 27 September 2019 expressed an unmodified opinion.

The engagement partner on the audit resulting in this independent auditors' report is Zeeshan Rashid.

**Date: 24 September 2020**

**Karachi**

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

	Note	2020 ------(Rupees in '000)-----	2019
<b>Assets</b>			
Bank balances	4	69,747	60,225
Investments	5	136,901	148,196
Dividend receivable and accrued mark-up	6	550	1,134
Receivable against sale of investment		-	2,631
Advances and deposits	7	3,515	3,480
<b>Total assets</b>		<b>210,713</b>	215,666
<b>Liabilities</b>			
Payable to the Management Company	8	1,150	541
Payable to the Trustee	9	34	65
Payable to Securities and Exchange Commission of Pakistan	10	39	234
Payable against purchase of investment		416	-
Accrued expenses and other liabilities	11	15,310	11,672
<b>Total liabilities</b>		<b>16,949</b>	12,512
<b>Net assets</b>		<b>193,764</b>	203,154
Unit holders' fund (as per statement attached)		193,764	203,154
<b>Contingencies and commitments</b>			
	12		
		----- Number of units -----	
Number of units in issue	13	2,059,534	2,123,916
		----- Rupees -----	
Net assets value per unit		94.0814	95.6506

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, 2020

	Note	2020 ------(Rupees in '000)-----	2019
<b>Income</b>			
Mark-up / return on investments calculated using the effective interest method	14	3,253	3,169
Mark-up on deposits with banks calculated using the effective interest method	15	7,776	9,202
Dividend income		6,001	8,046
Realised gain / (loss) on sale of investments		2,559	(10,942)
Unrealised diminution on revaluation of investments at fair value through profit or loss		(6,108)	(23,199)
Other income		59	29
<b>Total Income / (loss)</b>		<b>13,540</b>	<b>(13,695)</b>
<b>Expenses</b>			
Remuneration of the Management Company	8.1	4,212	6,226
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	479	276
Selling and marketing expense		732	497
Remuneration of the Trustee	9.1	438	791
Annual fee to Securities and Exchange Commission of Pakistan	10.1	39	234
Auditors' remuneration	16	397	396
Fees and subscription		27	28
Securities transaction costs		288	422
Settlement and bank charges		262	511
Legal and Professional charges		-	45
Printing charges		-	-
<b>Total expenses</b>		<b>6,874</b>	<b>9,426</b>
<b>Net income / (loss) from operating activities</b>		<b>6,666</b>	<b>(23,121)</b>
Provision for Sindh Workers' Welfare Fund	11.2	(133)	
<b>Net income / (loss) for the year before taxation</b>		<b>6,533</b>	
Taxation	17	-	
<b>Net income / (loss) for the year after taxation</b>		<b>6,533</b>	
Allocation of income for the year			
Net income / (loss) for the year after taxation		6,533	
Income already paid on redemption of units		(58)	
<b>Accounting income available for distribution:</b>		<b>6,475</b>	
- Relating to capital gain		-	
- Excluding capital gain		6,533	
		<b>6,533</b>	
Earnings per unit	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

	2020	2019
	----- (Rupees in '000) -----	
Net income / (loss) for the year after taxation	6,533	(23,121)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>6,533</u>	<u>(23,121)</u>

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, 2020

		For the year ended June 30,						
		2020			2019			
		(Rupees in '000)						
Note	Capital value	Undistributed income (Accumulated loss)	Total	Capital value	Undistributed income (Accumulated loss)	Unrealised income / (loss) on investment	Total	
	<b>Net assets at beginning of the year</b>	252,548	(49,394)	203,154	350,396	(32,325)	6,052	324,123
	Adjustment due to adoption of IFRS 9	-	-	-	-	6,052	(6,052)	-
	Issuance of 444,095 units (2019: 149,549 units)							
	- Capital value (at net asset value per unit at the beginning of the year)	42,478	-	42,478	15,710	-	-	15,710
	- Element of loss	324	-	324	(60)	-	-	(60)
	Total proceeds on issuance of units	42,802	-	42,802	15,650	-	-	15,650
	Redemption of 508,477 units (2019: 1,110,990 units)							
	- Capital value (at net asset value per unit at the beginning of the year)	(48,636)	-	(48,636)	(116,712)	-	-	(116,712)
	- Element of income	(2,761)	(58)	(2,819)	3,214	-	-	3,214
	Total payments on redemption of units	(51,397)	(58)	(51,455)	(113,498)	-	-	(113,498)
	<b>Total comprehensive income / (loss) for the year</b>	-	6,533	6,533	-	(23,121)	-	(23,121)
	Interim distribution for the year ended June 30, 2020: 3.60 per unit declared on June 29, 2020	-	(6,385)	(6,385)	-	-	-	-
	Refund of Capital	(885)	-	(885)	-	-	-	-
	Total Distribution	(885)	(6,385)	(7,270)	-	-	-	-
	<b>Net assets at end of the year</b>	<b>243,068</b>	<b>(49,304)</b>	<b>193,764</b>	<b>252,548</b>	<b>(49,394)</b>	<b>-</b>	<b>203,154</b>
	Accumulated loss brought forward							
	- Realised		(28,595)			(28,595)		
	- Unrealised		(20,799)			(20,799)		
			(49,394)			(49,394)		
	Accounting income available for distribution							
	- Relating to capital gains		-					
	- Excluding capital gains		6,475					
			6,475					
	Interim distribution for the year ended June 30, 2020: 3.60 per unit declared on June 29, 2020		(6,385)					
	Undistributed income carried forward		(49,304)					
	Accumulated loss carried forward							
	- Realised		(28,505)			(28,595)		
	- Unrealised		(20,799)			(20,799)		
			(49,304)			(49,394)		
				(Rupees)				(Rupees)
	Net assets value per unit at beginning of the year			95.6506				105.0519
	Net assets value per unit at end of the year			94.0814				95.6506

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**  
**Cash Flow Statement**  
For the year ended June 30, 2020

	Note	2020 ------(Rupees in '000)-----	2019
<b>Cash flow from operating activities</b>			
<b>Net income / (loss) for the year after taxation</b>		<b>6,533</b>	<b>(23,121)</b>
<b>Adjustments</b>			
Profit from bank deposits calculated using effective interest method		<b>(7,776)</b>	<b>(9,202)</b>
Return from investments calculated using effective interest method		<b>(3,253)</b>	<b>(3,169)</b>
Realised (gain) / loss on sale of investments		<b>(2,559)</b>	<b>10,942</b>
Dividend income		<b>(6,001)</b>	<b>(8,046)</b>
Unrealised loss on revaluation of investments at fair value through profit or loss		<b>6,108</b>	<b>23,199</b>
		<b>(6,948)</b>	<b>(9,397)</b>
<b>Decrease in assets</b>			
Investments		<b>10,793</b>	<b>29,398</b>
Advances, deposits and other receivables		<b>(35)</b>	<b>-</b>
		<b>10,758</b>	<b>29,398</b>
<b>Increase / (Decrease) in liabilities</b>			
Payable to the Management Company		<b>609</b>	<b>(162)</b>
Payable to the Trustee		<b>(31)</b>	<b>-</b>
Payable to Securities and Exchange Commission of Pakistan		<b>(195)</b>	<b>(276)</b>
Accrued expenses and other liabilities		<b>3,638</b>	<b>(79)</b>
		<b>4,021</b>	<b>(517)</b>
<b>Net cash generated from operations</b>		<b>7,831</b>	<b>19,484</b>
Profit received from bank deposits		<b>8,098</b>	<b>9,191</b>
Profit on investments received		<b>3,475</b>	<b>2,970</b>
Dividend income received		<b>6,041</b>	<b>8,338</b>
		<b>17,614</b>	<b>20,499</b>
<b>Net cash generated from operating activities</b>		<b>25,445</b>	<b>39,983</b>
<b>Cash flow from financing activities</b>			
	28		
Amount received on issuance of units		<b>41,917</b>	<b>15,650</b>
Payment against redemption of units		<b>(51,455)</b>	<b>(113,498)</b>
Cash dividend paid		<b>(6,385)</b>	<b>-</b>
Net cash used in financing activities		<b>(15,923)</b>	<b>(97,848)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>9,522</b>	<b>(57,865)</b>
Cash and cash equivalents at beginning of the year		<b>60,225</b>	<b>118,090</b>
<b>Cash and cash equivalents at end of the year</b>	4	<b>69,747</b>	<b>60,225</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 assigned a management quality rating of AM2+' (Positive outlook) to the Management Company.
- 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.
- 1.8** **Impact of COVID 19**

In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the economy and business, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

The Management Company of the Fund expects that going forward these uncertainties would reduce as the impact of COVID-19 on overall economy subsides and have concluded that there is no impact on current financial statements of the Fund.

## **2. BASIS OF PREPARATION**

### **2.1 Statement of compliance**

**2.2** 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 VIII A of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

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

### **2.3 Standards and amendments effective during the year**

There are number of new standards and amendments that are effective from July 01, 2019 however these do not have a significant effect on the Fund's financial statements.

### **2.4 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 01, 2020:

- Amendment to IFRS 3 Business Combinations – Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after January 01, 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after January 01, 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.

- On March 29, 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallize. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after January 01, 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Fund.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after June 01, 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met:
  - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  - any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after January 01, 2022. These amendments in the standards have been added to further clarify when a liability is classified 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 shall apply those amendments retrospectively in accordance with IAS 8.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after January 01, 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after January 01, 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items by applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.
- The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after January 01, 2022:
  - IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
  - IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
  - IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The above amendments are effective from annual periods beginning on or after July 01, 2020 and are not likely to have an impact on Fund's financial statements.

## **2.5 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates, 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.

- (a) classification of financial assets (Note 3.2)
- (b) impairment of financial assets (Note 3.2)
- (c) provisions (Note 3.11)

## **2.6 Basis of Measurement**

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

## **2.7 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 o

#### **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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup 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. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
Debt investments at FVOCI	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.
Equity investments at FVOCI	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 asset 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 at least 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	2020	2019
		------(Rupees in '000)-----	
Savings accounts	4.1	<u>69,747</u>	<u>60,225</u>
		<u>69,747</u>	<u>60,225</u>

**4.1** This represents bank accounts held with different banks. Mark-up rates on these accounts range between 6.00% - 14.05% per annum (2019: 4.00% - 13.50% per annum).

## 5. INVESTMENTS

### Investments by category

	Note	2020	2019
		----- (Rupees in '000) -----	
Financial assets at fair value through profit or loss			
- Listed equity securities	5.1	<b>119,600</b>	118,637
- Term finance certificates	5.2	<b>17,301</b>	29,559
		<b>136,901</b>	<b>148,196</b>

### 5.1 Listed equity securities - At fair value through profit or loss

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

Name of Investee Companies	Note	As at July 1, 2019	Purchased during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2020	Cost of Holding as at June 30, 2020	Market value as at June 30, 2020	Market value as 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 Parts and Accessories</b>											
Thal Limited (Par value Rs. 5 per share)		8,000	6,000	-	1,000	13,000	4,319	4,224	3.09	2.18	1.04
		<b>8,000</b>	<b>6,000</b>	<b>-</b>	<b>1,000</b>	<b>13,000</b>	<b>4,319</b>	<b>4,224</b>	<b>3.09</b>	<b>2.18</b>	<b>1.04</b>
<b>Cement</b>											
Kohat Cement Limited		13,000	13,000	-	16,500	9,500	472	1,306	0.95	0.67	0.07
Lucky Cement Limited		11,400	8,000	-	2,000	17,400	7,019	8,031	5.87	4.14	0.25
Maple Leaf Cement Factory Limited		-	19,000	-	-	19,000	465	494	0.36	0.25	0.00
		<b>24,400</b>	<b>40,000</b>	<b>-</b>	<b>18,500</b>	<b>45,900</b>	<b>7,956</b>	<b>9,831</b>	<b>7.18</b>	<b>5.06</b>	<b>0.32</b>
<b>Chemical</b>											
Engro Polymer & Chemicals Limited		70,000	73,000	-	57,000	86,000	2,295	2,148	1.57	1.11	0.02
Lotte Chemical Pakistan Limited		50,000	-	-	50,000	-	-	-	-	-	-
Sitara Chemical Industries Limited		2,500	7,900	-	-	10,400	2,899	2,882	2.11	1.49	1.34
Sitara Peroxide Limited		-	90,000	-	-	90,000	2,096	1,837	1.34	0.95	0.33
		<b>122,500</b>	<b>170,900</b>	<b>-</b>	<b>107,000</b>	<b>186,400</b>	<b>7,290</b>	<b>6,867</b>	<b>5.02</b>	<b>3.55</b>	<b>1.69</b>
<b>Commercial Banks</b>											
Allied Bank Limited		30,000	10,000	-	25,500	14,500	1,494	1,110	0.81	0.57	0.01
Bank Al-Falah Limited		145,100	21,000	-	17,000	149,100	6,528	5,005	3.66	2.58	0.03
Bank Al-Habib Limited		64,000	30,500	-	22,500	72,000	5,196	3,766	2.75	1.94	0.03
Bank of Punjab Limited		132,000	9,000	-	-	141,000	1,285	1,184	0.86	0.61	0.00
Faysal Bank Limited		2,250	-	-	-	2,250	48	31	0.02	0.02	0.00
Habib Bank Limited		71,971	-	-	30,000	41,971	4,754	4,066	2.97	2.10	0.03
Mcb Bank Limited		30,500	2,400	-	17,000	15,900	2,731	2,577	1.88	1.33	0.02
National Bank of Pakistan Limited		39,500	100,000	-	65,000	74,500	2,705	2,060	1.50	1.06	0.01
United Bank Limited		47,300	6,000	-	7,000	46,300	6,635	4,786	3.50	2.47	0.04
		<b>562,621</b>	<b>178,900</b>	<b>-</b>	<b>184,000</b>	<b>557,521</b>	<b>31,376</b>	<b>24,585</b>	<b>17.95</b>	<b>12.68</b>	<b>0.17</b>
<b>Engineering</b>											
Mughal Iron & Steel Industries Limited	5.1.2	2,500	22,000	-	-	24,500	970	977	0.71	0.50	0.04
		<b>2,500</b>	<b>22,000</b>	<b>-</b>	<b>-</b>	<b>24,500</b>	<b>970</b>	<b>977</b>	<b>0.71</b>	<b>0.50</b>	<b>0.04</b>
<b>Fertilizer</b>											
Engro Corporation Limited		27,050	12,500	-	15,000	24,550	6,594	7,191	5.25	3.71	0.12
Engro Fertilizers Limited		73,500	18,000	-	51,500	40,000	2,600	2,411	1.76	1.24	0.02
Fauji Fertilizer Company Limited		62,500	11,200	-	27,500	46,200	4,223	5,082	3.71	2.62	0.02
		<b>163,050</b>	<b>41,700</b>	<b>-</b>	<b>94,000</b>	<b>110,750</b>	<b>13,417</b>	<b>14,684</b>	<b>10.72</b>	<b>7.57</b>	<b>0.16</b>
<b>Insurance</b>											
Adamjee Insurance Company Limited		-	50,000	-	5,000	45,000	1,170	1,490	1.09	0.77	0.04
IGI Holdings Limited		-	10,000	-	-	10,000	2,463	1,810	1.32	0.93	0.13
		<b>-</b>	<b>60,000</b>	<b>-</b>	<b>5,000</b>	<b>55,000</b>	<b>3,633</b>	<b>3,300</b>	<b>2.41</b>	<b>1.70</b>	<b>0.17</b>
<b>Investment Banking</b>											
Dawood Hercules Corporation Limited		12,500	-	-	12,500	-	-	-	-	-	-
		<b>12,500</b>	<b>-</b>	<b>-</b>	<b>12,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Oil &amp; Gas Exploration</b>											
Mari Petroleum Company Limited		6,958	4,965	-	5,348	6,575	6,079	8,131	5.94	4.20	0.61
Oil & Gas Development Company Limited		63,300	95,900	-	57,900	101,300	12,665	11,042	8.07	5.70	0.03
Pakistan Oilfields Limited		12,120	5,500	-	17,620	-	-	-	-	-	-
Pakistan Petroleum Limited		47,755	109,551	-	56,000	101,306	11,023	8,791	6.42	4.54	0.03
		<b>130,133</b>	<b>215,916</b>	<b>-</b>	<b>136,868</b>	<b>209,181</b>	<b>29,767</b>	<b>27,964</b>	<b>20.43</b>	<b>14.44</b>	<b>0.67</b>
<b>Oil &amp; Gas Marketing Companies</b>											
Pakistan State Oil Company Limited	5.1.2	25,004	23,900	-	25,500	23,404	3,078	3,702	2.70	1.91	0.08
Sui Northern Gas Pipeline Limited		20,500	52,000	-	27,500	45,000	2,868	2,457	1.79	1.27	0.04
		<b>45,504</b>	<b>75,900</b>	<b>-</b>	<b>53,000</b>	<b>68,404</b>	<b>5,946</b>	<b>6,159</b>	<b>4.49</b>	<b>3.18</b>	<b>0.12</b>
<b>Paper &amp; Board</b>											
Century Paper & Board Mills Limited		14,000	-	-	14,000	-	-	-	-	-	-
Security Papers Limited		10,000	-	-	10,000	-	-	-	-	-	-
		<b>24,000</b>	<b>-</b>	<b>-</b>	<b>24,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pharmaceuticals</b>											
AGP Limited		21,000	17,500	-	21,000	17,500	1,409	1,920	1.40	0.99	0.07
Highnoon Laboratories Limited		8,000	8,000	-	8,000	8,000	3,953	4,010	2.93	2.07	1.16
The Searle Company Limited	5.1.2	7,761	10,200	-	8,000	9,961	1,610	1,985	1.45	1.02	0.09
		<b>28,761</b>	<b>35,700</b>	<b>-</b>	<b>29,000</b>	<b>35,461</b>	<b>6,972</b>	<b>7,915</b>	<b>5.78</b>	<b>4.08</b>	<b>1.32</b>

Name of Investee Companies	Note	As at July 1, 2019	Purchased during the year	Bonus / Rights issue	Sold during the year	As at June 30, 2020	Cost of Holding as at June 30, 2020	Market value as at June 30, 2020	Market value as 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>Power Generation and Distribution</b>											
Hub Power Company Limited		89,983	71,000	-	63,500	97,483	7,380	7,067	5.16	3.65	0.01
K-Electric Limited		253,000	200,000	-	453,000	-	-	-	-	-	-
Pakgen Power Limited		51,500	-	-	51,500	-	-	-	-	-	-
		<b>394,483</b>	<b>271,000</b>	<b>-</b>	<b>568,000</b>	<b>97,483</b>	<b>7,380</b>	<b>7,067</b>	<b>5.16</b>	<b>3.65</b>	<b>0.01</b>
<b>Textile Composite</b>											
Gul Ahmed Textile Mills Limited		-	70,000	-	-	70,000	2,539	2,004	1.46	1.03	0.02
Interloop Limited		34,250	7,500	-	7,500	34,250	1,514	1,504	1.10	0.78	0.04
Nishat Mills Limited		14,700	10,500	-	5,500	19,700	1,655	1,537	1.12	0.79	0.01
		<b>48,950</b>	<b>88,000</b>	<b>-</b>	<b>13,000</b>	<b>123,950</b>	<b>5,708</b>	<b>5,045</b>	<b>3.68</b>	<b>2.60</b>	<b>0.07</b>
<b>Textile Spinning</b>											
Indus Dyeing & Manufacturing Company Limited		1,300	-	-	1,300	-	-	-	-	-	-
		<b>1,300</b>	<b>-</b>	<b>-</b>	<b>1,300</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transport</b>											
Pakistan National Shipping Corporation		13,000	13,000	-	13,000	13,000	936	982	0.72	0.51	0.07
		<b>13,000</b>	<b>13,000</b>	<b>-</b>	<b>13,000</b>	<b>13,000</b>	<b>936</b>	<b>982</b>	<b>0.72</b>	<b>0.51</b>	<b>0.07</b>
		<b>1,581,702</b>	<b>1,219,016</b>	<b>-</b>	<b>1,260,168</b>	<b>1,540,550</b>	<b>125,670</b>	<b>119,600</b>			

**5.1.1** Investments include shares having market value aggregating to Rs. 29.678 million (June 30, 2019: 36.119 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. 345,080 as at June 30, 2020 (June 30, 2019: Rs 262,707) 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 period 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, 2019	Purchased during the year	Sold / Matured during the year	As at June 30, 2020	Amortised Cost as at June 30, 2020	Market value / Carrying value as at June 30, 2020	Market value as Percentage of total investments	Market value as a percentage of net assets
----- (Number of Certificates) -----				----- (Rupees in '000) -----		----- (%) -----		
<b>Commercial Banks</b>								
Bank of Punjab - TFC	135	-	-	135	13,481	13,228	9.66	6.83
	<b>135</b>	<b>-</b>	<b>-</b>	<b>135</b>	<b>13,481</b>	<b>13,228</b>	<b>9.66</b>	<b>6.83</b>
<b>Financial Services</b>								
Dawood Hercules Corporation limited - Sukuk	50	-	-	50	4,000	4,073	2.98	2.10
Dawood Hercules Corporation limited - Sukuk	125	-	125	-	-	-	-	-
Saudi Pak Leasing Company Limited - Sukuk (Note 5.2.2)*	6,000	-	-	6,000	-	-	-	-
	<b>6,175</b>	<b>-</b>	<b>125</b>	<b>6,050</b>	<b>4,000</b>	<b>4,073</b>	<b>2.98</b>	<b>2.10</b>
<b>Total</b>	<b>6,310</b>	<b>-</b>	<b>125</b>	<b>6,185</b>	<b>17,481</b>	<b>17,301</b>		

\* 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 Significant terms and conditions of Term Finance Certificates and Sukuk Bonds outstanding at June 30, 2020 are:**

Name of security	Remaining principal (Rupees per TFC / Sukuk)	Mark-up rate (per annum)	Issue date	Maturity date
Bank of Punjab - TFC	99,860	6 month KIBOR+1%	23-Dec-16	23-Dec-26
Dawood Hercules Corporation limited - Sukuk	80,000	3 months KIBOR + 1%	01-Mar-18	01-Mar-23
Saudi Pak Leasing Company Limited - Sukuk (Note 5.2.2)	2,533	6% Fixed rate	16-Nov-17	16-Nov-22

**5.2.2** Saudi Pak Leasing Company Limited defaulted towards payment falling due in September 2010. Accordingly, the exposure was classified as non-performing and provision was recognised in accordance with the SECP's provisioning guidelines.

Subsequently, on the request of the Issuer, TFC holders approved the restructuring of the facility by extending repayment period from 5 years to 9 years and by reducing mark-up rate to 6% for 24 months from restructuring date and 8% for next 24 months and thereafter fixing the mark-up rate at 1 month KIBOR. Further, half of the accrued mark-up is to be paid in cash and the balance is being deferred.

The Issuer defaulted again in the payment of principal and mark-up due on September 13, 2011. In accordance with the requirements of Circular No. 33 of 2012 dated October 24, 2012 issued by the Securities Exchange Commission of Pakistan (SECP), the exposure has been classified as non-performing and no further mark-up is being accrued after classification as non-performing exposure. Accordingly, the exposure has been fully provided.

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

	Note	2020 ------(Rupees in '000)-----	2019
Dividend receivable		<b>101</b>	142
Mark-up accrued on deposits with banks		<b>393</b>	714
Mark-up / return accrued on Term Finance Certificates		<b>56</b>	278
		<b>550</b>	<b>1,134</b>

**7. ADVANCES AND DEPOSITS**

Security deposit with National Clearing Company of Pakistan Limited		<b>3,051</b>	3,016
Security deposit with Central Depository Company of Pakistan Limited		<b>100</b>	100
Advance against subscription of Term Finance Certificates (TFC)		<b>25,000</b>	25,000
Advance tax	7.1	<b>364</b>	364
		<b>28,515</b>	28,480
Less: Provision in respect of advance against subscription of Term Finance Certificates	7.2	<b>(25,000)</b>	(25,000)
		<b>3,515</b>	<b>3,480</b>

**7.1** This pertains to tax erroneously collected by bank on markup on bank deposits which will be claimed on filing of tax return of the Fund.

**7.2** The Fund had subscribed towards the term finance certificates of an issuer as Pre-IPO investor on January 09, 2008. Under the agreement, the issuer was required to complete the public offering by October 09, 2008. However, no public offering has been carried out by the issuer as at June 30, 2020. 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, 2020, 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.

8.	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>	Note	2020 ------(Rupees in '000)-----	2019
	In respect of:			
	Management fee	8.1	<b>303</b>	363
	Sindh Sales Tax on management fee	8.2	<b>40</b>	47
	Sales load payable		541	-
	Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	<b>53</b>	18
	Selling and marketing expense	8.3	<b>213</b>	113
			<u><b>1,150</b></u>	<u>541</u>

**8.1** As per SECP S.R.O. 639 (I)/2019 dated June 20, 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 varied between 1.5% to 2.00% (2019: 2%) during the year.

**8.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (June 30, 2019: 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 June 20, 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.

9.	<b>PAYABLE TO THE TRUSTEE</b>	Note	2020 ------(Rupees in '000)-----	2019
	Trustee's remuneration	9.1	<b>30</b>	58
	Sindh Sales Tax		<b>4</b>	7
			<u><b>34</b></u>	<u>65</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 Asset Value (NAV) of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund as at June 30, 2020 is as follows:

<b>Amount of Funds Under Management (Average NAV)</b>	<b>Tariff per annum</b>
Upto Rs. 1,000 million	0.20% p.a of Net assets
On an amount exceeding Rs. 1,000 million	2 million plus 0.10% p.a of net assets, on amount exceeding Rs. 1,000 million

	Note	2020 ------(Rupees in '000)-----	2019
<b>10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee	10.1	<u>39</u>	<u>234</u>

**10.1** Under the provisions of the Non Banking Finance Companies & Notified Entities Regulations, 2008, a collective investment scheme categorised as balanced scheme is required to pay as annual fee to the SECP, an amount equal to 0.085%. However, as per SRO 685(I)/2019 dated June 28, 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	2020 ------(Rupees in '000)-----	2019
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		<b>318</b>	296
Federal Excise Duty	11.1	<b>6,610</b>	6,610
Payable to brokers		<b>67</b>	56
Dividend Payable		<b>3,001</b>	-
Withholding tax payable		<b>522</b>	-
Provision for Sindh Workers' Welfare Fund	11.2	<b>4,731</b>	4,597
Other payables		<u>61</u>	<u>113</u>
		<u>15,310</u>	<u>11,672</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 to be 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, 2019.

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, 2019 would have been higher by Rs. 3.2094 (2019: Rs. 3.1122) per unit.

**11.2** The Finance Act, 2008 introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. The Honourable Supreme Court of Pakistan vide its judgment dated November 10, 2016, has upheld the view of Lahore High Court and decided that WWF is not a tax and hence the amendments introduced through Finance Act, 2008 are ultra-vires to the Constitution. The Federal Board of Revenue has filed Civil Review Petitions in respect of above judgment with the prayer that the judgment dated November 10, 2016 passed in the Civil Appeal may kindly be reviewed in the interest of justice.

Furthermore, the Sindh Revenue Board (SRB) had written to few mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and 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, therefore SWWF is applicable on mutual funds. MUFAP has taken up this matter before the Sindh Finance Ministry to exclude mutual funds from SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till June 30, 2015, be reversed on January 12, 2017; and
- the provision in respect of Sindh WWF should be made on January 12, 2017 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, Management reversed the provision for WWF amounted to Rs. 4.89 million on January 12, 2017 and started recording a provision for SWWF with effective from July 01, 2014. Thereafter, the provision for SWWF is being made on a daily basis. Had the SWWF not been provided, the NAV per unit would have been higher by Rs. 2.297 (2019: Rs. 2.164) per unit respectively.

## 12. CONTINGENCIES AND COMMITMENTS

Other than already disclosed in the financial statements, there are no contingencies and commitments as at June 30, 2020.

13. NUMBER OF UNITS IN ISSUE	Note	2020 ------(Rupees in '000)-----	2019
Total units in issue at the beginning of the year		2,123,916	3,085,357
Units issued during the year	13.1	444,095	149,549
Units redeemed		(508,477)	(1,110,990)
Total units in issue at the end of the year		2,059,534	2,123,916

13.1 This includes 9,454 units issued at zero value as refund of capital.

13.2 The Management Company on June 29, 2020 declared final distribution of Rs. 3.6000 per unit (for full year) for the year ended June 30, 2020. The aggregate cash distribution amounted to Rs. 6.385 million was in addition to refund of capital / element of income by issuing 9,454 additional units to eligible unitholders at zero price as per MUFAP guidelines (duly consented upon by SECP) included in units issued above.

14. MARK-UP / RETURN ON INVESTMENTS	2020 (Number of units)	2019
Term finance certificates	3,253	3,169



	2019		
	At fair value through profit or loss	At Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Bank balances	-	60,225	60,225
Investments	148,196	-	148,196
Dividend receivable and accrued mark-up	-	1,134	1,134
Receivable against sale of investment	-	2,631	2,631
Advances and deposits	-	3,480	3,480
	<u>148,196</u>	<u>67,470</u>	<u>215,666</u>
	2019		
	At fair value through profit or loss	At Amortised cost	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	494	494
Payable to the Trustee	-	58	58
Accrued expenses and other liabilities	-	465	465
	<u>-</u>	<u>1,017</u>	<u>1,017</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 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:

20.1 Transactions during the year	2020	2019
	----- (Rupees in '000) -----	
<b>HBL Asset Management Limited - Management Company</b>		
Management fee	<u>4,212</u>	<u>6,226</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>479</u>	<u>276</u>
Selling and marketing cost	<u>732</u>	<u>497</u>

	2020	2019
	------(Rupees in '000)-----	
<b>Habib Bank Limited - Sponsor</b>		
Issuance of 31,636 units (2019: Nil units)	<u>2,962</u>	<u>-</u>
Redemption of 211,635 units (2019: 355,497 units)	<u>22,962</u>	<u>35,618</u>
Bank charges paid during the year	<u>5</u>	<u>10</u>
Mark-up earned during the year	<u>390</u>	<u>362</u>
Mark-up received during the year	<u>402</u>	<u>356</u>
Dividend income earned during the year	<u>256</u>	<u>305</u>
Dividend income received during the year	<u>256</u>	<u>305</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration	<u>438</u>	<u>791</u>
Central Depository service charges	<u>15</u>	<u>20</u>
<b>Mr. Rafiuddin Zakir Mahmood - Connected Persons</b>		
<b>Due to 10% and more</b>		
Issuance of 9,755 units (2019: Nil units)	<u>913</u>	<u>-</u>
<b>Mr. Mubashir Hasan - Connected Persons Due to 10% and more</b>		
Issuance of 253,567 units (2019: Nil units)	<u>25,336</u>	<u>-</u>
<b>20.2 Amounts outstanding as at year end</b>		
<b>HBL Asset Management Limited - Management Company</b>		
Management fee payable	<u>303</u>	<u>363</u>
Sales tax payable	<u>40</u>	<u>47</u>
Allocation of expenses related to registrar services, accounting, operation and valuation services	<u>53</u>	<u>18</u>
Selling and marketing cost	<u>213</u>	<u>113</u>
Sales load payable	<u>541</u>	<u>-</u>
<b>Habib Bank Limited - Sponsor</b>		
Investment held in the Fund: 822,848 units (2019: 1,002,846 units)	<u>77,415</u>	<u>95,923</u>
Bank balances	<u>4,277</u>	<u>2,967</u>
Profit receivable on bank deposits	<u>18</u>	<u>18</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	<u>30</u>	<u>58</u>
Sindh Sales Tax	<u>4</u>	<u>7</u>
<b>Mr. Rafiuddin Zakir Mahmood - Connected Persons</b>		
<b>Due to 10% and more</b>		
Investment held in the Fund: 308,237 units (2019: 298,482 units)	<u>28,999</u>	<u>28,550</u>
<b>Mr. Mubashir Hasan - Connected Persons Due to 10% and more</b>		
Investment held in the Fund: 253,567 units (2019: Nil units)	<u>23,856</u>	<u>-</u>

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

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

S.no.	Name	Designation	Qualification	Experience in years
1	Mr. Mir Adil Rashid	Chief Executive Officer	BSc.	21
2	Mr. Adeel Abdul Wahab	Head of Equity / Fund Manager	ACCA	12
3	Mr. Muhammad Wamiq Sakrani	Acting Head of Fixed Income / Fund Manager	MBA	10
4	Mr. Raza Inam	Acting Head of Research	BSc. (Hons), CFA	7
5	Mr. Karim Khawaja	Head of Risk	MBA, CMA	17

\* They are Joint Fund Managers of all other HBL Funds managed by Management company.

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

Top ten brokers during the year ended June 30, 2020

- 1 Taurus Securities Limited
- 2 JS Global Capital Limited
- 3 AL Habib Capital Markets (Private) Limited
- 4 AKD Securities Limited
- 5 BMA Capital Management Limited
- 6 DJM Securities (Private) Limited
- 7 Summit Capital (Private) Limited
- 8 EFG Hermes Pakistan Limited
- 9 Arif Habib Limited
- 10 Intermarket Securities Limited

Top ten brokers during the year ended June 30, 2019

- 1 Next Capital Limited
- 2 Intermarket Securities Limited
- 3 IGI Finex Securities Limited
- 4 Insight Securities (Private) Limited
- 5 AL Falah Securities (Private) Limited
- 6 Foundation Securities (Private) Limited
- 7 Elixir Securities Pakistan (Private) Limited
- 8 Taurus Securities Limited
- 9 Topline Securities (Private) Limited
- 10 BMA Capital Management Limited

**23. PATTERN OF UNIT HOLDING**

Category	2020			
	Number of units holder	Number of units held	Investment amount	Percentage of Investment
	----- Number of units -----	-----	--- Rupees in '000' ---	%
Individuals	135	1,139,055	107,164	55.31
Associated companies	1	822,848	77,415	39.95
Retirement funds	2	72,222	6,795	3.51
Others	1	25,409	2,390	1.23
	<b>139</b>	<b>2,059,534</b>	<b>193,764</b>	<b>100.00</b>

Category	2019			
	Number of units holder	Number of units held	Investment amount	Percentage of Investment
	----- Number of units -----	-----	--- Rupees in '000' ---	%
Individuals	121	1,036,629	99,154	48.81
Associated companies	1	1,002,846	95,923	47.22
Retirement funds	1	46,839	4,480	2.21
Trust	1	12,997	1,243	0.61
Others	1	24,605	2,354	1.15
	<b>125</b>	<b>2,123,916</b>	<b>203,154</b>	<b>100.00</b>

**1. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020 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. Farid Ahmed Khan*	1	1	-	-
2	Mr. Mir Adil Rashid**	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa***	2	2	-	-

\* Mr. Farid Ahmed Khan resigned as CEO on September 15, 2019.

\*\* Mr. Mir Adil Rashid appointed as CEO of September 16, 2019.

\*\*\* Mr. Atif Aslam Bajwa appointed as of October 29, 2019 and resigned on February 24, 2020.

\*\*\*\* Resigned on May 14, 2020.

**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 and investment in Sukuks. The net income for the year would have increased / (decreased) by Rs. 0.006 million (2019: Rs 0.89 million), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

#### **b) Fair value interest rate risk**

The Fund does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect net income for the year.

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, 2020 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:

	2020				
	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	69,747	69,747	-	-	-
Investments	136,901	-	-	17,301	119,600
Dividend receivable and accrued mark-up	550	-	-	-	550
Advances and deposits	3,151	-	-	-	3,151
	<b>210,349</b>	<b>69,747</b>	<b>-</b>	<b>17,301</b>	<b>123,301</b>
<b>Financial liabilities</b>					
Payable to the Management Company	1,110	-	-	-	1,110
Payable to the Trustee	30	-	-	-	30
Payable against purchase of investment	416	-	-	-	416
Accrued expenses and other liabilities	3,447	-	-	-	3,447
	<b>5,003</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,003</b>
2019					
	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	60,225	60,225	-	-	-
Investments	148,196	-	-	29,559	118,637
Dividend receivable and accrued mark-up	1,134	-	-	-	1,134
Receivable against sale of investment	2,631	-	-	-	2,631
Advances, deposits and other receivables	3,480	-	-	-	3,480
	<b>215,666</b>	<b>60,225</b>	<b>-</b>	<b>29,559</b>	<b>125,882</b>
<b>Financial liabilities</b>					
Payable to the Management Company	494	-	-	-	494
Payable to the Trustee	58	-	-	-	58
Accrued expenses and other liabilities	465	-	-	-	465
	<b>1,017</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,017</b>

## 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.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2020 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 counter party 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 counterparties 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, 2020 and June 30, 2019 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, accrued mark-up and other receivables as at June 30, 2020 and June 30, 2019:

### Balances with banks by rating category

Name of bank	2020		Amount (Rupees in '000)
	Rating agency	Rating	
Sindh Bank Limited	VIS	A+	11
Habib Bank Limited	VIS	AAA	4,236
Habib Metropolitan Bank Limited	PACRA	AA+	2
MCB Bank Limited	PACRA	AAA	401
JS Bank Limited	PACRA	AA-	64,680
Zarai Taraqiati Bank Limited	VIS	AAA	42
Allied Bank Limited	PACRA	AAA	35
Soneri Bank Limited	PACRA	AA-	316
MIB Bank Limited	PACRA	A	16
Dubai Islamic Bank Limited	VIS	AA	8
			69,747

**Balances with banks by rating category**

Name of bank	2019		
	Rating agency	Rating	Amount (Rupees in '000)
Sindh Bank Limited	VIS	A+	9
Habib Bank Limited	VIS	AAA	2,844
MCB Bank Limited	PACRA	AAA	17
JS Bank Limited	PACRA	AA-	57,268
Zarai Taraqati Bank Limited	VIS	AAA	4
Allied Bank Limited	PACRA	AAA	11
Soneri Bank Limited	PACRA	AA-	58
MIB Bank Limited	PACRA	A	14
			60,225

**Sukuk certificates by rating category**

	2020	2019
	----- (Rupees in '000) -----	
AA	<b>4,073</b>	16,201
AA-	<b>13,228</b>	13,358
	<b>17,301</b>	29,559
Dividend receivable and accrued mark-up	<b>550</b>	1,134
Advances and deposits	<b>3,515</b>	3,480

**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 creditworthy 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.



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 the 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.

		2020						
		Carrying amount			Fair Value			
		At Fair value through profit or loss	At amortised Cost	Total	Level 1	Level 2	Level 3	Total
<b>Financial instruments</b>	<i>Note</i>	----- (Rupees in '000) -----						
<b>Financial assets measured at fair value</b>								
Investments								
- Listed equity securities		119,600	-	119,600	119,600	-	-	119,600
- Term Finance Certificates		17,301	-	17,301	-	17,301	-	17,301
		<u>136,901</u>	<u>-</u>	<u>136,901</u>				
<b>Financial assets not measured at fair value</b> 27.1								
Bank balances		-	69,747	69,747				
Dividend receivable and accrued mark-up		-	550	550				
Advances and deposits		-	3,151	3,151				
		<u>-</u>	<u>73,448</u>	<u>73,448</u>				
<b>Financial liabilities not measured at fair value</b> 27.2								
Payable to the Management Company		-	1,110	1,110				
Payable to the Trustee		-	30	30				
Accrued expenses and other liabilities		-	3,447	3,447				
		<u>-</u>	<u>4,587</u>	<u>4,587</u>				

		2019						
		Carrying amount			Fair Value			
		At Fair value	At amortised	Total	Level 1	Level 2	Level 3	Total
		through profit or	Cost					
		loss						
<b>Financial instruments</b>	<i>Note</i>	----- (Rupees in '000) -----						
<b>Financial assets measured at fair value</b>								
Investments								
- Listed equity securities		118,637	-	118,637	118,637	-	-	118,637
- Term Finance Certificates		29,559	-	29,559	-	29,559	-	29,559
		<u>148,196</u>	<u>-</u>	<u>148,196</u>				
<b>Financial assets not measured at fair value</b> 27.1								
Bank balances		-	60,225	60,225				
Dividend receivable and accrued mark-up		-	1,134	1,134				
Receivable against sale of investment		-	2,631	2,631				
Advances and deposits		-	3,480	3,480				
		<u>-</u>	<u>67,470</u>	<u>67,470</u>				
<b>Financial liabilities not measured at fair value</b> 27.2								
Payable to the Management Company		-	494	494				
Payable to the Trustee		-	58	58				
Accrued expenses and other liabilities		-	465	465				
		<u>-</u>	<u>1,017</u>	<u>1,017</u>				

**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.

**27.2** 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.

**27.3** 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, 2019	-	-	-
Receivable against issuance of units	41,917	-	41,917
Payable against redemption of units	-	51,455	51,455
Amount received on issuance of units	(41,917)	-	(41,917)
Amount paid on redemption of units	-	(51,455)	(51,455)
<b>Closing balance as at June 30, 2020</b>	<u>-</u>	<u>-</u>	<u>-</u>

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

The Securities and Exchange Commission of Pakistan vide Circular 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the said circular. The Management Company classified the Fund as 'Balanced Scheme' in 'accordance with the said circular. As at June 30, 2020, the Fund is compliant with all the requirements of the said circular except for clause 2 (iv) which requires that the rating of any debt security in the portfolio shall not be lower than A- (A Minus).

Name of Non-Complaint Investment	Type of Investment	Value of Investment before Provision	Provision held (if any)	Value of Investment after Provision	Limit	% of Net Assets	% of Gross Assets
----- (Rupees in '000) -----							
Saudi Pak Leasing Company Limited	TFC	15,197	15,197	-	-	-	-
Dewan Cement Limited	TFC	25,000	25,000	-	-	-	-

**30. TOTAL EXPENSE RATIO**

The Securities and Exchange Commission of Pakistan (SECP) vide directive no. SCD/PRDD/Direction/18/2016 dated July 20, 2016, requires that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the financial statements of CIS / the Fund. As per S.R.O 639 (I)/2019, the limit towards expense ratio has been revised from 4.00% to 4.50% for Equity, Balanced, Asset Allocation and Capital protected (dynamic asset allocation-direct exposure) schemes. The total expense ratio of the Fund for the year ended June 30, 2020 is 3.62% (2019: 3.42%) which includes 0.37% (2019: 0.38%) representing Government Levy and SECP fee.

**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 27, 2020.

**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

<b>NAME OF FUND</b>	<b>HBL FINANCIAL PLANNING FUND</b>
<b>NAME OF TRUSTEE</b>	<b>MCB Financial Services Limited</b>
<b>NAME OF AUDITORS</b>	<b>BDO Ebrahim &amp; Co. Chartered Accountants.</b>
<b>NAME OF BANKERS</b>	<b>Habib Bank Limited JS Bank Limited</b>

**Category of Fund**

Open endFund 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**

- a. 20% KSE 100 index
- b. Six(6) months KIBOR rates
- c. 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 & Strategic Allocation Plan**

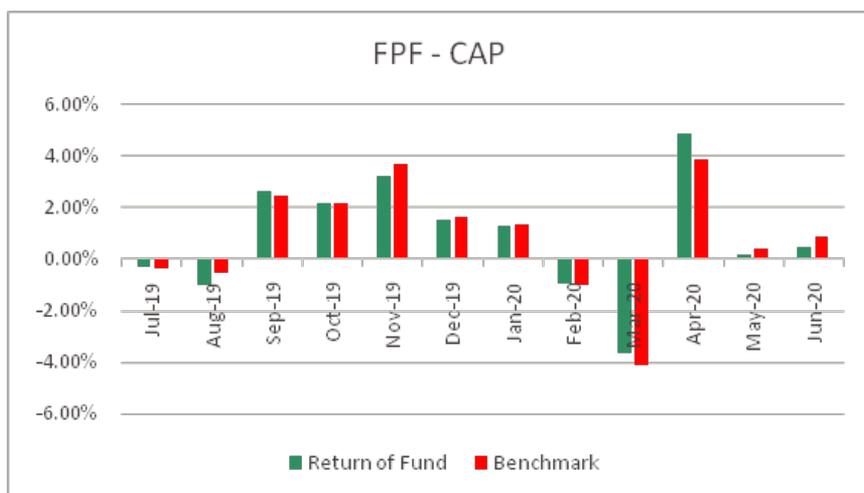
- a. KSE 100 index
- b. Six(6) months KIBOR rates
- c. 70% Three(3) months PKRV rates and 30% three (3) months average deposit rate of three(3) AA rated scheduled banks as selected by MUFAP

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:

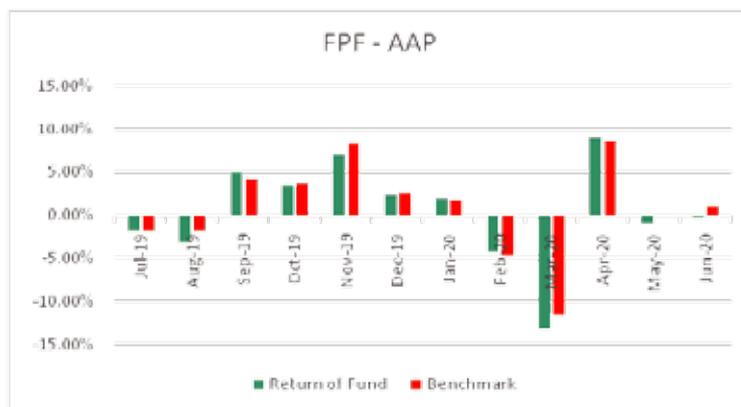
**Conservative Allocation Plan (CAP)**

Month	Return of Fund	Benchmark
Jul-19	-0.31%	-0.36%
Aug-19	-1.00%	-0.55%
Sep-19	2.63%	2.46%
Oct-19	2.18%	2.20%
Nov-19	3.26%	3.68%
Dec-19	1.52%	1.65%
Jan-20	1.29%	1.33%
Feb-20	-0.97%	-1.02%
Mar-20	-3.63%	-4.09%
Apr-20	4.86%	3.90%
May-20	0.18%	0.44%
Jun-20	0.47%	0.86%



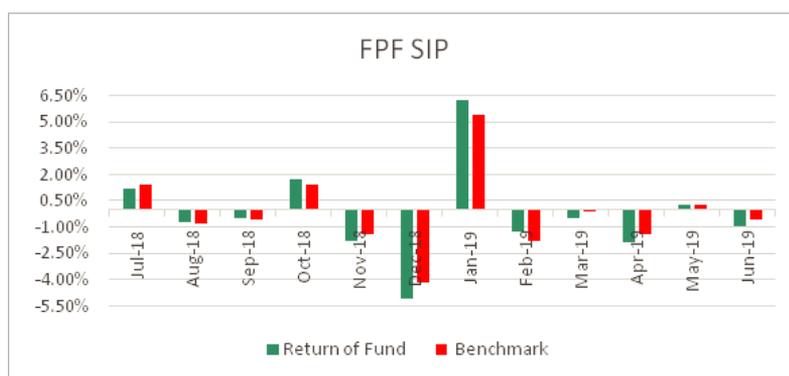
## Active Allocation Plan (AAP)

Month	Return of Fund	Benchmark
Jul -19	-1.84%	-1.80%
Aug -19	-3.15%	-1.73%
Sep -19	5.05%	4.20%
Oct -19	3.58%	3.65%
Nov -19	6.91%	8.34%
Dec -19	2.42%	2.64%
Jan -20	1.98%	1.80%
Feb -20	-4.22%	-4.60%
Mar -20	-13.15%	-11.57%
Apr -20	8.91%	8.68%
May -20	-0.75%	0.08%
Jun -20	-0.01%	1.09%



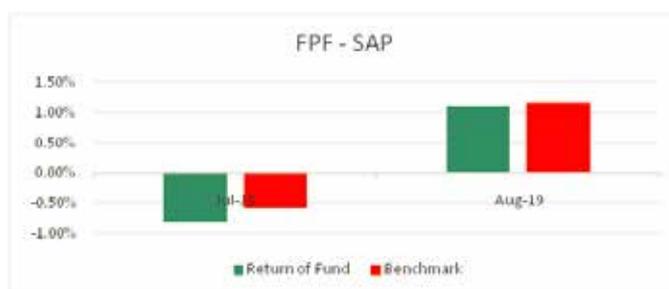
## Strategic Allocation Plan (SAP)

Month	Return of Fund	Benchmark
Sep -19	0.61%	0.52%
Oct -19	0.95%	1.13%
Nov -19	0.49%	1.05%
Dec -19	1.22%	1.16%
Jan -20	0.77%	1.13%
Feb -20	0.73%	1.02%
Mar -20	3.27%	1.07%
Apr -20	3.47%	0.75%
May -20	0.04%	0.63%
Jun -20	0.19%	0.66%



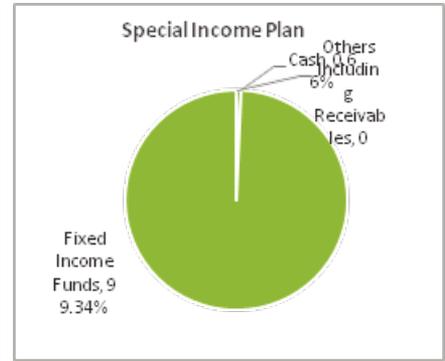
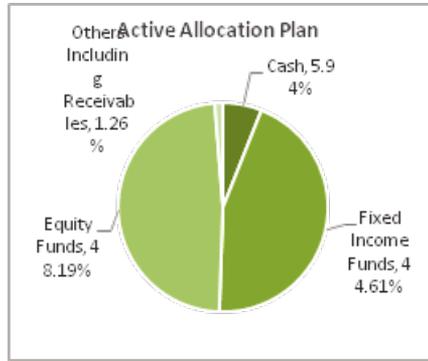
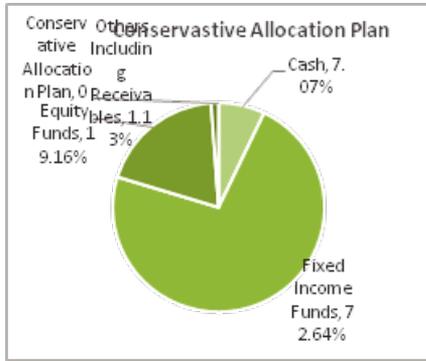
## Strategic Allocation Plan (SAP)

Month	Return of Fund	Benchmark
Jul -19	-0.81%	-0.58%
Aug -19	1.10%	1.17%



## Strategies and Policies employed during the Year

HBL Financial Planning Funds were launched on 10th October, 2017. During the period under review, Active Allocation Plan asset allocation comprises of 48.19% investment in equity funds while cash assets, Fixed Income Funds and receivables represent 5.94%, 44.61% and 1.26% of total assets, respectively. Conservative Allocation Plan asset allocation comprises investment in equity fund, income fund and cash and receivables at 19.16%, 72.64% and 8.2% of the fund respectively. Special Income Plan asset allocation comprises of 99.34% in Fixed Income Funds and 0.66% cash. Strategic Allocation Plan matured in August 2019 when its asset allocation comprised of 99.9% investment in Income Funds and cash assets and receivables represented 0.03%, and 0.07% of total assets respectively.



### Fund Performance

The Fund comprises of four sub funds (plans) namely Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Special Income Plan.

The Fund as a whole earned a total and net income of Rs. 29.50 million and Rs. 27.18 million respectively during the year under review. The fund size of the fund stood at Rs. 0.25 billion as on June 30, 2020.

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. 3.63 million and Rs 2.96 million respectively. The net assets of the Active allocation plan stood at Rs. 0.06 billion representing Net Asset Value (NAV) of Rs. 95.9459 per unit as at June 30, 2020 as compared to Rs. 96.9864 per unit as at June 30, 2019, after incorporating dividend of Rs. 4.75 per unit. The plan earned a return of 3.85% for the year under review against the benchmark return of 9.43%. The plan is invested to the extent of 48% in equity funds & 45% in fixed income funds.

#### Conservative Allocation Plan

During the year under review, the Conservative allocation plan earned total and net income of Rs. 5.30 million and Rs. 4.82 million respectively. The net assets of the Conservative allocation plan stood at Rs. 0.05 billion representing Net Asset Value (NAV) of Rs. 108.3030 per unit as at June 30, 2020 as compared to Rs. 103.8264 per unit as at June 30, 2019, after incorporating dividend of Rs. 6.60 per unit. The plan earned a return of 10.69% for the year under review against the benchmark return of 10.71%. The plan is invested to the extent of 19% in equity funds & 73% in fixed income funds.

#### Strategic Allocation Plan

During the period from July 01, 2019 to October 10, 2019, the Strategic allocation plan earned a total and net income of Rs. 2.67 million and Rs. 2.46 million respectively. The Plan marks its maturity on October 10, 2019.

#### Special Income Plan

##### HBL Financial Planning Fund – Special Income Plan launched its operations on September 16, 2019.

During the period from September 16, 2019 to June 30, 2020, the Plan earned a total and net income of Rs. 17.90 million and Rs. 16.94 million respectively. The net assets of the Special Income Plan stood at Rs. 0.14 billion representing Net Asset Value (NAV) per unit of Rs. 104.7978 as at June 30, 2020 (after incorporating dividends of Rs. 7.5016 per unit). The Plan posted a return of 12.31% as compared to its Benchmark return of 9.51% during the period under review.

## Money Market Review

FY20 was a tale of two halves for the money market. SBP continued its monetary tightening stance in the first half of FY20 to control the rising current account deficit and anchor increasing inflationary pressures. However, post the Covid-19 pandemic SBP turned dovish and decreased the interest rate by a cumulative 625bps to revive the economy.

Yields across all the tenors decreased by 415-641 bps during FY20 due to cumulative decrease of 525 bps in SBP policy rate in FY20. Secondary market yields of 3, 5 and 10-year PIBs decreased by 632, 577 and 503 bps respectively while yields of 3, 6 and 12 month T-Bills decreased in tandem by 566, 580 and 608 bps respectively during FY20. Latest cut-off yields stood at 7.97%, 8.44%, 8.99%, 9.90% and 10.51% for the 3-year, 5-year, 10-year, 15-year and 20-year PIBs, respectively.

During FY20, Government largely managed its borrowing requirements through domestic sources, and largely from commercial banks. Government borrowed PKR 2,302bn from scheduled banks compared to retirement of PKR 875bn during same period last year. Meanwhile, Government borrowing from SBP declined by PKR 135bn during the period against borrowing of PKR 3,078bn during same period last year. This shift in borrowing took place as IMF has restricted borrowing from the central bank to avoid inflationary pressure. Going forward the government will continue to meet additional borrowing requirements from the commercial banks.

In the monetary policy held in June-20, SBP decreased the policy rate by a further 100bps to 7.0%. Going forward, we feel that the bulk of monetary easing has taken place and we are close to the bottom of the interest rate cycle. However, SBP has indicated its monetary policy would remain data driven and we may witness another 50-100bps reduction in interest rate in the calendar year.

## Stock Market Review

The equity markets' performance during FY20 can be described as a tale of two halves.

1H FY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KSE100 index increased by 20% during 1H FY20 to close at 40,735 points on December 31, 2019.

2H FY20 continued with the same momentum as the benchmark KSE100 index made a high of 43,219 on January 13, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KSE100 index as it fell to a low of 27,229 points on March 25, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KSE100 witnessed a sharp 16.69% uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KSE100 index closed the year at 34,422 points (up 1.53%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight due to increased digitalization post covid-19 pandemic. We will maintain our strategic focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

## Distribution

The Board of Directors approved cash distribution of up to Rs. 4.75, 6.60 & 7.10 in Active Allocation Plan, Conservative Allocation plan and Special Income plan respectively for the year ended June 30, 2020.

## 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		Islamic Capital Preservation Plan	
	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held	Number of Unit Holders	Units Held
1 – 100	2	152	2	64	1	43
101 – 500	3	379	1	500	10	2,180
501 – 1,000	3	1,847	-	-	4	2,574
1,001 – 10,000	23	95,551	2	10,246	27	114,290
10,001 – 100,000	213	515,025	2	50,380	21	537,817
1,000,001 – 5,000,000	3	368,837	-	-	5	748,931
500,001 – 1,000,000	-	-	-	-	1	863,565
1,000,001 – 5,000,000	-	-	-	-	1	1,057,975
5,000,001 and above	-	-	-	-	-	-
<b>Total</b>	<b>47</b>	<b>981,790</b>	<b>7</b>	<b>61,190</b>	<b>70</b>	<b>3,327,376</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 FINANCIAL PLANNING FUND

As at June 30, 2020

	2020			2019			2018		
	Active Allocation Plan	Conseivative Allocation Plan	Stragic Allocation Plan	Active Allocation Plan	Conseivative Allocation Plan	Stragic Allocation Plan	Active Allocation Plan	Conseivative Allocation Plan	Stragic Allocation Plan
Net assets at the period end (Rs'000)	57,447	52,549		102,605	67,051	169,313	330,457	133,695	208,522
NET ASSETS VALUE PER UNIT AT 30 JUNE - RUPEES									
Redemption	95.9459	108.303		96.9864	103.8264	99.0331	102.6500	103.7607	101.4978
Offer	98.1143	110.7506		99.1783	106.1729	N/A	104.9699	106.1057	N/A
OFFER / REDEMPTION DURING THE PERIOD - RUPEES									
Highest offer price per unit	116.7508	118.1207		107.87	109.8794	N/A	110.2402	106.9356	N/A
Lowest offer price per unit	92.2867	104.0117		97.2601	104.9065	N/A	101.938	100.3622	N/A
Highest redemption price per unit	114.1705	115.5102		105.486	107.451	103.9281	107.8038	104.5723	106.4632
Lowest redemption price per unit	90.2471	101.713		95.1106	102.588	96.28	99.6851	99.5899	98.5547
RETURN ( % )									
Total return	3.85%	10.69%		-5.52%	2.71%	-3.40%	2.65%	3.76%	2.52%
Income distribution	4.75%	6.60%		0.00%	2.75%	0.00%	0.00%	0.00%	0.00%
Capital growth	-0.90%	4.09%		-5.52%	-0.04%	-3.40%	2.65%	3.76%	2.52%
DISTRIBUTION									
First Interin dividend distribution									
Second Interin dividend distribution									
Third Interin dividend distribution									
Final dividend distribution- Rs	4.75	6.6		-	3	-	-	-	-
Date of Income Distribution	26-Jun-20	26-Jun-20		-	28-Jun-19	-	-	-	-
Total dividend distribution for the year (Rs)	4.75	6.60		-	2.75	-	-	-	-
AVERAGE RETURNS ( % )									
Average annual return 1 year	3.85%	10.69%		-5.52%	2.71%	-3.40%	2.65%	3.76%	2.52%
Average annual return 2 year	-0.94%	6.63%		-1.52%	3.24%	-0.48%			
Average annual return 3 year	0.24%	5.66%							
PORTFOLIO COMPOSITION - (%)									
Percentage of Total Assets as at 30 June:									
Bank Balances	5.94%	7.07%		1.25%	0.05%	0.02%	2.41%	0.33%	0.07%
Equity Funds	48.19%	19.16%		40.75%	18.54%	23.31%	58.63%	19.82%	49.37%
Income Funds	44.61%	72.64%		57.03%	80.22%	76.52%	38.59%	79.04%	50.10%
Others	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.



# MCB FINANCIAL SERVICES 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 MCB Financial Services Limited, as the Trustee. The Fund commenced its operations from October 11, 2017.

- I. 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 30<sup>th</sup> June, 2020 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

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: September 21, 2020



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 Serwar Shaheed Road  
 Karachi-74200  
 Pakistan



## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS

### 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, 2020, 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, 2020, 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, 2020, the investments held by the Fund comprised of units of Mutual Fund which represent 96% 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 daily NAV prices at Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2020 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> <li>We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the NBFC Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.</li> </ul>
1.	<p><b>Recognition, measurement and presentation of 'Element of Income'</b></p> <p>Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) stipulates the requirements for recognition, measurement and presentation of element of income.</p> <p>As per the NBFC Regulations, element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unitholders' fund. Furthermore, the NBFC Regulations also prescribes certain disclosure requirements with respect to presentation of element of income in the 'Statement of Movement in Unit Holders' Fund'.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>We reviewed the processes and controls implemented by the Fund relating to the production and review of system generated reports and manual workings for the purpose of calculations of element of income or loss and bifurcation of amount paid on redemption of units into "capital value" and "income already paid on units redeemed".</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>The NBFC Regulations explains that the accounting income as appearing in the 'Income Statement' excludes the amount of element of income and accounting income available for distribution as appearing in the 'Income Statement' excludes income already paid on units redeemed.</p> <p>The Fund has to distribute not less than 90 percent of its accounting income for the year (excluding capital gains whether realized or unrealized). However, at the time of distribution, in order to maintain the same ex-dividend net asset value of all units outstanding on the date of distribution, 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.</p> <p>Due to the complex calculations involved in determining the element of income, the related impact on financial statements and ensuring compliance with the NBFC Regulations, we considered recognition, measurement and presentation of 'Element of Income' as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We evaluated the accuracy of system generated reports and manual workings produced by the Fund to ensure that the data is consistent with source documents and the said workings are in compliance with all the statutory provisions relating to element of income or loss.</li> <li>We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the NBFC Regulations and assessed its implementation by the Fund.</li> <li>We evaluated the adequacy of disclosures with respect to element of income / loss along with the adequacy of disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' in accordance with the NBFC Regulations, the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.</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.



**BDO**



- 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 Zulfikar Ali Causer.

KARACHI

DATED: **27 AUG 2020**

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

# HBL FINANCIAL PLANNING FUND

## Statement of Assets and Liabilities

As at June 30, 2020

Note	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
Rupees in '000										
<b>ASSETS</b>										
Bank balances	5	3,468	4,116	185	954	8,723	1,293	31	41	1,365
Investments	6	54,195	53,447	-	143,634	251,276	100,890	67,822	169,458	338,170
Preliminary expenses and flotation costs	8	644	603	-	-	1,247	877	758	188	1,823
Advances and prepayments	9	90	55	-	-	145	112	74	43	229
<b>TOTAL ASSETS</b>		<b>58,397</b>	<b>58,221</b>	<b>185</b>	<b>144,588</b>	<b>261,391</b>	<b>103,172</b>	<b>68,685</b>	<b>169,730</b>	<b>341,587</b>
<b>LIABILITIES</b>										
Payable to the Management Company	10	10	2,325	-	24	2,359	11	6	14	31
Payable to the Trustee	11	5	5	-	10	20	9	6	15	30
Payable to Securities and Exchange Commission of Pakistan	12	15	12	9	23	59	168	91	184	443
Payable against redemption of units		-	-	-	-	-	-	1	-	1
Accrued expenses and other liabilities	13	920	3,330	176	3,037	7,463	379	1,530	205	2,114
<b>TOTAL LIABILITIES</b>		<b>950</b>	<b>5,672</b>	<b>185</b>	<b>3,094</b>	<b>9,901</b>	<b>567</b>	<b>1,634</b>	<b>418</b>	<b>2,619</b>
<b>NET ASSETS</b>		<b>57,447</b>	<b>52,549</b>	<b>-</b>	<b>141,494</b>	<b>251,490</b>	<b>102,605</b>	<b>67,051</b>	<b>169,312</b>	<b>338,968</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>										
		<b>57,447</b>	<b>52,549</b>	<b>-</b>	<b>141,494</b>	<b>251,490</b>	<b>102,605</b>	<b>67,051</b>	<b>169,312</b>	<b>338,968</b>
<b>CONTINGENCIES AND COMMITMENTS</b>										
14	Number of units									
Number of units in issue	15	598,746	485,204	-	1,350,169	2,434,119	1,057,933	645,802	1,709,667	3,413,402
Rupees										
Net assets value per unit		95.9459	108.3030	-	104.7978		96.9864	103.8264	99.0331	

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 FINANCIAL PLANNING FUND

## Income Statement

For the year ended June 30, 2020

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
Note ----- Rupees in '000 -----										
<b>Income</b>										
Capital gain / (loss) on sale of investments - net	67	1,469	2,123	361	4,020	(10,249)	1,314	(8,046)	(16,981)	
Dividend income	3,862	3,500	548	9,608	17,518	5,129	4,152	7,893	17,174	
Mark-up on bank deposits	115	196	3	916	1,230	105	35	9	149	
Back-end load	-	-	-	253	253	-	-	156	156	
	4,044	5,165	2,674	11,138	23,021	(5,015)	5,501	12	498	
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	6.1	(419)	133	-	6,762	6,476	(7,315)	(2,233)	(4,966)	(14,514)
		3,625	5,298	2,674	17,900	29,497	(12,330)	3,268	(4,954)	(14,016)
<b>Expenses</b>										
Remuneration of the Management Company	10.1	12	21	-	63	96	29	12	6	47
Sindh Sales Tax on remuneration of the Management Company	10.2	2	3	-	7	12	4	2	1	7
Remuneration of the Trustee	11.2	66	52	43	106	267	159	86	174	419
Sindh Sales Tax on remuneration of the Trustee	11.3	9	7	6	14	36	21	11	23	55
Annual fee to the Securities and Exchange Commission of Pakistan	12.1	15	12	9	23	59	168	91	184	443
Allocation of expenses / (reversal) related to registrar services, accounting, operation and valuation services	10.3	146	40	(169)	235	252	177	95	194	466
Amortisation of preliminary expenses and flotation costs		234	155	188	-	577	267	231	672	1,170
Auditors' remuneration	16	67	46	29	146	288	103	89	103	295
Fees and subscription		30	24	57	-	111	37	27	66	130
Bank charges		24	20	3	16	63	17	9	12	38
Printing charges		-	-	-	3	3	-	-	-	-
		605	380	166	613	1,764	982	653	1,435	3,070
Net income / (loss) from operating activities		3,020	4,918	2,508	17,287	27,733	(13,312)	2,615	(6,389)	(17,086)
Provision for Sindh Workers' Welfare Fund	13.1	(60)	(98)	(50)	(346)	(554)	-	-	-	-
Net income / (loss) for the year / period before taxation		2,960	4,820	2,458	16,941	27,179	(13,312)	2,615	(6,389)	(17,086)
Taxation	17	-	-	-	-	-	-	-	-	-
Net income / (loss) for the year / period after taxation		2,960	4,820	2,458	16,941	27,179	(13,312)	2,615	(6,389)	(17,086)
<b>Allocation of net income for the year / period</b>										
Income already paid on redemption of units		49	232	378	1,510	-	816	-	-	-
Accounting income available for distribution		-	1,600	2,080	5,613	-	-	-	-	-
Relating to capital gains		2,911	2,988	-	9,818	-	1,799	-	-	-
Excluding capital gains		2,911	4,588	2,080	15,431	-	1,799	-	-	-
		2,960	4,820	2,458	16,941	-	2,615	-	-	-

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

**HBL FINANCIAL PLANNING FUND**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2020*

	2020					2019			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- Rupees in '000 -----								
Net income / (loss) for the year / period after taxation	2,960	4,820	2,458	16,941	27,179	(13,312)	2,615	(6,389)	(17,086)
Other comprehensive income	-	-	-	-	-				
Total comprehensive income / (loss) for the year / period	<u>2,960</u>	<u>4,820</u>	<u>2,458</u>	<u>16,941</u>	<u>27,179</u>	<u>(13,312)</u>	<u>2,615</u>	<u>(6,389)</u>	<u>(17,086)</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 FINANCIAL PLANNING FUND

## Statement of Cash Flows

For the year ended June 30, 2020

	2020					2019			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
Note	Rupees in '000								
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>									
Net income / (loss) for the year / period before taxation	2,960	4,820	2,458	16,941	27,179	(13,312)	2,615	(6,389)	(17,086)
Adjustments for:									
Capital (gain) / loss on sale of investment - net	(67)	(1,469)	(2,123)	(361)	(4,020)	10,249	(1,314)	8,046	16,981
Dividend income	(3,862)	(3,500)	(548)	(9,608)	(17,518)	(5,129)	(4,152)	(7,893)	(17,174)
Mark-up on bank deposits	(115)	(196)	(3)	(916)	(1,230)	(105)	(35)	(9)	(149)
Back-end load	-	-	-	(253)	(253)	-	-	(156)	(156)
Amortisation of preliminary expenses and flotation costs	234	155	188	-	577	267	231	672	1,170
Unrealised (appreciation) / diminution on re-measurement of investments classified as 'fair value through profit or loss' - net	419	(133)	-	(6,762)	(6,476)	7,315	2,233	4,966	14,514
	(431)	(323)	(28)	(959)	(1,741)	(715)	(422)	(763)	(1,900)
<b>Decrease / (Increase) in assets</b>									
Investments - net	46,343	15,977	171,581	(136,511)	97,390	210,132	63,795	25,357	299,284
Preliminary expenses and flotation cost	(1)	-	-	-	(1)	-	-	-	-
Advances and prepayments	22	19	43	-	84	21	19	55	95
	46,364	15,996	171,624	(136,511)	97,473	210,153	63,814	25,412	299,379
<b>Increase / (Decrease) in liabilities</b>									
Payable to the Management Company	(1)	2,319	(14)	24	2,328	(30)	(6)	(4)	(40)
Payable to the Trustee	(4)	(1)	(15)	10	(10)	(49)	(18)	(21)	(88)
Payable to Securities and Exchange Commission of Pakistan	(153)	(79)	(175)	23	(384)	(38)	(18)	41	(15)
Accrued expenses and other liabilities	541	1,800	(28)	3,037	5,350	(4)	1,308	(11)	1,293
	383	4,039	(232)	3,094	7,284	(121)	1,266	5	1,150
Cash generated from / (used in) from operations	46,316	19,712	171,364	(134,376)	103,016	209,317	64,658	24,654	298,629
Dividend received	3,862	3,500	548	9,608	17,518	5,129	4,152	7,893	17,174
Mark-up received on bank deposits	115	196	3	916	1,230	109	36	9	154
Back-end load	-	-	-	253	253	-	-	156	156
Net cash generated / (used in) from operating activities	50,293	23,408	171,915	(123,599)	122,017	214,555	68,846	32,712	316,113
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>									
Receipts from issue of units	10,421	193,129	1,538	169,212	374,300	1,026	2,310	-	3,336
Payment against redemption of units	(55,957)	(209,259)	(172,486)	(34,956)	(472,658)	(215,566)	(69,804)	(32,820)	(318,190)
Dividend paid	(2,582)	(3,193)	(823)	(9,703)	(16,301)	-	(1,764)	-	(1,764)
Net cash generated / (used in) from financing activities	(48,118)	(19,323)	(171,771)	124,553	(114,659)	(214,540)	(69,258)	(32,820)	(316,618)
Net increase / (decrease) in cash and cash equivalents during the year / period	2,175	4,085	144	954	7,358	15	(412)	(108)	(505)
Cash and cash equivalents at the beginning of the year / period	1,293	31	41	-	1,365	1,278	443	149	1,870
Cash and cash equivalents at the end of the year / period	3,468	4,116	185	954	8,723	1,293	31	41	1,365

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 FINANCIAL PLANNING FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2020

	2020			2019		
	Active Allocation Plan			Active Allocation Plan		
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	----- (Rupees in '000) -----					
Net assets at beginning of the year	110,998	(8,393)	102,605	325,538	4,919	330,457
Issuance of 105,651 units (2019: 10,234 units)						
Capital value (at net asset value per unit at the beginning of the year)	10,247	-	10,247	1,050	-	1,050
Element of income / (loss)	174	-	174	(24)	-	(24)
Total proceeds on issuance of units	10,421	-	10,421	1,026	-	1,026
Redemption of 564,838 units (2019: 2,171,554 units)						
Capital value (at net asset value per unit at the beginning of the year)	(54,782)	-	(54,782)	(222,910)	-	(222,910)
Income already paid on redemption of units	-	(49)	(49)	-	-	-
Element of (loss) / income	(1,126)	-	(1,126)	7,344	-	7,344
Total payments on redemption of units	(55,908)	(49)	(55,957)	(215,566)	-	(215,566)
Total comprehensive income / (loss) for the year	-	2,960	2,960	-	(13,312)	(13,312)
Interim distribution Rs. 4.75 per unit declared on June 29, 2020 as cash dividend						
Refund of capital	(1)	-	(1)	-	-	-
Distribution during the year	-	(2,581)	(2,581)	-	-	-
	(1)	379	378	-	-	-
Net assets at end of the year	65,510	(8,063)	57,447	110,998	(8,393)	102,605
Accumulated (loss) / undistributed income brought forward						
Realised (loss) / income		(1,078)			6,342	
Unrealised loss		(7,315)			(1,423)	
		(8,393)			4,919	
Accounting income available for distribution						
Relating to capital gains		-			-	
Excluding capital gains		2,911			-	
		2,911			-	
Distributions during the year		(2,581)			-	
Total comprehensive loss for the year		-			(13,312)	
Accumulated loss carried forward		(8,063)			(8,393)	
Accumulated loss carried forward						
Realised loss		(7,644)			(1,078)	
Unrealised loss		(419)			(7,315)	
		(8,063)			(8,393)	
Net assets value per unit at beginning of the year			96.9864			102.6500
Net assets value per unit at end of the year			95.9459			96.9864

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 FINANCIAL PLANNING FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2020

	2020			2019		
	Conservative Allocation Plan			Conservative Allocation Plan		
	----- (Rupees in '000) -----			----- (Rupees in '000) -----		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the year	62,239	4,812	67,051	128,919	4,776	133,695
Issuance of 1,708,700 units (2019: 22,242 units)						
Capital value (at net asset value per unit at the beginning of the year)	177,408	-	177,408	2,309	-	2,309
Element of income	15,721	-	15,721	1	-	1
Total proceeds on issuance of units	193,129	-	193,129	2,310	-	2,310
Redemption of 1,869,298 units (2019: 664,933 units)						
Capital value (at net asset value per unit at the beginning of the year)	(194,083)	-	(194,083)	(68,995)	-	(68,995)
Income already paid on redemption of units	-	(232)	(232)	-	(816)	(816)
Element of (loss) / income	(14,943)	-	(14,943)	6	-	6
Total payments on redemption of units	(209,026)	(232)	(209,258)	(68,989)	(816)	(69,805)
Total comprehensive income for the year	-	4,820	4,820	-	2,615	2,615
Interim distributions						
Rs. 2.75 per unit declared on June 28, 2019 as cash dividend						
Refund of capital	-	-	-	(1)	-	(1)
Distribution during the year	-	-	-	-	(1,763)	(1,763)
Rs. 6.6 per unit declared on June 29, 2020 as cash dividend						
Refund of capital	-	-	-	-	-	-
Distribution during the year	-	(3,193)	(3,193)	-	-	-
	-	1,627	1,627	(1)	2	851
Net assets at end of the year	46,342	6,207	52,549	62,239	4,812	67,051
Accumulated (loss) / undistributed income brought forward						
Realised income		7,045			3,501	
Unrealised (loss) / income		(2,233)			1,275	
		4,812			4,776	
Accounting income available for distribution						
Relating to capital gains		1,600			-	
Excluding capital gains		2,988			1,799	
		4,588			1,799	
Distribution during the year		(3,193)			(1,763)	
Total comprehensive loss for the year		-			-	
Undistributed income carried forward		6,207			4,812	
Undistributed income carried forward						
Realised income		6,074			7,045	
Unrealised income / (loss)		133			(2,233)	
		6,207			4,812	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the year			103.8264			103.7607
Net assets value per unit at end of the year			108.3030			103.8264

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 FINANCIAL PLANNING FUND**  
**Statement of Movement in Unit Holders' Fund**  
For the year ended June 30, 2020

	2020			2019		
	Strategic Allocation Plan			Strategic Allocation Plan		
	------(Rupees in '000)-----			------(Rupees in '000)-----		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Net assets at beginning of the period / year	170,570	(1,257)	169,313	203,390	5,132	208,522
Issuance of 15,377 units (2019: NIL units)						
Capital value (at net asset value per unit at the beginning of the period / year)	1,523	-	1,523	-	-	-
Element of income	15	-	15	-	-	-
Total proceeds on issuance of units	1,538	-	1,538	-	-	-
Redemption of 1,725,044 units (2019: 324,244 units)						
Capital value (at net asset value per unit at the beginning of the period / year)	(170,836)	-	(170,836)	(33,243)	-	(33,243)
Income already paid on redemption of units	-	(378)	(378)	-	-	-
Element of (loss) / income	(1,272)	-	(1,272)	423	-	423
Total payments on redemption of units	(172,108)	(378)	(172,486)	(32,820)	-	(32,820)
Total comprehensive income for the period / year	-	2,458	2,458	-	(6,389)	(6,389)
Interim distribution Rs. 0.4851 per unit declared on October 10, 2019 as cash dividend	-	-	-	-	-	-
Distribution for the period / year	-	(823)	(823)	-	-	-
	-	1,635	1,635	-	(6,389)	(6,389)
Net assets at end of the period / year	-	-	-	170,570	(1,257)	169,313
Undistributed income brought forward						
Realised income		3,709			4,617	
Unrealised (loss) / income		(4,966)			515	
		(1,257)			5,132	
Accounting income available for distribution						
Relating to capital gains		2,080			-	
Excluding capital gains		-			-	
		2,080			-	
Distribution during the period / year		(823)			(6,389)	
Accumulated undistributed income / (loss) carried forward		-			(1,257)	
Accumulated undistributed income / (loss) carried forward		-			-	
Realised income		-			3,709	
Unrealised income / (loss)		-			(4,966)	
		-			(1,257)	
			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period / year			99.0331			102.5230
Net assets value per unit at end of the period / year			-			99.0331

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 FINANCIAL PLANNING FUND

## Notes to the Financial Statements

For the year ended June 30, 2020

	For the period from October 2, 2018 to June 30, 2019		
	Special Income Plan		
	----- (Rupees in '000) -----		
	Capital value	Undistributed income	Total
Net assets at beginning of the period	-	-	-
Issuance of 1,683,776 units			
Capital value (at net asset value per unit at the beginning of the period)	168,382	-	168,382
Element of income	830	-	830
Total proceeds on issuance of units	169,212	-	169,212
Redemption of 333,607 units			
Capital value (at net asset value per unit at the beginning of the period)	(33,361)	-	(33,361)
Income already paid on redemption of units	(85)	(1,510)	(1,510)
Element of loss	(85)	-	(85)
Total payments on redemption of units	(33,446)	(1,510)	(34,956)
Total comprehensive income for the period	-	16,941	16,941
Interim distributions			
Rs. 0.2095 per unit declared on January 01, 2020 as cash dividend			
Refund of capital	(2)	-	(2)
Distribution during the period	-	(312)	(312)
Rs. 0.1921 per unit declared on April 03, 2020 as cash dividend			
Refund of capital	(1)	-	(1)
Distribution during the period	-	(248)	(248)
Rs. 7.1 per unit declared on June 29, 2020 as cash dividend			
Refund of capital	(2)	-	(2)
Distribution during the period	-	(9,138)	(9,138)
	(5)	7,243	7,238
Net assets at end of the period	135,761	5,733	141,494
Undistributed income brought forward			
Realised income		-	-
Unrealised income		-	-
Accounting income available for distribution			
Relating to capital gains		5,613	5,613
Excluding capital gains		9,818	9,818
Distribution during the period		15,431	15,431
Undistributed income carried forward		(9,698)	(9,698)
Undistributed income carried forward		5,733	5,733
Realised income		(1,029)	(1,029)
Unrealised income		6,762	6,762
		5,733	5,733
			(Rupees)
Net assets value per unit at beginning of the period			-
Net assets value per unit at end of the period			104.7978

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

## **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 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.

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 Schemes 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 "Strategic Allocation 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 Equity scheme(s), Income scheme(s) and Money Market Schemes based on fundamental analysis of economic indicators, underlying asset values and a strategy of risk aversion to market volatility. The plan commenced on October 11, 2017 for the duration of 24 months (two years) and matured on October 10, 2019.
- 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 duration of this plan is 24 months (two years). However, SECP or the Management Company may wind it up or revoke, on the occurrence of certain events as specified in the Regulations or clause no.10.4 of the offering document of the Fund.
- HBL Financial Planning Fund - Special Income Plan is due to mature on September 16, 2021, unless the Management Company decides otherwise.

JCR-VIS Credit Rating Agency has assigned a long term management quality rating of 'AM2+ (AM two plus)' to the Management Company while the Fund is currently not rated.

Title to the assets of the Fund are held in the name of 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, the provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984, the 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 convention, except certain financial assets which are measured at fair value.

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 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 6 and 19 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 NEW ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED STANDARDS**

#### **3.1 Standards / amendments that are effective in current year and relevant to the Fund**

The Fund has adopted the standards / amendments to the following approved accounting and reporting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		<b>Effective from accounting period beginning on or after:</b>
IFRS 9	Financial Instruments - amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRIC 23	Uncertainty over Income Tax Treatments	January 01, 2019

Other than the amendments to standards mentioned above, there are certain annual improvements made to IFRS that became effective during the year:

		<b>Effective from accounting period beginning on or after:</b>
Annual improvements to IFRSs (2015 – 2017) Cycle:		
IFRS 3	Business Combinations	January 01, 2019
IFRS 11	Joint Arrangements	January 01, 2019
IAS 12	Income Taxes	January 01, 2019
IAS 23	Borrowing Costs	January 01, 2019

#### **3.2 Amendments that are effective in current year and not relevant to the Company**

The Fund has adopted the amendments to the following approved accounting standards as applicable in Pakistan which became effective during the year from the dates mentioned below against the respective standard:

		<b>Effective from accounting period beginning on or after:</b>
IFRS 8	Operating Segments - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 16	Leases - Original issue	January 01, 2019
IAS 19	Employee benefits - Amendments regarding plan amendments, curtailments or settlements	January 01, 2019

**Effective from accounting period  
beginning on or after:**

IAS 28	Investments in Associates and Joint Ventures - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
IFRS 14	Regulatory Deferral Accounts - Original issue	July 01, 2019

**3.3 Amendments not yet effective**

The following Amendments to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard:

**Effective from accounting period  
beginning on or after:**

	Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update these pronouncements with regard to references to and quotes from the framework or to indicate where they refer to different version of the Conceptual Framework.	January 01, 2020
IFRS 3	Business Combinations - Amendments to clarify the definition of a business	January 01, 2020
IFRS 3	Business Combinations - Amendments updating a reference to the Conceptual Framework	January 01, 2022
IFRS 4	Insurance Contracts - Amendments regarding the expiry date of the deferral approach	January 01, 2023
IFRS 7	Financial Instruments: Disclosures - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020
IFRS 9	Financial Instruments - Amendments regarding the interaction of IFRS 4 and IFRS 9	January 01, 2023
IFRS 16	Leases - Amendments to provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification	January 01, 2020
IFRS 17	Insurance Contracts - Amendments to address concerns and implementation challenges that were identified after IFRS 17 was published	January 01, 2023
IAS 1	Presentation of Financial Statements - Amendments regarding the definition of materiality	January 01, 2020

		<b>Effective from accounting period beginning on or after:</b>
IAS 1	Presentation of Financial Statements - Amendments regarding the classification of liabilities	January 01, 2022
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors - Amendments regarding the definition of materiality	January 01, 2020
IAS 16	Property, Plant and Equipment - Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use	January 01, 2022
IAS 37	Provisions, Contingent Liabilities and Contingent Assets - Amendments regarding the costs to include when assessing whether a contract is onerous	January 01, 2022
IAS 39	Financial Instruments: Recognition and Measurement - Amendments regarding pre-replacement issues in the context of the IBOR reform	January 01, 2020

The annual improvements to IFRSs that are effective from the dates mentioned below against respective standards:

Annual improvements to IFRSs (2018 – 2020) Cycle:

IFRS 1	First-time Adoption of International Financial Reporting Standards	January 01, 2022
IFRS 9	Financial Instruments	January 01, 2022
IFRS 41	Agriculture	January 01, 2020

### **3.4 Standards or interpretations not yet effective**

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

The Fund expects that the adoption of the other amendments and interpretations of the standards will not have any material impact and therefore will not affect the Fund's financial statements in the period of initial application.

## **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. Cash and cash equivalents are carried in the statement of assets and liabilities at nominal amount.

#### **4.2 Financial instruments**

##### **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, fair value through other comprehensive income (FVOCI) – debt investment, FVOCI – equity investment 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.

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.

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.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest 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.
Equity investments at FVOCI	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.

#### **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 recognised.

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:

For financial assets classified as 'at amortized cost', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the SECP.

- 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.

#### **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 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.
- Markup on bank deposits is recognised on a time apportionment basis.
- 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 Expenses**

All expenses including NAV based expenses are recognised in the income statement on a time apportionment basis.

#### **4.11 Foreign currency transactions**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rates are recognised in the income statement.

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

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

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**

Note	2020					2019			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- Rupees in '000 -----					----- Rupees in '000 -----			
In saving accounts	3,468	4,116	185	954	8,723	1,293	31	41	1365

5.1 These accounts carry mark-up at the rates ranging between 6% to 7.8% (2019: 10.28% to 13.5%) per annum. This includes an amount held by a related party (Habib Bank Limited) amounting to Rs. 3.456 million (2019: Rs. 1.283 million), Rs. 2.488 million (2019: 0.009 million), Rs. 0.199 million (2019: 0.028 million) and Rs. 0.328 million by Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Special Income Plan respectively.

**6 INVESTMENTS**

Financial assets classified at fair value through profit or loss		2020					2019			
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		----- Rupees in '000 -----					----- Rupees in '000 -----			
Units of mutual funds	6.1	54,195	53,447	-	143,634	251,276	100,890	67,822	169,458	338,170

**6.1 Units of Mutual Funds**

Name of Investee Company	Number of Shares					Market value as at June 30, 2019 (Rupees in '000)	Market value as a percentage of		Par value as percentage of issued capital the investee company
	As at July 1, 2018	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2019		Total Investments	Net Assets	
<b>Automobile Assembler</b>									
Honda Atlas Cars (Pakistan) Limited	4,000	-	-	4,000	-	-	-	-	-
Indus Motor Company Limited	1,640	-	-	340	1,300	1,565	1.06%	0.77%	0.00%
Millat Tractors Limited	3,630	1,000	-	4,630	-	-	-	-	-
	<b>9,270</b>	<b>1,000</b>	<b>-</b>	<b>8,970</b>	<b>1,300</b>	<b>1,565</b>			
<b>Automobile Parts and Accessories</b>									
Thal Limited (Par value Rs. 5 per share)	5,000	4,000	-	1,000	8,000	2,912	1.97%	1.43%	0.01%
	<b>5,000</b>	<b>4,000</b>	<b>-</b>	<b>1,000</b>	<b>8,000</b>	<b>2,912</b>			
<b>Cable and Electrical Goods</b>									
Pak Elektron Limited	48,000	35,000	-	83,000	-	-	-	-	-
	<b>48,000</b>	<b>35,000</b>	<b>-</b>	<b>83,000</b>	<b>-</b>	<b>-</b>			

**7 Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'fair value through profit or loss'**

	2020					2019			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- Rupees in '000 -----					----- Rupees in '000 -----			
Market value of investment	54,195	53,447	-	143,634	251,276	100,890	67,822	169,458	338,170
Less: Carrying value of investment	(54,614)	(53,314)	-	(136,872)	(244,800)	(108,205)	(70,055)	(174,424)	(352,684)
	<b>(419)</b>	<b>133</b>	<b>-</b>	<b>6,762</b>	<b>6,476</b>	<b>(7,315)</b>	<b>(2,233)</b>	<b>(4,966)</b>	<b>(14,514)</b>

**8 PRELIMINARY EXPENSES AND FLOTATION COSTS**

	2020					2019			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	Rupees in '000					Rupees in '000			
Opening balance	877	758	188	-	1,823	1,144	989	860	2,993
Less: Amortised during the year / period	(233)	(155)	(188)	-	(576)	(267)	(231)	(672)	(1,170)
Closing balance	644	603	-	-	1,247	877	758	188	1,823

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, Conservative Allocation Plan and 2 years for Strategic Allocation Plan and 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.

**9 ADVANCES AND PREPAYMENTS**

	Note	2020					2019			
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		Rupees in '000					Rupees in '000			
Advance tax	8.1	37	9	-	-	46	37	9	25	71
Prepaid listing fee		53	46	-	-	99	75	65	18	159
		90	55	-	-	145	112	74	43	230

**9.1** 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 is confident that the same shall be refunded after filing refund application.

**10 PAYABLE TO THE MANAGEMENT COMPANY**

	Note	2020					2019			
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
		Rupees in '000					Rupees in '000			
Remuneration payable to the Management Company	9.1	1	1	-	-	2	2	-	-	2
Sindh Sales Tax payable on Management Company's remuneration	9.2	-	-	-	-	-	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation service	9.3	9	9	-	24	42	9	6	14	29
Sales load payable		-	2,315	-	-	2,315	-	-	-	-
		10	2,325	-	24	2,359	11	6	14	31

**10.1** As per the amendment introduced through SRO 639(I)/2019, dated June 20, 2019, 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, further subject to the guidelines as may be issued by the Commission from time to time. 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 fee is payable monthly in arrears.

**10.2** This represents amount payable in respect of Sindh Sales Tax at the rate of 13% (2019: 13%) on the services provided by the Management Company as required by Sindh Sales Tax on Services Act, 2011.

**10.3** As per Regulation 60(3)(s) of the 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, maximum upto 0.1% of the average annual net assets on daily basis of the Scheme or the actual cost, whichever is lower.

However, SECP vide S.R.O. 639(I)/2019, dated June 20, 2019, has removed the maximum limit of 0.1%. During the year, the fee has been charged at the rate ranging between 0.1% to 0.2%, in case of Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan and, at the rate of 0.2%, in case of Special Income Plan, of the average annual net assets of the Fund. The fee is being charged at the rate of 0.2%, from July 8, 2019 onwards, in case of Active Allocation Plan and Conservative Allocation Plan and, from September 16, 2019 onwards, in case of Special Income Plan. The fund has reversed the said expenses in Conservative Allocation Plan and Strategic Allocation Plan pertaining to preceding year amounting to Rs. 0.075 million and Rs. 0.26 million, respectively.

**11 PAYABLE TO THE TRUSTEE**

	2020				2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
Note	Rupees in '000				Rupees in '000				
Trustee fee payable	4	4	-	9	17	8	5	13	26
Sindh Sales Tax payable on remuneration of the Trustee	1	1	-	1	3	1	1	2	4
	5	5	-	10	20	9	6	15	30

**11.1** The Trustee is entitled to a monthly remuneration for the services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff structure specified therein, based on the average annual net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.

**11.2** As per the Trust Deed and Offering Document, the tariff structure was as follows:

Net assets	Tariff per annum
Up to Rs. 1 billion	0.09% per annum of the daily average net assets
Over Rs. 1 billion	Rs 0.9 million plus 0.065% per annum of the daily average net assets

**11.3** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (2019: 13%) on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

**12 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

	2020				2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	Rupees in '000				Rupees in '000				
Annual fee payable	15	12	9	23	59	168	91	184	443

**12.1** Under the regulation 62 of the NBFC Regulations, a Collective Investment Scheme (CIS) categorized as a fund of fund scheme is required to pay as annual fee to the SECP, an amount equal to 0.095% of the average annual net assets of the Scheme. However, SECP, vide S.R.O. 685 (I)/2019, dated June 28, 2019, has reduced the rate of the fee to 0.02% of the average annual net assets for all categories of CIS(s), with effect from July 1, 2019. During the year, Management Company has charged the fee accordingly. The fee is payable annually in arrears.

### 13 ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	2020					2019			
		Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
----- Rupees in '000 -----										
Provision for Sindh Workers' Welfare Fund	12.1	171	224	155	346	896	111	126	105	342
Withholding tax payable		510	558	-	1,845	2,913	-	253	-	253
Auditors' remuneration		61	43	-	124	228	78	67	78	223
Printing charges payable		-	4	18	-	22	13	17	19	49
Others		178	2,501	3	722	3,404	177	1,067	3	1,247
		920	3,330	176	3,037	7,463	379	1,530	205	2,114

#### 13.1 Workers' Welfare Fund and Sindh Workers' Welfare Fund

The legal status of applicability of Workers' Welfare Fund and Sindh Workers' Welfare Fund is the same as disclosed in note 12.1 to the annual audited financial statements of the Fund for the year ended June 30, 2019 and a constitutional petition filed by certain CISs, through their trustees, in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, is pending adjudication.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs 0.171 million, Rs. 0.224 million, Rs. 0.155 million and Rs. 0.346 million (2019: Rs. 0.111 million Rs. 0.126 million and Rs. 0.105 million) in Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Special Income Plan respectively. Had the provision not been made, the net asset value per unit as at June 30, 2020 would have been higher by Re. 0.285, Re. 0.462, Nil and 0.256 (2019: Re. 0.105, Re. 0.195 and Re. 0.061) per unit of the Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Special Income Plan respectively.

### 14 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2020 (2019: nil).

### 15 NUMBER OF UNITS IN ISSUE

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
----- Number of units -----										
Total units in issue at the beginning of the year / period	1,057,933	645,802	1,709,667	-	3,413,402	3,219,253	1,288,493	2,033,911	6,541,657	
Add: Units issued	105,651	1,708,700	15,377	1,683,776	3,513,503	10,234	22,242	-	32,476	
Less: Units redeemed	(564,838)	(1,869,298)	(1,725,044)	(333,607)	(4,492,788)	(2,171,554)	(664,933)	(324,244)	(3,160,731)	
Total units in issue at the end of the year / period	598,746	485,204	-	1,350,169	2,434,117	1,057,933	645,802	1,709,667	3,413,402	

### 16 AUDITORS' REMUNERATION

	2020					2019				
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total	
----- Rupees in '000 -----										
Annual audit fee	52	35	22	112	221	65	60	65	190	
Fee for half yearly review	6	4	3	12	25	20	20	20	60	
Other certifications and out of pocket expenses	9	7	4	22	42	18	9	18	45	
	67	46	29	146	288	103	89	103	295	

**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 the Management Company has distributed atleast 90% of the Fund's accounting income as reduced by capital gains (whether realised or unrealised) to its unit holders.

**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 the cumulative weighted average number of outstanding units is not practicable.

**19 FINANCIAL INSTRUMENTS BY CATEGORY**

2020													Total
Particulars	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation Plan			Special Income Plan			
	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	At fair value through profit or loss	Amortised cost	Total	
Rupees in '000													
<b>Financial assets</b>													
Bank balances	-	3,468	3,468	-	4,116	4,116	-	185	185	-	954	954	8,723
Investments	54,195	-	54,195	53,447	-	53,447	-	-	-	143,634	-	143,634	251,276
	54,195	3,468	57,663	53,447	4,116	57,563	-	185	185	143,634	954	144,588	259,999

Particulars	Active Allocation Plan			Conservative Allocation Plan			Strategic 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	At fair value through profit or loss	Amortised cost	Total	
Rupees in '000													
<b>Financial liabilities</b>													
Payable to the Management Company	-	10	10	-	2,325	2,325	-	-	-	-	24	24	2,359
Payable to the Trustee	-	4	4	-	4	4	-	-	-	-	9	9	17
Accrued expenses and other liabilities	-	63	63	-	2,548	2,548	-	21	21	-	823	823	3,455
Payable against redemption of units	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	77	77	-	4,877	4,877	-	21	21	-	856	856	5,831

2019										
Particulars	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation 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										
<b>Financial assets</b>										
Bank balances	-	1,293	1,293	-	31	31	-	41	41	1,365
Investments	100,890	-	100,890	67,822	-	67,822	169,458	-	169,458	338,170
	100,890	1,293	102,183	67,822	31	67,853	169,458	41	169,499	339,535

Particulars	Active Allocation Plan			Conservative Allocation Plan			Strategic Allocation 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										
<b>Financial liabilities</b>										
Payable to the Management Company	-	11	11	-	6	6	-	14	14	31
Payable to the Trustee	-	8	8	-	5	5	-	13	13	26
Accrued expenses and other liabilities	-	268	268	-	1,151	1,151	-	100	100	1,519
Payable against redemption of units	-	-	-	-	1	1	-	-	-	1
	-	287	287	-	1,163	1,163	-	127	127	1,577

## 20 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Connected persons include HBL Asset Management Limited being the Management Company, Habib Bank Limited being the Sponsor, 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:

### 20.1 Transactions during the year / period

	2020					2019			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	Rupees in '000					Rupees in '000			
<b>HBL Asset Management Limited - Management Company</b>									
Remuneration of the Management Company	12	21	-	63	96	29	12	6	47
Sindh Sales Tax on remuneration of the Management Company	2	3	-	7	12	4	2	1	7
Allocation of expenses / (reversal) related to registrar services, accounting, operation and valuation services	146	40	(169)	235	252	177	95	194	466
Sales load	-	2,315	-	-	2,315	-	-	-	-
Issue of 4,120 (2019: Nil) units	-	-	412	-	412	-	-	-	-
Redemption of 1,003,322 (2019: Nil) units	-	-	100,332	-	100,332	-	-	-	-
Dividend income	-	-	485	-	485	-	-	-	-
<b>MCB Financial Services Limited - Trustee</b>									
Remuneration of the Trustee	66	52	43	106	267	159	86	174	419
Sindh Sales Tax on remuneration of the Trustee	9	7	6	14	36	21	11	23	55
<b>Habib Bank Limited - Sponsor</b>									
Bank charges	18	15	3	5	41	16	8	11	35
Mark-up on bank deposits	114	102	2	25	243	104	34	8	146
<b>HBL Cash Fund - CIS managed by the Management Company</b>									
Purchase of 88,518 (2019: 612,126) units	8,930	-	-	-	8,930	55,260	-	-	55,260
Purchase of 158,389 (2019: 87,574) units	-	16,018	-	-	16,018	-	3,610	-	3,610
Purchase of 5,435 (2019: 240,163) units	-	-	548	-	548	-	-	22,227	22,227
Purchase of 47,154 (2019: Nil) units	-	-	-	4,795	4,795	-	-	-	-
Redemption of 405,595 (2019: 1,340,860) units	41,144	-	-	-	41,144	135,864	-	-	135,864
Redemption of 158,273 (2019: 1,087,565) units	-	16,038	-	-	16,038	-	111,440	-	111,440
Redemption of 182,477 (2019: 443,164) units	-	-	18,456	-	18,456	-	-	45,126	45,126
Redemption of 47,154 (2019: Nil) units	-	-	-	4,780	4,780	-	-	-	-
Dividend Income	3,130	2	548	157	3,837	-	-	-	-
<b>HBL Stock Fund- CIS managed by the Management Company</b>									
Purchase of 195,768 (2019: 321,516) units	16,500	-	-	-	16,500	33,100	-	-	33,100
Purchase of 224,516 (2019: 43,376) units	-	20,319	-	-	20,319	-	4,400	-	4,400
Purchase of Nil (2019: 464,108) units	-	-	-	-	-	-	-	46,916	46,916
Redemption of 337,880 (2019: 1,704,194) units	29,451	-	-	-	29,451	170,847	-	-	170,847
Redemption of 237,103 (2019: 149,807) units	-	21,821	-	-	21,821	-	15,418	-	15,418
Redemption of 440,522 (2019: 986,912) units	-	-	36,967	-	36,967	-	-	96,640	96,640
<b>HBL Income Fund - CIS managed by the Management Company</b>									
Purchase of 6,736 (2019: 77,566) units	732	-	-	-	732	8,000	-	-	8,000
Redemption of 16,575 (2019: Nil) units	1,910	-	-	-	1,910	-	-	-	-
Redemption of 745,068 (2019: Nil) units	-	-	81,178	-	81,178	-	-	8,700	8,700
Dividend Income	732	-	-	-	732	219	-	-	219
Dividend Income	-	-	-	-	-	-	-	5,719	5,719

# HBL FINANCIAL PLANNING FUND

## Notes to the Financial Statements

For the year ended June 30, 2020

	2020					2019			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- Rupees in '000 -----					----- Rupees in '000 -----			
<b>HBL Money Market Fund - CIS managed by the Management Company</b>									
Purchase of 169,132 (2019: 544,578) units	-	17,304	-	-	17,304	-	55,616	-	55,616
Redemption of 295,462 (2019: 5,153) units	-	31,759	-	-	31,759	-	565	-	565
Dividend Income	-	3,498	-	-	3,498	-	-	-	-
<b>HBL Government Securities Fund - CIS managed by the Management Company</b>									
Purchase of 345,994 (2019: 511,665) units	-	-	36,967	-	36,967	-	-	55,000	55,000
Purchase of 1,330,506 (2019: Nil) units	-	-	-	142,451	142,451	-	-	-	-
Dividend Income	-	-	-	9,451	9,451	-	-	547	547
Redemption of 658,073 (2019: 199,586) units	-	-	72,496	-	72,496	-	-	22,700	22,700
Redemption of 51,197 (2019: Nil) units	-	-	-	5,917	5,917	-	-	-	-
<b>Patient Welfare Association - Connected person due to 10% holding</b>									
Issue of Nil (2019: Nil) units	-	-	-	-	-	-	-	-	-
Dividend Income	-	2,640	-	-	2,640	-	935	-	935
<b>Asif Nadeem Minhas - Connected person due to 10% holding</b>									
Issue of 3,730 (2019: Nil) units	356	-	-	-	356	-	-	-	-
Redemption of 16,313 (2019: Nil) units	1,676	-	-	-	1,676	-	-	-	-
Dividend Income	419	-	-	-	419	-	-	-	-
<b>Shazia Afshan Minhas - Connected person due to 10% holding</b>									
Issue of 197,779 (2019: Nil) units	-	-	-	20,198	20,198	-	-	-	-
Dividend Income	-	-	-	1,416	1,416	-	-	-	-
<b>Shahida Saleem - Connected person due to 10% holding</b>									
Issue of Nil (2019: Nil) units	-	-	-	-	-	-	-	-	-
Dividend Income	-	321	-	-	321	-	-	-	-
<b>Jamil Iqbal - Connected person due to 10% holding</b>									
Issue of 149,820 (2019: Nil) units	-	-	-	15,185	15,185	-	-	-	-
Dividend Income	-	-	-	1,062	1,062	-	-	-	-

## 20.2 Balances outstanding as at period / year end

	2020					2019			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	----- Rupees in '000 -----					----- Rupees in '000 -----			
<b>HBL Asset Management Limited - Management Company</b>									
Remuneration payable to the Management Company	1	1	-	-	2	3	-	-	3
Sindh Sales Tax payable on remuneration of the Management Company	-	-	-	-	-	-	-	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	9	9	-	24	42	9	6	14	29
Sales load payable	-	2,315	-	-	2,315	-	-	-	-
Units held: Nil (2019: 999,202)	-	-	-	-	-	-	-	98,954	98,954
<b>Habib Bank Limited - Sponsor</b>									
Bank balances	3,457	2,489	200	328	6,474	1,283	9	28	1,321
<b>MCB Financial Services Limited - Trustee</b>									
Trustee fee payable	4	4	-	9	17	8	5	13	26
Sindh Sales Tax payable on remuneration of the Trustee	1	1	-	1	3	1	1	2	4
<b>HBL Cash Fund - CIS managed by the Management Company</b>									
Units held: 185,093 (2019: 502,169)	18,718	-	-	-	18,718	50,616	-	-	50,616
Units held: 116 (2019: Nil)	-	12	-	-	12	-	-	-	-
Units held: Nil (2019: 177,043)	-	-	-	-	-	-	-	17,845	17,845
Units held: Nil (2019: Nil)	-	-	-	-	-	-	-	-	-
<b>HBL Stock Fund- CIS managed by the Management Company</b>									
Units held: 325,953 (2019: 468,065)	28,143	-	-	-	28,143	42,046	-	-	42,046
Units held: 129,177 (2019: 141,765)	-	11,153	-	-	11,153	-	12,735	-	12,735
Units held: Nil (2019: 440,522)	-	-	-	-	-	-	-	39,572	39,572

	2020					2019			
	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Total	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Total
	Rupees in '000					Rupees in '000			
<b>HBL Income Fund - CIS managed by the Management Company</b>									
Units held: 67,728 (2019: 77,566)	7,334	-	-	-	7,334	8,227	-	-	8,227
Units held: Nil (2019: 745,068)	-	-	-	-	-	-	-	79,030	79,030
<b>HBL Money Market Fund - CIS managed by the Management Company</b>									
Units held: 413,094 (2019: 539,425)	-	42,282	-	-	42,282	-	55,087	-	55,087
<b>HBL Government Securities Fund - CIS managed by the Management Company</b>									
Units held: Nil (2019: 312,079)	-	-	-	-	-	-	-	33,012	33,012
Units held: 1,279,309 (2019: Nil)	-	-	-	143,634	143,634	-	-	-	-
<b>Patient Welfare Association - Connected Person due to 10% holding</b>									
Units held: 400,000 (2019: 400,000)	-	43,321	-	-	43,321	-	41,531	-	41,531
<b>Asif Nadeem Minhas - Connected Person due to 10% holding</b>									
Units held: 91,894 (2019: 104,477)	8,817	-	-	-	8,817	10,133	-	-	10,133
<b>Shazia Afshan Minhas - Connected Person due to 10% holding</b>									
Units held: 197,780 (2019: Nil)	-	-	-	20,727	20,727	-	-	-	-
<b>Jamil Iqbal - Connected Person due to 10% holding</b>									
Units held: 149,820 (2019: Nil)	-	-	-	15,701	15,701	-	-	-	-
<b>Shahida Saleem - Connected Person due to 10% holding</b>									
Units held: 48,606 (2019: 48,606)	-	5,264	-	-	5,264	-	5,047	-	5,047

## 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'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 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.

**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 savings accounts, the interest rates on which range between 6% to 7.8% per annum.

In case of 100 basis points increase / decrease in interest rates on June 30, 2020, with all other variables held constant, the net income for the year / period and the net assets would have been higher / lower by Re. 0.0374 million, Re. 0.0412 million, Re. 0.0021 million and Re. 0.0095 million of Active Allocation Plan, Conservative Allocation plan, Strategic Allocation Plan and Special Income Plan (2019: Re. 0.0129 million, Re. 0.0003 million, Re. 0.0004 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 and for off-balance sheet instruments is based on the settlement date.

Active Allocation Plan																					
Particulars	Effective yield / interest rate	2020				Total	Effective yield / interest rate	2019				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									
<b>On-balance sheet financial instruments</b>																					
<b>Financial assets</b>																					
Bank balances	6 - 7.8	3,468	-	-	-	3,468	10.28 - 13.5	1,293	-	-	-	1,293									
Investments - net		-	-	-	54,195	54,195		-	-	-	100,890	100,890									
<b>Sub total</b>		<b>3,468</b>	<b>-</b>	<b>-</b>	<b>54,195</b>	<b>57,663</b>		<b>1,293</b>	<b>-</b>	<b>-</b>	<b>100,890</b>	<b>102,183</b>									
<b>Financial liabilities</b>																					
Payable to the Management Company		-	-	-	10	10		-	-	-	11	11									
Payable to the Trustee		-	-	-	4	4		-	-	-	8	8									
Accrued expenses and other liabilities		-	-	-	63	63		-	-	-	268	268									
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>77</b>	<b>77</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>287</b>	<b>287</b>									
<b>On-balance sheet gap (a)</b>		<b>3,468</b>	<b>-</b>	<b>-</b>	<b>54,118</b>	<b>57,586</b>		<b>1,293</b>	<b>-</b>	<b>-</b>	<b>100,602</b>	<b>101,895</b>									
<b>Off-balance sheet financial instruments</b>																					
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>									
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>3,468</b>	<b>-</b>	<b>-</b>	<b>54,118</b>	<b>57,586</b>		<b>1,293</b>	<b>-</b>	<b>-</b>	<b>100,602</b>	<b>101,895</b>									
<b>Cumulative interest rate sensitivity gap</b>		<b>3,468</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>1,293</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>									

Conservative Allocation Plan																					
Particulars	Effective yield / interest rate	2020				Total	Effective yield / interest rate	2019				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									
<b>On-balance sheet financial instruments</b>																					
<b>Financial assets</b>																					
Bank balances	6 - 7.8	4,116	-	-	-	4,116	10.28 - 13.5	31	-	-	-	31									
Investments - net		-	-	-	53,447	53,447		-	-	-	67,822	67,822									
<b>Sub total</b>		<b>4,116</b>	<b>-</b>	<b>-</b>	<b>53,447</b>	<b>57,563</b>		<b>31</b>	<b>-</b>	<b>-</b>	<b>67,822</b>	<b>67,853</b>									
<b>Financial liabilities</b>																					
Payable to the Management Company		-	-	-	2,325	2,325		-	-	-	6	6									
Payable to the Trustee		-	-	-	4	4		-	-	-	5	5									
Accrued expenses and other liabilities		-	-	-	2,548	2,548		-	-	-	1,151	1,151									
Payable against redemption of units		-	-	-	-	-		-	-	-	1	1									
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>4,877</b>	<b>4,877</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,163</b>	<b>1,163</b>									
<b>On-balance sheet gap (a)</b>		<b>4,116</b>	<b>-</b>	<b>-</b>	<b>48,570</b>	<b>52,686</b>		<b>31</b>	<b>-</b>	<b>-</b>	<b>66,659</b>	<b>66,690</b>									
<b>Off-balance sheet financial instruments</b>																					
<b>Off-balance sheet gap (b)</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>									
<b>Total interest rate sensitivity gap (a) + (b)</b>		<b>4,116</b>	<b>-</b>	<b>-</b>	<b>48,570</b>	<b>52,686</b>		<b>31</b>	<b>-</b>	<b>-</b>	<b>66,659</b>	<b>66,690</b>									
<b>Cumulative interest rate sensitivity gap</b>		<b>4,116</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>		<b>31</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>									

Strategic Allocation Plan

Particulars	Effective yield / interest rate	2020				Not exposed to yield / Interest rate risk	Total	Effective yield / interest rate	2019			Not exposed to yield / Interest rate risk	Total		
		Exposed to yield / interest rate risk			Upto three months				More than three months and upto one year	More than one year	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						
<b>On-balance sheet financial instruments</b>															
<b>Financial assets</b>															
Bank balances	6 - 7.8	185	-	-	-	185	10.28 - 13.5	41	-	-	-	41			
Investments - net		-	-	-	-	-		-	-	-	169,458	169,458			
<b>Sub total</b>		185	-	-	-	185		41	-	-	169,458	169,499			
<b>Financial liabilities</b>															
Payable to the Management Company		-	-	-	-	-		-	-	-	14	14			
Payable to the Trustee		-	-	-	-	-		-	-	-	13	13			
Accrued expenses and other liabilities		-	-	-	-	21		-	-	-	100	100			
<b>Sub total</b>		-	-	-	-	21		-	-	-	127	127			
<b>On-balance sheet gap (a)</b>		185	-	-	-	(21)		41	-	-	169,331	169,372			
<b>Off-balance sheet financial instruments</b>															
<b>Off-balance sheet gap (b)</b>															
<b>Total interest rate sensitivity gap (a) + (b)</b>		185	-	-	-	(21)		41	-	-	169,331	169,372			
<b>Cumulative interest rate sensitivity gap</b>		185	-	-	-	-		41	-	-	-	-			

Special Income Plan

Particulars	Effective yield / interest rate	2020			Not exposed to yield / Interest rate risk	Total
		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	6 - 7.8	954	-	-	-	954
Investments - net		-	-	-	143,634	143,634
<b>Sub total</b>		954	-	-	143,634	144,588
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	24	24
Payable to the Trustee		-	-	-	9	9
Accrued expenses and other liabilities		-	-	-	823	823
<b>Sub total</b>		-	-	-	856	856
<b>On-balance sheet gap (a)</b>		954	-	-	142,778	143,732
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>						
<b>Total interest rate sensitivity gap (a) + (b)</b>		954	-	-	142,778	143,732
<b>Cumulative interest rate sensitivity gap</b>		954	-	-	-	-

### 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 as at reporting date.

In case of 5% increase / (decrease) in price of all units held by Funds at the year / period end, net income for the year would increase / (decrease) by Rs. 2.7098 million, Rs. 2.6724 million and Rs. 7.1817 million of Active Allocation Plan, Conservative Allocation Plan and Special Income Plan (2019: Rs. 5.0445 million, Rs. 3.3911 million and Rs. 8.4729) respectively.

In case of 5% increase / (decrease) in price of all units held by Funds at the year / period end, net assets of the Active Allocation Plan, Conservative Allocation Plan and Special Income Plan would increase / (decrease) by the same amount as a result of gains / losses on units of Fund 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 is primarily attributable to bank balances and financial institutions.

### Management of credit risk

For banks and financial institutions, the Fund keeps deposits with reputed institutions. All transactions in units are settled / paid for upon delivery using the system of Trustee. 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.

**21.2.1** The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2020 and June 30, 2019:

2020						
Bank	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Special Income Plan	Latest available published rating as at June 30, 2020	Rating agency
----- Rupees in '000 -----						
Habib Bank Limited	3,457	2,489	172	328	A-1+	JCR-VIS
JS Bank Limited	12	1,627	13	570	A-1+	PACRA
Soneri Bank Limited	-	-	-	56	A-1+	PACRA
	<u>3,468</u>	<u>4,116</u>	<u>185</u>	<u>954</u>		

2019					
Bank	Active Allocation Plan	Conservative Allocation Plan	Strategic Allocation Plan	Latest available published rating as at June 30, 2019	Rating agency
----- Rupees in '000 -----					
Habib Bank Limited	1,283	9	28	A-1+	JCR-VIS
JS Bank Limited	10	22	12	A-1+	PACRA
	<u>1,293</u>	<u>31</u>	<u>41</u>		

The maximum exposure to credit risk as at June 30, 2020 is the carrying amount of other financial assets. Investments in units, however, are not exposed to credit risk.

**21.2.2** The analysis below summarizes the credit quality of the Fund's credit exposure:

Rating by rating category	2020	2019
	----- (Percentage) -----	
A-1+	100%	100%

### 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.

### 21.3 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.

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	2020																Total
	Active Allocation Plan				Conservative Allocation Plan				Strategic 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	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	10	-	-	10	2,325	-	-	2,325	-	-	-	-	24	-	-	24	2,359
Payable to the Trustee	4	-	-	4	4	-	-	4	-	-	-	-	9	-	-	9	17
Accrued expenses and other liabilities	63	-	-	63	2,548	-	-	2,548	21	-	-	21	823	-	-	823	3,455
	77	-	-	77	4,877	-	-	4,877	21	-	-	21	856	-	-	856	5,831

Particulars	2019												Total
	Active Allocation Plan				Conservative Allocation Plan				Strategic Allocation 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													
Financial liabilities													
Payable to the Management Company	11	-	-	11	6	-	-	6	14	-	-	14	31
Payable to the Trustee	8	-	-	8	5	-	-	5	13	-	-	13	26
Accrued expenses and other liabilities	268	-	-	268	1,151	-	-	1,151	100	-	-	100	1,519
Payable against redemption of units	-	-	-	-	1	-	-	1	-	-	-	-	1
	287	-	-	287	1,163	-	-	1,163	127	-	-	127	1,577

## 22 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.

## **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 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.

Category	Number of units holder	Number of units held	Investment amount	Percentage of Investment
	----- Number of units -----	--- Rupees in '000' ---</th <th>%</th> <th></th>	%	
Individuals	135	1,139,055	107,164	5
Associated companies	1	822,848	77,415	3
Retirement funds	2	72,222	6,795	
Others	1	25,409	2,390	
	<b>139</b>	<b>2,059,534</b>	<b>193,764</b>	<b>10</b>
2019				
Category	Number of units holder	Number of units held	Investment amount	Percentage of Investment
	----- Number of units -----	--- Rupees in '000' ---</th <th>%</th> <th></th>	%	
Individuals	121	1,036,629	99,154	4
Associated companies	1	1,002,846	95,923	4
Retirement funds	1	46,839	4,480	
Trust	1	12,997	1,243	
Others	1	24,605	2,354	
	<b>125</b>	<b>2,123,916</b>	<b>203,154</b>	<b>10</b>

**2020**  
**Strategic Allocation Plan**

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-----								
<b>Financial assets measured at fair value</b>	23.1							
Investments		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
<b>Financial assets not measured at fair value</b>	23.2							
Bank balances		-	185	185				
		-	185	185				
<b>Financial liabilities not measured at fair value</b>	23.2							
Payable to the Management Company		-	-	-				
Payable to the Trustee		-	-	-				
Accrued expenses and other liabilities		-	21	21				
		-	21	21				

**2019**  
**Strategic Allocation Plan**

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-----								
<b>Financial assets measured at fair value</b>	23.1							
Investments		169,458	-	169,458	169,458	-	-	169,458
		169,458	-	169,458	169,458	-	-	169,458
<b>Financial assets not measured at fair value</b>	23.2							
Bank balances		-	41	41				
		-	41	41				
<b>Financial liabilities not measured at fair value</b>	23.2							
Payable to the Management Company		-	14	14				
Payable to the Trustee		-	13	13				
Accrued expenses and other liabilities		-	100	100				
		-	127	127				

**2020**  
**Special Income Plan**

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-----								
<b>Financial assets measured at fair value</b>	23.1							
Investments		143,634	-	143,634	143,634	-	-	143,634
		143,634	-	143,634	143,634	-	-	143,634
<b>Financial assets not measured at fair value</b>	23.2							
Bank balances		-	954	954				
		-	954	954				
<b>Financial liabilities not measured at fair value</b>	23.2							
Payable to the Management Company		-	24	24				
Payable to the Trustee		-	9	9				
Accrued expenses and other liabilities		-	823	823				
		-	856	856				

**23.1 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 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 transfer 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**

There were no brokers during the year ended June 30, 2020.

**25 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2020 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	Bsc	21+
2	Adeel Abdul Wahab	Head of Equity	ACCA	12+
3	Muhammad Wamiq Sakrani	Acting Head of Fixed Income	MBA	10+
4	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+
5	Karim Khawaja	Head of Risk	MBA, CMA	17+

**26 PATTERN OF UNITHOLDING**

Category	2020			
	Number of unit holders	Number of units held	Investment amount	Percentage
<b>Rupees in '000</b>				
<b>Active Allocation Plan</b>				
Individuals	38	598,745	57,447	100%
	38	598,745	57,447	100%
<b>Conservative Allocation Plan</b>				
Individuals	9	85,203	9,228	17.56%
Trust	1	400,000	43,321	82.44%
	10	485,203	52,549	100%
<b>Special Income Plan</b>				
Individuals	52	1,247,337	130,718	92.38%
Trust	1	102,832	10,777	7.62%
	53	1,350,169	141,495	100%

2019

Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
<b>Active Allocation Plan</b>				
Individuals	61	1,018,940	98,823	96.31%
Director	1	38,993	3,782	3.69%
	62	1,057,933	102,605	100%
<b>Conservative Allocation Plan</b>				
Individuals	12	245,802	25,521	38.06%
Trust	1	400,000	41,531	61.94%
	13	645,802	67,051	100%
<b>Strategic Allocation Plan</b>				
Individuals	19	456,212	45,180	26.68%
Associated company	1	999,201	98,954	58.44%
Retirement funds	1	254,254	25,180	14.87%
	21	1,709,667	169,313	100%

## 27 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020 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	
1	Mr. Farid Ahmed Khan *	1	1	-	-
2	Mr. Mir Adil Rashid **	4	4	-	-
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad****	5	5	-	-
9	Mr. Atif Aslam Bajwa ***	2	2	-	-

\* Resigned on September 15, 2019.

\*\* Appointed on September 16, 2019.

\*\*\* Appointed on October 29, 2019 and resigned on February 24, 2020.

\*\*\*\* Resigned on May 14, 2020.

## 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 Fund for the year ended June 30, 2020 is 0.90%, 0.82%, 0.13% and 0.64% which includes 0.11%, 0.20%, 0.04% and 0.26% representing Government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan, Strategic Allocation Plan and Special Income Plan respectively.

The total expense ratio of the fund for the year ended June, 30 2019 was 0.55%, 0.68% and 0.74% which includes 0.10%, 0.10% and 0.11% representing Government levy and SECP fee of the Active Allocation Plan, Conservative Allocation Plan and Strategic Allocation Plan.

**29 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 27, 2020 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.

**31.2** In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity, and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / government across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

**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>	<b>HBL GROWTH FUND</b>
<b>NAME OF AUDITOR</b>	<b>Deloitte Yousuf Adil, Chartered Accountants</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited.</b>
<b>NAME OF BANKERS</b>	<b>MCB Bank Limited JS Bank Limited Habib Bank Limited Soneri Bank Limited</b>

**Type and Category of Fund**

Equity / Open-end

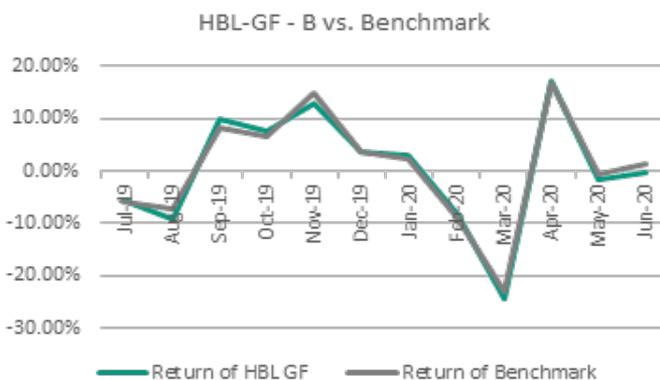
**Investment Objective and Accomplishment of Objective**

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.

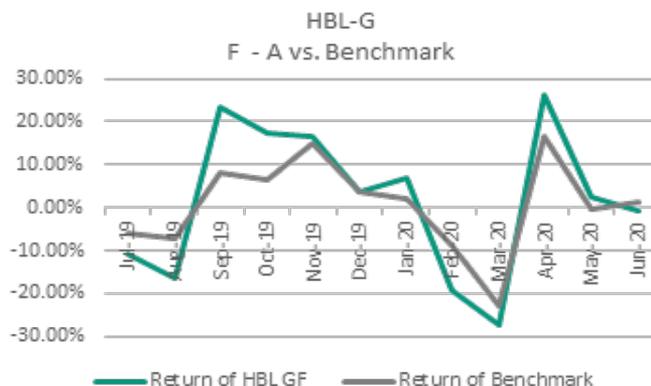
**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KSE-100 Index

Month	Return of Fund	
	HBL-GF - B	Benchmark
Jun-20	-0.42%	1.45%
May-20	-1.71%	-0.53%
Apr-20	17.22%	16.69%
Mar-20	-24.29%	-23.04%
Feb-20	-8.18%	-8.76%
Jan-20	2.96%	2.20%
Dec-19	3.65%	3.68%
Nov-19	12.92%	14.86%
Oct-19	7.44%	6.62%
Sep-19	9.93%	8.11%
Aug-19	-9.04%	-7.10%
Jul-19	-5.69%	-5.79%



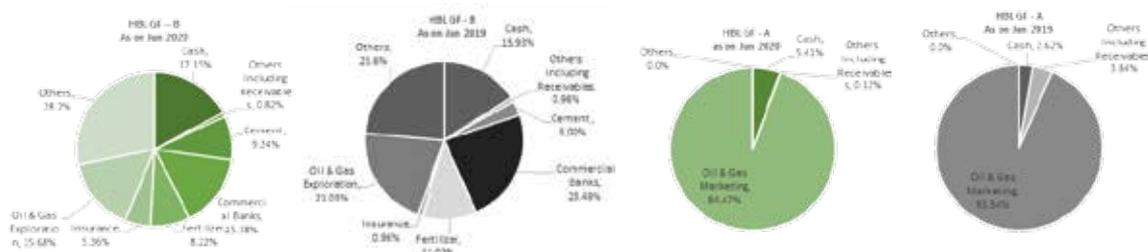
Month	Return of Fund	
	HBL-GF - A	Benchmark
Jun-20	-0.68%	1.45%
May-20	2.45%	-0.53%
Apr-20	26.26%	16.69%
Mar-20	-27.19%	-23.04%
Feb-20	-19.21%	-8.76%
Jan-20	7.01%	2.20%
Dec-19	3.69%	3.68%
Nov-19	16.54%	14.86%
Oct-19	17.44%	6.62%
Sep-19	23.34%	8.11%
Aug-19	-16.29%	-7.10%
Jul-19	-10.76%	-5.79%



**Strategies and Policies employed during the Year**

During the year under review, the Fund decreased its exposure in equities from 83% on June 30, 2019 to 82% on June 30, 2020. Furthermore, sector-wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in cements and insurance companies was increased, while exposure in fertilizers, commercial banks and oil & gas exploration companies 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, 2020 and June 30, 2019:

### HBL Growth Fund – B

Sector Name	As on Jun 2020	As on Jun 2019
Cash	17.15%	15.93%
Others Including Receivables	0.82%	0.96%
Cement	9.24%	3.00%
Commercial Banks	15.38%	23.49%
Fertilizer	8.22%	11.02%
Insurance	5.36%	0.96%
Oil & Gas Exploration	15.68%	21.03%
Others	28.2%	23.6%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### HBL Growth Fund – A

Sector Name	As on Jun 2020	As on Jun 2019
Cash	5.41%	2.62%
Others Including Receivables	0.12%	3.84%
Oil & Gas Marketing	94.47%	93.54%
Others	0.0%	0.0%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

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. 293.75 million and Rs. 10.45 million respectively during the year under review. The fund size of the fund stood at Rs. 6.63 billion as on June 30, 2020.

Performance review of each class is presented below:

### HBL Growth Fund – Class ‘A’

HBL Growth Fund – Class ‘A’ earned and incurred a total income and net loss of Rs. 149.95 million and Rs. 34.04 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Class ‘A’ was Rs. 18.0827 per unit as on June 30, 2020 as compared to Rs. 17.1016 as at June 30, 2019, thereby giving a return of 5.74%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Class ‘A’ was Rs. 5.13 billion as on June 30, 2020 as compared to Rs. 4.85 billion at the start of the year.

### HBL Growth Fund – Class ‘B’

HBL Growth Fund – Class ‘B’ earned a total and net income of Rs. 143.80 million and Rs. 44.49 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Class ‘B’ was Rs. 15.2116 per unit as on June 30, 2020 as compared to Rs. 16.0884 as at June 30, 2019, after incorporating dividend of Rs. 0.45 per unit, thereby giving a negative return of 2.62%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Class ‘B’ was Rs. 1.50 billion as on June 30, 2020 as compared to Rs. 4.46 billion at the start of the year.

## Market Review

The equity markets’ performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KSE100 index increased by 20% during 1HFY20 to close at 40,735 points on December 31, 2020.

2HFY20 continued with the same momentum as the benchmark KSE100 index made a high of 43,219 on January 13, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KSE100 index as it fell to a low of 27,229 points on March 25, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping

also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KSE100 witnessed a sharp 16.69% uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government's decision to ease off lockdown restrictions for certain industries. The KSE100 index closed the year at 34,422 points (up 1.53%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight due to increased digitalization post covid-19 pandemic. We will maintain our strategic focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

### Distribution

The Board of Directors of HBL Asset Management Limited (the Management Company) has declared cash dividend of up to Rs. 0.45 per unit for the year ended June 30, 2020.

### Significant Changes in the State of Affairs

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.

### 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	451	23,899	351	13,823
101 – 500	2,757	749,134	2,626	655,813
501 – 1,000	1,179	934,184	1,105	768,303
100,1 – 10,000	3,602	12,796,050	3,647	11,890,765
10,001 – 100,000	1,118	30,619,497	1,064	25,999,979
100,001 – 500,000	112	22,457,386	97	17,200,041
500,001 – 1,000,000	17	11,605,562	11	7,077,221
1,000,001 – 5,000,000	13	18,794,957	7	7,938,533
5,000,001 and above	10	185,519,331	2	27,384,663
<b>Total</b>	<b>9,259</b>	<b>283,500,000</b>	<b>8,910</b>	<b>98,929,141</b>

### Certificate Splits

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. Upon the conversion of the Fund, every Certificate holder of the Fund of the closed-end fund was entitled to the following for each certificate held:

- One Class 'A' Unit of the Fund representing Frozen Portfolio and related Assets and Liabilities
- One Class 'B' Unit of the Fund representing Unfrozen Portfolio and related Assets and Liabilities.

This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

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, 2020

	2020		2019		2018	2017	2016	2015
	Class A	Class B	Class A	Class B				
Net assets at the period end(Rs'000)	5,126,450	1,504,866	4,848,295	4,463,482	12,675,960	14,582,713	11,830,393	11,442,602
NET ASSETS VALUE PER UNIT/CERTIFICATE AT 30 JUNE - RUPEES	18.0827	15.2116	17.10	16.09	44.71	51.44	41.73	40.36
Redemption - Class B unit type B	-	15.2116	-	15.28				
Redemption - Class B unit type C	-	15.2116	-	16.09				
Offer - Class B unit type C	-	15.5554	-	16.45				
OFFER / REDEMPTION DURING THE PERIOD - RUPEES								
Highest offer price per unit - Class B unit type C	-	20.8505	-	20.48				
Lowest offer price per unit - Class B unit type C	-	13.0756	-	16.09				
Highest redemption price per unit - Class B unit type B	-	20.3897	-	19.25				
Lowest redemption price per unit - Class B unit type B	-	12.8091	-	14.95				
Highest redemption price per unit - Class B unit type C	-	20.3897	-	20.03				
Lowest redemption price per unit - Class B unit type C	-	12.7866	-	15.74				
RETURN ( % )								
Total return	5.74%	-2.62%	*-32.96%	*-16.21%	-8.23%	25.36%	3.39%	-0.72%
Income distribution	0.00%	0.45%	0.00%	0.00%	0.00%	27.50%	7.50%	-
Capital growth	5.74%	-3.07%	*-32.96%	*-16.21%	-8.23%	-2.14%	-4.11%	-0.72%
DISTRIBUTION								
First Interin dividend distribution								
Second Interin dividend distribution								
Third Interin dividend distribution								
First Interim dividend distribution	-	0.45	-	-	-	2.75	0.75	-
Date of Income Distribution	-	26-Jun-20	-	-	-	25-Aug-17	26-Aug-16	-
Total dividend distribution for the year/ period	-	0.45	-	-	-	2.75	0.75	-
AVERAGE RETURNS ( % )								
Average annual return 1 year	5.74%	-2.62%	*-32.96%	*-16.21%	-8.23%	25.36%	3.39%	-0.71%
Average annual return 2 year	-15.80%	-9.67%	N/A	N/A	4.38%	13.85%	1.31%	15.95%
Average annual return 3 year	N/A	N/A	N/A	N/A	4.05%	8.77%	11.60%	28.68%
PORTFOLIO COMPOSITION - (%)								
Percentage of Total Assets as at 30 June:								
Bank Balances	5%	17%	3%	16%	6%	4%	3%	5%
GoP Ijarah Sukuks	-	-	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-	-	-	-
Stock / Equities	94%	82%	94%	84%	93%	94%	78%	94%
Others	0%	1%	4%	0%	2%	-	19%	1%

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 HGF	Meetings	Resolutions	For	Against
Number	6	21	21	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Allied Bank Ltd	25-Mar-20	
Adamjee Insurance Co	22-May-20	30-Nov-19
AGP Limited	05-May-20	
Bank of Punjab	31-03-20	
BankIslami Pakistan	07-05-20	
Bank Al Habib Ltd	14-04-20	
Bank Alfalah Ltd	27-03-20	
Century Paper & Board Mills Limited	26-Sep-19	
Engro Corporation Ltd	12-May-20	
Engro Fertilizer Ltd	08-05-20	
Engro Polymer & Chemicals Ltd	23-04-20	
Fauji Fertilizer Co Ltd	16-03-20	
GlaxoSmithKline Pakistan Ltd	21-05-20	
Highnoon Lab	12-05-20	
Habib Bank Limited	30-Mar-20	
K-Electric Limited	30 Jul 2019;	
Kohat Cement Co Ltd	28-10-19	
Lucky Cement Ltd	27-09-19	
MCB Bank Ltd		21-11-19
Nishat Mills Ltd	31/03/2020 28 oct 2019	
Oil & Gas Development Co Ltd	24-10-19	
Pakistan National Shipping Corp.	28-10-19	
Pakistan Petroleum Ltd	04-10-19	19-09-19
Pakistan Oilfields Ltd	17-09-19	24-06-20
Pakistan State Oil Company Ltd	28-Oct-19	
Sui Northern Gas Pipeline Ltd	23-06-20	
Sitara Chemical Ind.	28-10-19	
Thal Limited	26-10-19	
The Searle Company Ltd	18-May-20	
United Bank Ltd	25-03-20	

CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED

**Head Office**

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## TRUSTEE REPORT TO THE UNIT HOLDERS

### HBL GROWTH FUND

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 21, 2020



## INDEPENDENT AUDITORS' 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, 2020, 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, 2020, 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 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. 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.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investment</b></p> <p>Investments held at fair value through profit or loss and through other comprehensive income are disclosed in note 6 to the financial statements and represent a significant portion of the net assets of the Fund.</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> <li>obtained understanding of relevant controls placed by the Management Company applicable to the balance;</li> </ul>

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>The Fund's primary activity is, inter alia, to invest in equity securities; which is the main driver of the Fund's performance.</p> <p>Considering the above factors the valuation and existence are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>independently verified existence of investments from the Central Depository Company (CDC) account statement;</li> <li>independently tested the valuations directly with the prices quoted on Pakistan Stock Exchange Limited (PSX);</li> <li>performed test of details on sale and purchase of investments on a sample basis; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</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 audit report.

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 Those Charged with Governance 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 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 Those Charged with Governance of 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 Those Charged with Governance of 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 Those Charged with Governance of 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.



**Deloitte Yousuf Adil**  
Chartered Accountants

**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 Naresh Kumar.

  
Chartered Accountants

**Date:** September 24, 2020  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

**HBL Growth Fund**  
**Statement of Assets and Liabilities**  
AS AT JUNE 30, 2020

	Note	2020			2019		
		Class A	Class B	Total	Class A	Class B	Total
----- (Rupees in '000) -----							
<b>Assets</b>							
Bank balances	5	278,910	314,221	593,131	127,708	786,197	913,905
Investments	6	4,869,187	1,502,570	6,371,757	4,556,990	4,101,848	8,658,838
Dividend receivable and accrued mark-up	7	6,022	1,777	7,799	187,264	8,480	195,744
Deposits and other receivables	8	184	3,546	3,730	184	3,101	3,285
Receivable against sale of investment		-	9,144	9,144	-	-	-
<b>Total assets</b>		<b>5,154,303</b>	<b>1,831,258</b>	<b>6,985,561</b>	<b>4,872,146</b>	<b>4,899,626</b>	<b>9,771,772</b>
<b>Liabilities</b>							
Payable to Management Company	9	23,844	7,330	31,174	14,910	13,538	28,448
Payable to the Trustee	10	556	265	821	561	578	1,139
Payable to the Securities and Exchange Commission of Pakistan	11	1,038	494	1,532	6,017	4,876	10,893
Payable against purchase of investment		-	-	-	-	2,079	2,079
Accrued expenses and other liabilities	12	2,415	175,494	177,909	2,363	280,915	283,278
Unclaimed dividend		-	142,808	142,808	-	134,158	134,158
<b>Total liabilities</b>		<b>27,853</b>	<b>326,391</b>	<b>354,244</b>	<b>23,851</b>	<b>436,144</b>	<b>459,995</b>
<b>Net assets</b>		<b>5,126,450</b>	<b>1,504,867</b>	<b>6,631,317</b>	<b>4,848,295</b>	<b>4,463,482</b>	<b>9,311,777</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>5,126,450</b>	<b>1,504,867</b>	<b>6,631,317</b>	<b>4,848,295</b>	<b>4,463,482</b>	<b>9,311,777</b>
<b>Contingencies and commitments</b>							
-----Number of units-----							
Number of units in issue	14	283,500,000	98,929,141		283,500,000	277,434,381	
----- (Rupees) -----							
Net assets value per unit		18.0827	15.2116		17.1016	16.0884	

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 Growth Fund**  
**Income Statement**  
For the year ended June 30, 2020

	Class A	2020 Class B	Total	Class A	2019 Class B	Total
<b>Note</b>	------(Rupees in '000)-----					
<b>Income</b>						
Capital gain / (loss) on sale of investments - net	50	81,272	81,322	(199)	(290,444)	(290,643)
Dividend income	114,020	112,010	226,030	278,912	223,913	502,825
Unrealised diminution on re-measurement of investment at fair value through profit or loss - net	-	(100,126)	(100,126)	-	(714,012)	(714,012)
Discount income on treasury bills	6,322	2,503	8,825	891	1,782	2,673
Mark-up on deposits with banks	29,560	48,140	77,700	14,089	72,195	86,284
Back end load	-	-	-	-	8,074	8,074
	149,952	143,799	293,751	293,693	(698,492)	(404,799)
<b>Expenses</b>						
Remuneration of the Management Company	101,903	47,656	149,559	126,676	102,632	229,308
Sindh Sales Tax on remuneration of the Management Company	13,247	6,195	19,442	16,468	13,342	29,810
Allocation of expenses related to registrar services, accounting, operation and valuation services	16,113	7,637	23,750	6,334	5,132	11,466
Remuneration of the Trustee	6,612	3,172	9,784	7,823	6,356	14,179
Annual fee to Securities and Exchange Commission of Pakistan	1,038	494	1,532	6,017	4,876	10,893
Selling and marketing expense	43,076	19,621	62,697	25,179	20,272	45,451
Security transaction charges	-	12,011	12,011	-	11,944	11,944
Auditors' remuneration	434	259	693	368	101	469
Fee and subscription charges	790	104	894	946	603	1,549
Conversion expense from close end to open end fund	-	-	-	-	396	396
Settlement and bank charges	780	1,256	2,036	646	1,529	2,175
	183,993	98,405	282,398	190,457	167,183	357,640
	(34,041)	45,394	11,353	103,236	(865,675)	(762,439)
Provision for Sindh Workers' Welfare fund	-	(908)	(908)	(2,065)	-	(2,065)
<b>Net income / (loss) for the year before taxation</b>	<b>(34,041)</b>	<b>44,486</b>	<b>10,445</b>	<b>101,171</b>	<b>(865,675)</b>	<b>(764,504)</b>
Taxation	-	-	-	-	-	-
<b>Net income / loss for the year after taxation</b>	<b>(34,041)</b>	<b>44,486</b>	<b>10,445</b>	<b>101,171</b>	<b>(865,675)</b>	<b>(764,504)</b>
<b>Allocation of net income for the year</b>						
Net income for the period	-	44,486	44,486	101,171	-	(764,504)
Income already paid on redemption of units	-	(519)	(519)	-	-	-
	-	43,967	43,967	101,171	-	(764,504)
Accounting income available for distribution:						
- Relating to capital gains	-	-	-	-	-	-
- Excluding capital gains	-	43,967	43,967	101,171	-	101,171
	-	43,967	43,967	101,171	-	101,171
<b>Earnings per unit</b>						
	17					

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 Growth Fund**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2020*

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
	----- <b>(Rupees in '000)</b> -----					
Net income / (loss) for the year after taxation	(34,041)	44,486	10,445	101,171	(865,675)	(764,504)
<b>Items that will not be reclassified to income statement</b>						
Unrealised appreciation / (diminution) on re-measurement of investments classified as fair value through other comprehensive income	312,196	-	312,196	(2,485,290)	-	(2,485,290)
<b>Total comprehensive income for the year</b>	<b>278,155</b>	<b>44,486</b>	<b>322,641</b>	<b>(2,384,119)</b>	<b>(865,675)</b>	<b>(3,249,794)</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**

# HBL Growth Fund

## Statement of Movement In Unitholders' Fund

For the year ended June 30, 2020

	2020					2019			2019							
	Class A		Class B			Class A		Class B			Class A		Class B			
	Capital value	Undistributed Income	Unrealized Income/ (loss) on Investment	Premium on issue of certificates	Total	Capital value	Undistributed Income	Total	Capital value	Undistributed Income	Unrealized Income/ (loss) on Investment	Premium on issue of certificates	Total	Capital value	Undistributed Income	Total
	(Rupees)															
Net assets at beginning of the year	2,835,000	(3,131,131)	3,136,614	2,007,812	4,848,295	2,720,611	1,742,871	4,463,482	2,835,000	1,226,556	5,621,904	2,992,500	12,675,960	-	-	-
Transfer from premium on issue of certificates	-	-	-	-	-	-	-	-	-	984,688	-	(984,688)	-	-	-	-
Issue of 283,500,000 Class B units at the time of conversion	-	-	-	-	-	-	-	-	-	(5,443,546)	-	-	(5,443,546)	2,835,000	2,608,546	5,443,546
Issuance of 10,440,376 units (2019: 1,318,291 units)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capital value (at net asset value per unit at the beginning of the year)	-	-	-	-	-	167,974	-	167,974	-	-	-	-	-	25,048	-	25,048
- Element of income	-	-	-	-	-	9,753	-	9,753	-	-	-	-	-	(103)	-	(103)
Total proceeds on issuance of units	-	-	-	-	-	177,727	-	177,727	-	-	-	-	-	24,945	-	24,945
Redemption of 188,945,616 units (2019: 7,383,910 units)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Capital value (at net asset value per unit at the beginning of the year)	-	-	-	-	-	(3,039,833)	-	(3,039,833)	-	-	-	-	-	140,294	-	140,294
- Element of loss	-	-	-	-	-	(96,757)	-	(96,757)	-	-	-	-	-	(279,629)	-	(279,629)
- Income paid on redemption of units	-	-	-	-	-	(519)	-	(519)	-	-	-	-	-	-	-	(279,629)
Total payment on redemption of units	-	-	-	-	-	(3,136,590)	(519)	(3,137,109)	-	-	-	-	-	(139,335)	-	(139,335)
Total comprehensive income / (loss) for the year	-	(34,041)	312,196	-	(34,041)	-	44,486	44,486	-	101,171	-	(2,485,290)	101,171	-	(865,675)	(865,675)
Other comprehensive loss for the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution during the year of Rs. 0.45 per unit declared on June 28, 2020	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Refund of capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Cash Distribution	-	-	-	-	-	-	(43,719)	(43,719)	-	-	-	-	-	-	-	-
Net income / (loss) for the year less distribution	-	(34,041)	312,196	-	278,155	-	767	767	-	101,171	(2,485,290)	-	(2,384,119)	-	(865,675)	(865,675)
Net assets at end of the year	2,835,000	(3,165,172)	3,448,810	2,007,812	5,126,450	(238,252)	1,743,119	1,504,867	2,835,000	(3,131,131)	3,136,614	2,007,812	4,848,295	2,720,611	1,742,871	4,463,482
(Accumulated loss) / undistributed income brought forward	-	(3,131,131)	-	-	-	-	2,354,105	1,518,756	-	1,518,756	-	-	-	-	-	-
- Realised	-	-	-	-	-	-	(611,234)	(292,200)	-	(292,200)	-	-	-	-	-	-
- Unrealised	-	(3,131,131)	-	-	-	-	1,742,871	1,226,556	-	1,226,556	-	-	-	-	-	-
Transfer from premium on issue of certificates	-	-	-	-	-	-	-	984,688	-	984,688	-	-	-	-	-	-
Transferred to Class B - Segment on conversion of Fund	-	-	-	-	-	-	-	(5,443,546)	-	(5,443,546)	-	-	-	2,608,546	-	2,608,546
Net profit/(loss) for the year	-	-	-	-	-	-	-	101,171	-	101,171	-	-	-	-	(865,675)	(865,675)
- Relating to capital gains	-	-	-	-	-	-	43,967	43,967	-	43,967	-	-	-	-	-	-
- Excluding capital gains	-	(34,041)	312,196	-	(34,041)	-	-	-	-	-	-	-	-	-	(865,675)	(865,675)
Distribution during the year	-	-	-	-	-	-	(43,719)	(43,719)	-	-	-	-	-	-	-	-
(Accumulated loss) / undistributed income carried forward	-	(3,165,172)	-	-	-	-	1,743,119	1,743,119	-	(3,131,131)	-	-	-	1,742,871	-	1,742,871
(Accumulated loss) / undistributed income carried forward	-	(3,165,172)	-	-	-	-	1,843,245	1,843,245	-	(3,131,131)	-	-	-	2,354,105	-	2,354,105
- Realised	-	-	-	-	-	-	(100,126)	(100,126)	-	-	-	-	-	(611,234)	-	(611,234)
- Unrealised	-	(3,165,172)	-	-	-	-	1,743,119	1,743,119	-	(3,131,131)	-	-	-	1,742,871	-	1,742,871
Net assets value per unit at beginning of the year	17.1016	-	-	-	-	-	16.0884	16.0884	-	25.5112	-	-	-	19.2012	-	19.2012
Net assets value per unit at end of the year	18.0827	-	-	-	-	-	15.2116	15.2116	-	17.1016	-	-	-	16.0884	-	16.0884

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

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.

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, 2020

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
Note -----(Rupees in '000)-----						
<b>Cash flow from operating activities</b>						
Net (loss) / Income for the year before taxation	(34,041)	44,486	10,445	101,171	(865,675)	(764,504)
<b>Adjustments of non-cash items</b>						
Capital gain / (loss) on sale of investments - net	(50)	(81,272)	(81,322)	199	290,444	290,643
Unrealised diminution on remeasurement of investments classified as financial asset at fair value through profit or loss - net	-	100,126	100,126	-	714,012	714,012
Dividend income	(114,020)	(112,010)	(226,030)	(278,912)	(223,913)	(502,825)
Discount income on treasury bills	(6,322)	(2,503)	(8,825)	(891)	(1,782)	(2,673)
Mark-up on deposits with banks	(29,560)	(48,140)	(77,700)	(14,089)	(72,195)	(86,284)
	(183,993)	(99,313)	(283,306)	(192,522)	(159,109)	(351,631)
<b>Decrease / (increase) in assets</b>						
Investments	49	2,580,424	2,580,473	691	(34,600)	(33,909)
Security deposits	-	(445)	(445)	(184)	75	(109)
Receivable against sale of investment	-	(9,144)	(9,144)	-	-	-
	49	2,570,835	2,570,884	507	(34,525)	(34,018)
<b>Increase / (decrease) in liabilities</b>						
Payable to Management Company	8,934	(6,208)	2,726	14,910	(11,390)	3,520
Payable to Central Depository Company of Pakistan Limited - Trustee	(5)	(313)	(318)	561	(208)	353
Payable to the Securities and Exchange Commission of Pakistan	(4,979)	(4,382)	(9,361)	6,017	(7,521)	(1,504)
Payable against purchase of investment	-	(2,079)	(2,079)	-	(26,552)	(26,552)
Accrued expenses and other liabilities	52	(105,421)	(105,369)	2,363	110,399	112,762
	4,002	(118,403)	(114,401)	23,851	64,728	88,579
Cash (used in) / generated from operations	(179,942)	2,353,119	2,173,177	(168,164)	(128,906)	(297,070)
Dividend received	296,014	114,907	410,921	282,776	231,610	514,386
Return on T-Bills	6,322	2,503	8,825	891	1,782	2,673
Mark-up received on bank deposit	28,808	51,946	80,754	12,205	69,538	81,743
	331,144	169,356	500,500	295,872	302,930	598,802
<b>Net cash generated from operating activities</b>	<b>151,202</b>	<b>2,522,475</b>	<b>2,673,677</b>	<b>127,708</b>	<b>174,024</b>	<b>301,732</b>
<b>Cash flow from financing activities</b>						
Amount received on issue of units	-	177,727	177,727	-	24,945	24,945
Amount paid on redemption of units	-	(3,137,109)	(3,137,109)	-	(139,335)	(139,335)
Unclaimed dividend (including dividend payable)	-	8,650	8,650	-	(2,615)	(2,615)
Dividend paid	-	(43,719)	(43,719)	-	-	-
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(2,994,451)</b>	<b>(2,994,451)</b>	<b>-</b>	<b>(117,005)</b>	<b>(117,005)</b>
Net increase in cash and cash equivalents	151,202	(471,976)	(320,774)	127,708	57,019	184,727
Cash and cash equivalents at beginning of the year	127,708	786,197	913,905	-	729,178	729,178
Cash and cash equivalents at end of the year	5 278,910	314,221	593,131	127,708	786,197	913,905

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 Growth Fund was established under a Trust Deed, HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee.

**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 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.

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 (the 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 (the Commission) on February 16, 2018.

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.

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.

**1.5** JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+' (Positive outlook) to the Management Company.

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

**1.7** In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / governments across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

## **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 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
- The requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") and the directives issued by the SECP.

Wherever provisions of and directives issued under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRS, the provisions of and directives issued under the Companies Act, 2017, requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

### **2.2 Basis of measurement**

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

### **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 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting and reporting standards 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 its 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:

(i) classification and valuation of financial assets note 4.2

### 3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

#### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations 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>
IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which did not have material effect on the financial reporting of the Fund.

#### 3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

**3.2.1** 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, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting periods beginning on or after:</b>
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2023
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020

**Effective from accounting periods  
beginning on or after:**

Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2022
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, which are not expected to have material effect on the financial reporting of the Fund.

Other than the aforesaid standards, interpretations and 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 accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2019, unless otherwise stated below.

**4.1 Cash and cash equivalent**

Cash and cash equivalents comprise of bank balances including term deposits with banks (with maturity period of less than three months from the date of deposit) that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

**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. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

'Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

#### 4.2.1 Classification and measurement of financial assets

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortized cost (“AC”),
- Fair value through other comprehensive income (“FVTOCI”) and
- Fair value through profit or loss (“FVTPL”).

Financial asset at amortised cost

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

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

##### **Financial Asset at FVOCI**

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVYPL

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

##### **Financial asset at FVTPL**

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

#### **4.2.1.1 Business Model Assessment**

The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered. Following three business models are defined under the IFRS 9:

- 1) Hold to collect business model
- 2) Hold to collect and sell business model
- 3) FVTPL business model

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

#### **4.2.1.2 Regular way contracts**

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

#### **4.2.1.3 Recognition**

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

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

#### **4.2.1.4 Impairment of financial assets**

The SECP/Commission has 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. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance of 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.

#### **4.2.2 Fair value measurement principles and provision**

The fair value of financial instruments is determined as follows:

##### **Basis of valuation of debt securities:**

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). 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 aforementioned 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.

##### **Basis of valuation of equity securities:**

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs.

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

##### **Basis of valuation of securities at amortised cost:**

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

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

#### **4.2.3 Impairment**

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

As mentioned in note 4.2.1.3, the impairment requirement of IFRS – 9 for debt securities has been deferred. The Fund has been carrying policy for provision for non-performing debt securities and other exposures which are in accordance with the criteria specified in Circular No. 33 of 2012 dated October 24, 2012 issued by SECP.

#### **4.2.3 Financial liabilities**

##### **4.2.3.1 Classification and measurement of financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss. The Fund does not have any financial liabilities designated as fair value through profit or loss.

#### **4.2.4 Derecognition**

##### **4.2.4.1 Financial assets**

The Fund derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in Income Statement.

##### **4.2.4.2 Financial liabilities**

The Fund derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Income Statement.

#### **4.3 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.

#### **4.4 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.

#### **4.5 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.

#### **4.6 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 issue at the year end.

#### **4.7 Dividend distribution**

Dividend distributions (including the bonus units) are recorded in the period in which the distributions are approved. As per regulation 63 of the Non - Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute at least 90% of the net accounting income other than capital gains to the unit holders.

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

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

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value 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.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

#### **4.9 Revenue recognition**

- Realised capital gain / (loss) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- 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 period in which they arise.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Mark up / return on Term finance certificates, bank deposits and investment in debt securities are recognised on a time apportionment basis using effective interest method.

4.10 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.

	June 30, 2020			June 30, 2019		
	Class A	Class B	Total	Class A	Class B	Total
----- (Rupees in '000) -----						
5. BANK BALANCES						
Balances with banks						
in: Savings account	<b>278,910</b>	<b>314,221</b>	<b>593,131</b>	127,708	786,197	913,905

5.1 This represents bank accounts held with different banks. Mark-up rates on these accounts range between 7% to 14.05% per annum (June 30, 2019: 5.35% - 13.5% per annum).

6. INVESTMENTS	Note	June 30, 2020			June 30, 2019		
		Class A	Class B	Total	Class A	Class B	Total
----- (Rupees in '000) -----							
<b>At fair value through profit or loss</b>							
- Listed equity securities	6.1	-	1,502,570	1,502,570	-	4,101,848	4,101,848
<b>At fair value through other comprehensive income</b>							
- Listed equity securities	6.2	4,869,187	-	4,869,187	4,556,990	-	4,556,990
		<b>4,869,187</b>	<b>1,502,570</b>	<b>6,371,757</b>	4,556,990	4,101,848	8,658,838

6.1 Listed equity securities - At fair value through profit or loss

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

Name of the Investee Company	Number of shares					Market value as at June 30, 2020 (Rupees in '000)	Percentage in Relation to		
	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Net Assets of the fund	Total Investments	Investee Paidup Capital
<b>CLASS B</b>									
<b>INSURANCE</b>									
TPL Insurance Limited	1,695	750,000	-	-	751,695	16,537	1.10%	1.10%	0.80%
IGI Holdings Limited	-	350,500	-	25,000	325,500	58,902	3.91%	3.92%	0.23%
Adamjee Insurance Limited	1,221,500	318,000	-	854,500	685,000	22,680	1.51%	1.51%	0.20%
	1,223,195	1,418,500	-	879,500	1,762,195	98,119			
<b>TEXTILE COMPOSITE</b>									
Gul Ahmed Textile Mills Ltd	-	1,601,000	-	836,000	765,000	21,902	1.46%	1.46%	0.18%
Interloop Limited	1,578,415	359,000	-	1,574,000	363,415	15,961	1.06%	1.06%	0.04%
Kohinoor Textile Mills Limited	714,500	-	-	714,500	-	-	0.00%	0.00%	0.00%
Nishat Mills Limited	1,031,900	781,500	-	1,431,400	382,000	29,800	1.98%	1.98%	0.11%
	3,324,815	2,741,500	-	4,555,900	1,510,415	67,663			

Name of the Investee Company	Number of shares					Market value as at June 30, 2020 (Rupees in '000)	Percentage in Relation to		
	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Net Assets of the fund	Total Investments	Investee Paidup Capital
<b>CEMENT</b>									
Cherat Cement Company Limited	-	282,000	-	43,000	239,000	20,834	1.38%	1.39%	0.12%
Kohat Cement Limited	382,500	210,500	-	433,000	160,000	21,992	1.46%	1.46%	0.08%
Lucky Cement Limited	298,800	247,900	-	323,300	223,400	103,117	6.85%	6.86%	0.07%
Maple Leaf Cement Factory Limited	-	3,058,000	-	2,160,000	898,000	23,330	1.55%	1.55%	0.08%
	681,300	3,798,400	-	2,959,300	1,520,400	169,273			
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	3,419,856	699,500	-	3,149,000	970,356	70,351	4.67%	4.68%	0.07%
K-Electric Limited	10,610,500	1,050,000	-	8,335,000	3,325,500	10,010	0.67%	0.67%	0.01%
Nishat Chunian Power Limited	1,101,000	-	-	1,101,000	-	-	0.00%	0.00%	0.00%
Pakgen Power Limited	1,600,000	50,000	-	1,650,000	-	-	0.00%	0.00%	0.00%
	16,731,356	1,799,500	-	14,235,000	4,295,856	80,361			
<b>ENGINEERING</b>									
Aisha Steel Mills Limited - Pref. Shares	257,327	-	-	257,327	-	-	0.00%	0.00%	0.00%
Aisha Steel Mills Limited. - Conv. Cum. Pref. Shares	1,628,663	-	-	-	1,628,663	70,033	4.65%	4.66%	56.75%
International Industries Limited	-	92,000	-	8,000	84,000	7,705	0.51%	0.51%	0.06%
International Steels Limited	-	689,000	-	355,000	334,000	17,251	1.15%	1.15%	0.08%
	1,885,990	781,000	-	620,327	2,046,663	94,989			
<b>TRANSPORT</b>									
Pakistan National Shipping Corp Limited	140,500	266,500	-	300,500	106,500	8,047	0.53%	0.54%	0.08%
	140,500	266,500	-	300,500	106,500	8,047			
<b>PHARMACEUTICALS</b>									
AGP Limited	400,000	233,500	-	439,500	194,000	21,290	1.41%	1.42%	0.07%
GlaxoSmithKline Pakistan Limited	-	111,800	-	-	111,800	19,462	1.29%	1.30%	0.04%
Highnoon Laboratories Limited	32,000	69,000	6,050	40,500	66,550	33,360	2.22%	2.22%	0.19%
The Searle Company Limited	147,853	121,000	-	184,000	84,853	16,905	1.12%	1.13%	0.04%
	579,853	535,300	6,050	664,000	457,203	91,017			
<b>PAPER &amp; BOARD</b>									
Century Paper & Board Mills Limited	294,000	125,000	-	419,000	-	-	0.00%	0.00%	0.00%
	294,000	125,000	-	419,000	-	-			
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	280,214	40,040	15,839	252,620	83,473	103,227	6.86%	6.87%	0.06%
Oil & Gas Development Company Limited	2,478,100	909,500	-	2,356,500	1,031,100	112,390	7.47%	7.48%	0.02%
Pakistan Oilfields Limited	453,460	101,800	-	533,660	21,600	7,574	0.50%	0.50%	0.01%
Pakistan Petroleum Limited	1,697,730	1,196,000	222,606	2,380,300	736,036	63,873	4.24%	4.25%	0.03%
	4,909,504	2,247,340	238,445	5,523,080	1,872,209	287,064			
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Pakistan State Oil Company Limited	924,280	510,000	97,776	1,227,100	304,956	48,232	3.21%	3.21%	0.06%
Sui Northern Gas Pipeline Limited	921,700	477,000	-	688,500	710,200	38,777	2.58%	2.58%	0.11%
	1,845,980	987,000	97,776	1,915,600	1,015,156	87,009			
<b>COMMERCIAL BANKS</b>									
Allied Bank Limited	1,392,300	173,300	-	1,565,600	-	-	0.00%	0.00%	0.00%
Bank Alfalah Limited	5,190,550	1,688,000	-	4,736,500	2,142,050	71,909	4.78%	4.79%	0.12%
Bank Al-Habib Limited	1,976,000	822,500	-	2,510,120	288,380	15,082	1.00%	1.00%	0.03%
Bank of Punjab Limited	9,620,500	5,714,000	-	10,020,000	5,314,500	44,642	2.97%	2.97%	0.20%
BankIslami Pakistan Limited	-	760,000	-	-	760,000	5,746	0.38%	0.38%	0.07%
Faysal Bank Limited	25,250	-	-	-	25,250	350	0.02%	0.02%	0.00%
Habib Bank Limited*	1,925,500	711,500	-	2,291,500	345,500	33,469	2.22%	2.23%	0.02%
MCB Bank Limited**	651,700	444,800	-	857,300	239,200	38,767	2.58%	2.58%	0.02%
National Bank of Pakistan Limited	987,000	1,892,500	-	2,214,000	665,500	18,401	1.22%	1.22%	0.03%
Standard Chartered Bank (Pakistan) Limited	-	175,000	-	-	175,000	4,820	0.32%	0.32%	0.00%
United Bank Limited	1,214,900	464,300	-	1,208,700	470,500	48,631	3.23%	3.24%	0.04%
	22,983,700	12,845,900	-	25,403,720	10,425,880	281,817			

Name of the Investee Company	Number of shares					Market value as at June 30, 2020 (Rupees in '000)	Percentage in Relation to		
	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Net Assets of the fund	Total Investments	Investee Paidup Capital
<b>FERTILIZER</b>									
Engro Corporation Limited	1,026,770	199,500	-	947,900	278,370	81,540	5.42%	5.43%	0.05%
Engro Fertilizers Limited	2,237,000	821,000	-	2,682,500	375,500	22,635	1.50%	1.51%	0.03%
Fauji Fertilizer Company Limited	1,466,500	911,100	-	1,956,500	421,100	46,317	3.08%	3.08%	0.03%
	4,730,270	1,931,600	-	5,586,900	1,074,970	150,492			
<b>CHEMICAL</b>									
Engro Polymer & Chemicals Limited	3,299,199	2,217,000	-	4,660,500	855,699	21,375	1.42%	1.42%	0.09%
Lotte Chemical Pakistan Limited	1,476,000	2,396,500	-	3,872,500	-	-	0.00%	0.00%	0.00%
Sitara Chemical Industries Limited	28,200	69,900	-	13,500	84,600	23,444	1.56%	1.56%	0.39%
	4,803,399	4,683,400	-	8,546,500	940,299	44,819			
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Thal Limited	416,600	76,300	-	385,300	107,600	34,964	2.32%	2.33%	0.27%
	416,600	76,300	-	385,300	107,600	34,964			
<b>AUTOMOBILE ASSEMBLER</b>									
Sazgar Engineering Works	-	25,000	-	25,000	-	-	0.00%	0.00%	0.00%
	-	25,000	-	25,000	-	-			
<b>GLASS AND CERAMICS</b>									
Tariq Glass Industries Limited	-	232,000	-	124,500	107,500	6,936	0.46%	0.46%	0.10%
	-	232,000	-	124,500	107,500	6,936			
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Systems Limited	-	50,000	-	50,000	-	-	0.00%	0.00%	0.00%
	-	50,000	-	50,000	-	-			
<b>Total as at June 30, 2020</b>	<b>64,550,462</b>	<b>34,544,240</b>	<b>342,271</b>	<b>72,194,127</b>	<b>27,242,846</b>	<b>1,502,570</b>			
Total as at June 30, 2019	57,003,566	57,051,202	1,093,752	50,598,058	64,550,462	4,101,848			
<b>Carrying Value as at June 30, 2020</b>						<b>1,602,696</b>			

\*Sponsor of the Management Company

\*\*Connected person due to holding more than 10% units

2020                      2019  
**Note**                      ----- Rupees in '000 -----

**6.1.1 Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss**

Market value of investments	<b>1,502,570</b>	4,101,848
Less: carrying value of investments before mark to market	<b>(1,602,696)</b>	(4,815,860)
	<b>(100,126)</b>	(714,012)

**6.1.1** Investments include shares having market value aggregating to Rs. 203.352 million (June 30, 2019: Rs. 292.264 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.

**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 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 shares equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.869 million at June 30, 2020 (June 30, 2019: Rs. 0.839 million) and not yet deposited in CDC account of Department of Income tax. Management is of the view that the decision will be in their favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

**6.2 Financial assets at fair value through profit or loss - Market treasury bills**

Issue date	Tenure	As at July 1, 2019	Purchase during the year	Sales during the year	As at June 30, 2020	Market value as at June 30, 2020 (In '000)	Market value as a percentage of net assets	Market value as a percentage of total investments
(Rupees in '000)								
October 24, 2019	3 months	-	225,000	225,000	-	-	-	-
October 24, 2019	3 months	-	225,000	225,000	-	-	-	-
<b>Total June 30, 2020</b>		<b>-</b>	<b>450,000</b>	<b>450,000</b>	<b>-</b>	<b>-</b>		
<b>Total June 30, 2019</b>		<b>-</b>	<b>140,000</b>	<b>140,000</b>	<b>-</b>	<b>-</b>		

**6.3 Listed equity securities - At fair value through other comprehensive income**

Name of the Investee Company	Number of shares					Market value as at June 30, 2020 (Rupees in '000)	Percentage in Relation to		
	As at July 1, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Net Assets of the fund	Total Investments	Investee Paid up Capital
<b>CLASS A</b>									
<b>Oil and Gas Marketing Companies</b>									
Pakistan State Oil Company Limited	22,804,087	-	4,560,817	-	27,364,904	4,328,033	84.43%	88.89%	5.83%
Sui Northern Gas Pipeline Limited	9,911,246	-	-	-	9,911,246	541,154	10.56%	11.11%	1.56%
<b>Total June 30, 2020</b>	<b>32,715,333</b>	<b>-</b>	<b>4,560,817</b>	<b>-</b>	<b>37,276,150</b>	<b>4,869,187</b>			
<b>Total June 30, 2019</b>	<b>28,914,652</b>	<b>-</b>	<b>3,800,681</b>	<b>-</b>	<b>32,715,333</b>	<b>4,556,990</b>			
<b>Cost as at June 30, 2020</b>						<b>1,420,375</b>			

Note                      **2020**                      **2019**  
----- Rupees in '000 -----

**6.3.1 Net unrealised gain / (loss) on re-measurement of investments at fair value through other comprehensive income**

Market value of investments	<b>4,869,187</b>	4,556,990
Less: cost of investments	<b>(1,420,375)</b>	(1,420,375)
	<b>3,448,812</b>	3,136,615

**6.3.2** The above mentioned 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.

**6.3.3** 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 shares equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 36.067 million at June 30, 2020 (June 30, 2019: Rs. 32.325 million) and not yet deposited in CDC account of Department of Income tax. Management is of the view that the decision will be in their favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

**7. DIVIDEND RECEIVABLE AND ACCRUED MARK-UP**

Note	Class A	June 30, 2020		June 30, 2019		Total
		Class B	Total	Class A	Class B	
(Rupees in '000)						
Dividend receivable	4,276	23	4,299	186,270	2,920	189,190
Mark-up accrued on bank deposits	1,746	1,754	3,500	994	5,560	6,554
	<b>6,022</b>	<b>1,777</b>	<b>7,799</b>	<b>187,264</b>	<b>8,480</b>	<b>195,744</b>

**8. DEPOSITS AND OTHER RECEIVABLES**

Security deposits with:						
- Central Depository Company of Pakistan Limited	-	175	175	-	175	175
- National Clearing Company of Pakistan Limited	100	2,500	2,600	100	2,500	2,600
Other receivables	84	871	955	84	426	510
	<b>184</b>	<b>3,546</b>	<b>3,730</b>	<b>184</b>	<b>3,101</b>	<b>3,285</b>

**9. PAYABLE TO MANAGEMENT COMPANY**

Management fee	9.1	8,190	2,516	10,706	8,284	7,524	15,808
Sindh sales tax	9.2	1,065	327	1,392	1,077	978	2,055
Allocation of expenses relating to registrar services, accounting, operation and valuation services	9.3	2,252	692	2,944	414	376	790
Selling and marketing expenses	9.4	12,337	3,795	16,132	5,135	4,660	9,795
		<b>23,844</b>	<b>7,330</b>	<b>31,174</b>	<b>14,910</b>	<b>13,538</b>	<b>28,448</b>

**9.1** Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The management fee expense charged by the asset Management Company varied between 1.7% to 2% during the year. Currently, the management fee is charged at the rate of 2% of average annual net assets of the fund.

**9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (2019: 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 has charged expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS). The expense charged by the asset Management Company varied between 0.1% to 0.55% during the year. Currently, the expense is charged at the rate of 0.55% of average annual net assets of the fund.

**9.4** SECP vide SRO 639(I)/2019 dated June 20, 2019 has removed cap of 0.4 percent (of average net assets, calculated on daily basis), on charging of selling and marketing expenses which are charged by Asset Management Companies to all categories of open-end mutual funds (except fund of funds). Resultantly, Management Company has charged selling and marketing expenses to the Fund. The selling and marketing expenses charged by the asset Management Company varied between 0.4% to 1.05% during the year. Currently, the selling and marketing expense is charged at the rate of 1.05% of average annual net assets of the fund.

**10. PAYABLE TO THE TRUSTEE**

Note	June 30, 2020			June 30, 2019		
	Class A	Class B	Total	Class A	Class B	Total
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	556	235	791	561	518	1,079
CDS charges payable	-	30	30	-	60	60
	<b>556</b>	<b>265</b>	<b>821</b>	<b>561</b>	<b>578</b>	<b>1,139</b>

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

The tariff structure applicable to the Fund is as follows:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto 1 billion	0.20% p.a. of net asset
Over 1 billion	Rs. 2.0 million plus 0.10% p.a. of net assets on amount exceeding Rs.1 billion.

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

Note	June 30, 2019			June 30, 2019		
	Class A	Class B	Total	Class A	Class B	Total
Annual fee	1,038	494	1,532	6,017	4,876	10,893

**11.1** SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the fund and accordingly such fee has been charged at the rate of 0.02% percent during the year.

**12. ACCRUED EXPENSES AND OTHER LIABILITIES**

Note	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
Provision for Federal Excise Duty	-	125,303	125,303	-	125,303	125,303
Provision for Sindh Workers' Welfare Fund	2,065	41,683	43,748	2,065	40,775	42,840
Brokerage	-	126	126	-	624	624
Auditors' remuneration	331	141	472	258	194	452
National Clearing Company Pakistan Limited Charges	-	30	30	-	45	45
Withholding tax	13	7,269	7,282	12	54	66
Payable to Class A	-	-	-	-	113,070	113,070
Others	6	942	948	28	850	878
	<b>2,415</b>	<b>175,494</b>	<b>177,909</b>	<b>2,363</b>	<b>280,915</b>	<b>283,278</b>

**12.1** 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 June 30, 2016, the SHC declared the said provisions to be 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 ending June 30, 2019.

However, since the appeal is pending in Supreme Court of Pakistan, the Management Company, has made a provision on FED on remuneration of Management Company, aggregating to Rs. 125.303 million. (2019: Rs. 125.303 million) for Class B fund. Had the provision not been made, the Net Asset Value per certificate as at June 30, 2020 would have been higher by Rs. 1.267 (2019: Rs. 0.452 ) per unit for Class B fund.

## **12.2 WORKERS' WELFARE FUND AND SINDH WORKERS' WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, 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.

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 118.07 million and started recognising provision for SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 2.065 million for class A and Rs.41.683 million for Class B (2019: Rs. 2.065 million for Class A and Rs.40.775 million for class B). Had the provision not been made, the Net Asset Value per unit as at June 30, 2020 would have been higher by Rs. 0.007 in Class A and Rs.0.421 in Class B (June 30, 2019: Rs.0.007 in Class A and Rs.0.147 in Class B) per unit.

**12.3** This amount represents the dividend received for Class A fund from Pakistan State Oil (PSO) into the bank account of class B fund, as the dividend account was same during the period. Dividend was subsequently transferred to Class A fund on July 02, 2019.

### **13. CONTINGENCIES AND COMMITMENTS**

There were no contingencies or commitments outstanding as at June 30, 2020 and as at June 30, 2019.

### **14. NUMBER OF UNITS IN ISSUE**

	June 30, 2020			June 30, 2019		
	Class A	Class B	Total	Class A	Class B	Total
Total units in issue at the beginning of the year	283,500,000	277,434,381	560,934,381	283,500,000	-	283,500,000
Units issued	-	10,440,376	10,440,376	-	284,818,291	284,818,291
Units redeemed	-	188,945,616	188,945,616	-	7,383,910	7,383,910
Total units in issue at the end of the year	<b>283,500,000</b>	<b>98,929,141</b>	<b>382,429,141</b>	283,500,000	277,434,381	560,934,381

### **15. AUDITORS' REMUNERATION**

Annual audit fee	321	94	415	256	62	318
Fee for half yearly review	101	34	135	87	32	119
Other certifications and out of	12	131	143	25	7	32
	<b>434</b>	<b>259</b>	<b>693</b>	368	101	469

### **16. TAXATION**

No provision for taxation has been made for Class A as the Fund has incurred a net loss in Class A. The Fund is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 if it has distributed more than 90 percent of its accounting income (excluding capital gains realised or unrealised). The Fund has distributed an amount of Rs. 43.719 million on June 30, 2020 being 99.3% percent of its accounting income (excluding capital gains realised or unrealised) in Class B and therefore has not accrued and recorded taxation charge for the year in Class B. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the 'Income statement' and 'Statement of comprehensive income'.

## 17. 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.

## 18. TOTAL EXPENSES RATIO

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the SECP, the total expense ratio for the year ended June 30, 2020 is 3.55% and 4.02% which includes 0.29% and 0.38% representing government levy, and SECP fee of the Class A and Class B respectively.

## 19. TRANSACTION AND BALANCES WITH CONNECTED PERSONS

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.

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

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

	June 30, 2020		June 30, 2019			
	Class A	Class B	Total	Class A	Class B	Total
	----- (Rupees in '000) -----					
<b>HBL Asset Management Limited - Management Company</b>						
Remuneration of the Management Company	101,903	47,656	149,559	126,676	102,632	229,308
Sales tax on remuneration of the management company	13,247	6,195	19,442	16,468	13,342	29,810
Allocation of expenses related to registrar services, accounting, operation and valuation services	16,113	7,637	23,750	6,334	5,132	11,466
Selling and marketing expense	43,076	19,621	62,697	25,179	20,272	45,451
Investment in Class B of 4,131,192 units (2019: Nil units)	-	81,079	81,079	-	-	-
Redemption in Class B of 4,131,192 units (2019: Nil units)	-	75,243	75,243	-	-	-
<b>Habib Bank Limited - Sponsor</b>						
Dividend income	-	4,037	4,037	-	8,622	8,622
Mark-up on deposits with banks	-	151	151	-	104	104
Bank charges	-	1	1	-	1	1
<b>Jubilee General Insurance Company Limited - Associate</b>						
Issuance of 3,624 units in Class B (2019: Nil Units)	-	55	55	-	-	-
Dividend paid	-	64	64	-	-	-
<b>Pakistan Reinsurance Company Limited - Connected person - due to holding more than 10% units</b>						
Redemption of 15,406,721 units in Class B (2019: Nil Units)	-	277,028	277,028	-	-	-
Dividend paid	-	6,750	6,750	-	-	-
<b>State Life Insurance Corporation of Pakistan - Connected person - due to holding more than 10% units</b>						
Issue of 359,759 units in Class B (2019: Nil Units)	-	5,411	5,411	-	-	-
Dividend paid	-	5,411	5,411	-	-	-
<b>Directors and Executives of the Management Company</b>						
Dividend paid	-	8	8	-	-	-
<b>Central Depository Company of Pakistan Limited-Trustee</b>						
Trustee Fee	6,612	3,172	9,784	7,823	6,356	14,179
CDS Charges	-	521	521	-	682	682
CDC Annual Listing Fee	768	76	844	633	-	633

	June 30, 2020		Total	June 30, 2019		Total
	Class A	Class B		Class A	Class B	
	----- (Rupees in '000) -----					
<b>HBL Islamic Asset Allocation Fund</b>						
Purchase of nil shares of OGDC (2019: 20,000 shares)	-	-	-	-	2,834	2,834
Purchase of nil shares of PPL (2019: 27,000 shares)	-	-	-	-	4,824	4,824
Purchase of nil shares of EPCL (2019: 65,000 shares)	-	-	-	-	2,343	2,343
Purchase of nil shares of MLCF (2019: 40,000 shares)	-	-	-	-	1,552	1,552
Purchase of nil shares of EFERT (2019: 25,000 shares)	-	-	-	-	1,793	1,793
Purchase of nil shares of PSO (2019: 8,000 shares)	-	-	-	-	1,680	1,680
Purchase of nil shares of LOTCHEM (2019: 50,000 shares)	-	-	-	-	687	687
Purchase of nil shares of LUCK (2019: 6,000 shares)	-	-	-	-	2,601	2,601
Purchase of nil shares of KOHC (2019: 10,000 shares)	-	-	-	-	879	879
Purchase of nil shares of HUBC (2019: 35,000 shares)	-	-	-	-	2,728	2,728
Purchase of nil shares of SITC (2019: 5,000 shares)	-	-	-	-	1,287	1,287
Purchase of nil shares of KTML (2019: 74,000 shares)	-	-	-	-	2,134	2,134
Purchase of nil shares of SEARL (2019: 6,000 shares)	-	-	-	-	806	806

## 19.2 Balances at year end

	Class A	Class B	Total	Class A	Class B	Total
<b>HBL Asset Management Company Limited - Management Company</b>						
Payable to Management Company	8,190	2,516	10,706	8,284	7,524	15,808
Sindh sales tax on remuneration of Management Company	1,065	327	1,392	1,077	978	2,055
Allocation of expenses relating to registrar services, accounting, operation and valuation services	2,252	692	2,944	414	376	790
Selling and marketing expense payable	12,337	3,795	16,132	5,135	4,660	9,795
<b>Habib Bank Limited - Sponsor</b>						
Banks Balances- savings accounts	-	1,366	1,366	-	1,366	1,366
<b>Pakistan Reinsurance Company Limited- Connected person - due to holding more than 10% units</b>						
Units held: 30,406,721 Units (June 2019: 30,406,721 Units) at par value	304,067	-	304,067	304,067	-	304,067
Units held: 15,000,000 Units (June 2019: 30,406,721 Units)	-	228,174	228,174	-	489,196	489,196
<b>Central Depository Company of Pakistan Limited - Trustee</b>						
Trustee remuneration payable	556	235	791	561	518	1,079
Security deposit with trustee	100	175	275	100	175	275
CDS charges payable	-	30	30	-	60	60
<b>STATE LIFE INSURANCE CORP. OF PAKISTAN - CP more than 10% units</b>						
Units held 12,024,904 Units (June 2019: 12,024,904 Units) at par value	120,249	-	120,249	120,249	-	120,249
Units held: 12,384,663 Units (June 2019: 12,024,904 Units)	-	188,391	188,391	-	193,461	193,461
<b>Jubilee General Insurance Company Limited - associate</b>						
Units held: 142,500 Units (June 2019: 142,500 Units) at par value	1,425	-	1,425	1,425	-	1,425
Units held: 146,124 Units (June 2019: 142,500 Units)	-	2,223	2,223	-	2,293	2,293
<b>Directors and Executives of the Management Company</b>						
Units held: 18,000 Units (June 2019: 18,000 Units) at par value	180	-	180	180	-	180
Units held: 18,000 Units (June 2019: 18,000 Units)	-	274	274	-	290	290

**20. FINANCIAL INSTRUMENTS BY CATEGORY**

	Class A		
	----- As on June 30, 2020 -----		
	At amortised cost	At fair value through other comprehensive income	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Investments	-	4,869,187	4,869,187
Bank balances	278,910	-	278,910
Dividend receivable and accrued mark-up	6,022	-	6,022
Deposits and other receivables	184	-	184
	<b>285,116</b>	<b>4,869,187</b>	<b>5,154,303</b>

	Class A		
	----- As on June 30, 2020 -----		
	At fair value through profit or loss	At Amortised Cost	Total
	----- Rupees in '000 -----		
<b>Liabilities</b>			
Payable to the Management Company	-	23,844	23,844
Payable to the Trustee	-	556	556
Accrued expenses and other liabilities	-	337	337
Unclaimed dividend	-	-	-
Net assets attributable to unitholders	-	5,126,450	5,126,450
	<b>-</b>	<b>5,151,187</b>	<b>5,151,187</b>

	Class B		
	----- As on June 30, 2020 -----		
	At amortised cost	At fair value through profit or loss	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Investments	-	1,502,570	1,502,570
Bank balances	314,221	-	314,221
Dividend receivable and accrued mark-up	1,777	-	1,777
Deposits and other receivables	3,546	-	3,546
	<b>319,544</b>	<b>1,502,570</b>	<b>1,822,114</b>



Class B			
----- As on June 30, 2019 -----			
	At amortised cost	At fair value through profit or loss	Total
----- Rupees in '000 -----			
<b>Assets</b>			
Investments	-	4,101,848	4,101,848
Bank balances	786,197	-	786,197
Dividend receivable and accrued mark-up	8,480	-	8,480
Deposits and other receivables	3,101	-	3,101
	<u>797,778</u>	<u>4,101,848</u>	<u>4,899,626</u>

Class B			
----- As on June 30, 2019 -----			
	At fair value through profit or loss	At amortised cost	Total
----- Rupees in '000 -----			
<b>Liabilities</b>			
Payable to the Management Company	-	13,538	13,538
Payable to the Trustee	-	578	578
Accrued expenses and other liabilities	-	114,783	114,783
Payable against the purchase of investment - net	-	2,079	2,079
Unclaimed dividend	-	134,158	134,158
Net assets attributable to unitholders	-	4,463,482	4,463,482
	<u>-</u>	<u>4,728,618</u>	<u>4,728,618</u>

## 21. PARTICULARS OF INVESTMENT COMMITTEE

Details of 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	21 + years
2	Adeel Abdul Wahab	Head of Equity	ACCA	12+ years
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+ years
4	Karim Khawaja	Head of Risk	MBA, CMA	17 + years

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

Top brokers during the year ended June 30, 2020

- 1 EFG Hermes Pakistan Limited
- 2 Intermarket Securities Limited
- 3 JS Global Capital Limited
- 4 DJM Securities Limited
- 5 Optimus Capital Management (Private) Limited
- 6 Ismail Iqbal Securities (Private) Limited
- 7 Topline Securities (Private) Limited
- 8 Taurus Securities Limited
- 9 Monaco Securities (Private) Limited
- 10 Fortune Securities Limited

Top brokers during the year ended June 30, 2019

- 1 Al Falah Securities (Private) Limited
- 2 Arif Habib Limited
- 3 BMA Capital Management Limited
- 4 DJM Securities (Private) Limited
- 5 EFG Hermes Pakistan Limited
- 6 Intermarket Securities Limited
- 7 JS Global Capital Limited
- 8 Optimus Capital Management (Private) Limited
- 9 Taurus Securities Limited.
- 10 Topline Securities (Private) Limited

**23. PATTERN OF UNIT HOLDING**

Category	Class A			
	As at June 30, 2020			
	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
			Rupees in '000'	
Individuals	8,672	80,686,377	1,459,029	28.46%
Director	1	18,000	325	0.01%
Associated company	2	6,609,300	119,514	2.33%
Insurance companies	5	42,691,625	771,981	15.06%
Banks and DFIs	12	53,226,324	962,477	18.77%
NBFCs	8	110,512	1,998	0.04%
Foreign companies	6	59,004,650	1,066,964	20.81%
Modarbas	1	15,000	271	0.01%
Others	89	26,284,869	475,302	9.27%
Foreign individuals	463	14,853,343	268,589	5.24%
	<b>9,259</b>	<b>283,500,000</b>	<b>5,126,450</b>	<b>100.00%</b>

**Class B**

As at June 30, 2020

Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000'				
Individuals	8,796	63,492,343	965,818	64.18%
Associated company	1	146,124	2,223	0.15%
Director	1	18,000	274	0.02%
Banks and DFIs	3	2,087,256	31,750	2.11%
Insurance companies	4	27,399,017	416,782	27.70%
Retirement funds	6	755,072	11,486	0.76%
Trust	7	528,519	8,040	0.53%
Foreign Investors	2	25,801	392	0.03%
Others	90	4,477,009	68,102	4.53%
	<b>8,910</b>	<b>98,929,141</b>	<b>1,504,867</b>	<b>100%</b>

**Class A**

As at June 30, 2019

Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000'				
Individuals	8,672	80,686,377	1,379,864	26.92%
Director	1	18,000	308	0.01%
Associated company	2	6,609,300	113,029	2.20%
Insurance companies	5	42,691,625	730,094	14.24%
Banks and DFIs	12	53,226,324	910,254	17.76%
NBFCs	8	110,512	1,890	0.04%
Foreign companies	6	59,004,650	1,009,072	19.68%
Modarbas	1	15,000	257	0.01%
Others	89	26,284,869	449,513	8.77%
Foreign individuals	463	14,853,343	254,015	4.95%
	<b>9,259</b>	<b>283,500,000</b>	<b>4,848,295</b>	<b>94.58%</b>

**Class B**

As at June 30, 2019

Category	Number of units holders	Number of units held	Unit holding or investment amount	Percentage of total
Rupees in '000'				
Individuals	9,092	92,707,020	1,491,510	99.11%
Associated company	2	6,609,300	106,333	7.07%
Director	1	18,000	290	0.02%
Banks and DFIs	7	52,478,699	844,300	56.10%
Insurance companies	4	42,445,625	682,883	45.38%
Retirement funds	9	838,983	13,498	0.90%
Trust	9	50,505,356	812,552	53.99%
Foreign Investors	1	1,500	24	0.00%
Others	96	31,829,898	512,093	34.03%
	<b>9,221</b>	<b>277,434,381</b>	<b>4,463,482</b>	<b>296.60%</b>

**24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020 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. Farid Ahmed Khan <sup>1</sup>	1	1	-	4
2	Mr. Mir Adil Rashid <sup>2</sup>	4	4	-	1
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad <sup>5</sup>	5	5	-	-
8	Mr. Atif Aslam Bajwa <sup>3,4</sup>	2	1	1	3

1 Resigned on September 15, 2019.

2 Appointed on September 16, 2019.

3 Appointed on October 29, 2019.

4 Resigned on February 24, 2020.

5 Resigned on May 14, 2020.

**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 investments, government securities and in other money market instruments.

**25.1** The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

**25.1.1 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 ; currency risk, interest rate risk and other price risk.

**25.1.2 Currency risk**

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

### **25.1.3 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's interest rate risk arises from the balances in savings accounts. The net income for the year would have increased / (decreased) by Rs.2.79 million in Class A and Rs.3.14 million in Class B (2019: Rs. 1.28 million in Class A and Rs.7.86 in Class B), had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

#### **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.

### **25.1.4 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' and 'at fair value through other comprehensive income'. 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. However, relaxation in this regard has been obtained from the regulators in respect of frozen investments classified as 'at fair value through other comprehensive income' as disclosed in note 6.2.

In case of 5% increase / decrease in the fair value of the Fund's Class A equity securities on June 30, 2020, net assets of the Fund would have increased / decreased by Rs. 243.459 million (2019: Rs. 227.850 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, 2020, net assets of the Fund would have increased / decreased by Rs.75.128 million (2019: Rs. 205.092 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'.

### **25.2 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 deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities and profit receivable on bank deposits.

### 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.

The analysis below summarises the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2019:

Name of the bank	Balance as at June 30, 2020			Latest available published rating as at June 30, 2020	Rating agency
	Class A	Class B	Total		
-----Rupees in '000-----					
MCB Bank Limited	194	222,532	222,726	AAA	PACRA
JS Bank Limited	274,391	88,189	362,580	AA-	PACRA
Habib Bank Limited	-	1,500	1,500	AAA	JCR-VIS
Soneri Bank Limited	4,201	1,965	6,166	AA-	PACRA
Zarai Taraqati Bank Limited	124	35	159	AAA	JCR-VIS
	<b>278,910</b>	<b>314,221</b>	<b>593,131</b>		

Name of the bank	Balance as at June 30, 2019			Latest available published rating as at June 30, 2020	Rating agency
	Class A	Class B	Total		
-----Rupees in '000-----					
MCB Bank Limited	175	333,226	333,401	AAA	PACRA
JS Bank Limited	14,559	48,851	63,410	AA-	PACRA
Habib Bank Limited	-	1,366	1,366	AAA	JCR-VIS
Soneri Bank Limited	112,974	402,754	515,728	AA-	PACRA
	<b>127,708</b>	<b>786,197</b>	<b>913,905</b>		

The maximum exposure to credit risk before considering any collateral as at June 30, 2020 and June 30, 2019 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

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 in respect classes. Management believes that such banks are reputed institutions.

### 25.3 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.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through other facilities. The Fund manages the liquidity risk by maintaining sufficient cash balance with banks and marketable securities.

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.

Type A				
-----As at June 30, 2020-----				
	Total	Upto three months	More than three months and upto one year	More than one year
-----Rupees in '000'-----				
Payable to the Management Company	23,844	23,844	-	-
Payable to the Trustee	556	556	-	-
Accrued expenses and other liabilities	337	337	-	-
	<b>24,737</b>	<b>24,737</b>	-	-
Type B				
-----As at June 30, 2020-----				
	Total	Upto three months	More than three months and upto one year	More than one year
-----Rupees in '000'-----				
Payable to the Management Company	7,330	7,330	-	-
Payable to the Trustee	265	265	-	-
Accrued expenses and other liabilities	1,239	1,239	-	-
Unclaimed dividend	142,808	142,808	-	-
	<b>151,642</b>	<b>151,642</b>	-	-
Type A				
-----As at June 30, 2019-----				
	Total	Upto three months	More than three months and upto one year	More than one year
-----Rupees in '000'-----				
Payable to the Management Company	13,833	13,833	-	-
Payable to the Trustee	496	496	-	-
Accrued expenses and other liabilities	286	286	-	-
	<b>14,615</b>	<b>14,615</b>	-	-
Type B				
-----As at June 30, 2019-----				
	Total	Upto three months	More than three months and upto one year	More than one year
-----Rupees in '000'-----				
Payable to the Management Company	12,560	12,560	-	-
Payable to the Trustee	458	458	-	-
Accrued expenses and other liabilities	114,783	114,783	-	-
Payable against purchase of investments - net	2,079	2,079	-	-
Unclaimed dividend	134,158	134,158	-	-
	<b>264,038</b>	<b>264,038</b>	-	-

## 26. 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 i.e. listed equity shares are based on the quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Fund is current bid price.

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

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

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

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

	Class A				Fair Value			Total
	June 30, 2020				Level 1	Level 2	Level 3	
	Carrying amount		At amortised cost	Total				
	Fair value through profit or loss	Fair value through other comprehensive income						
----- (Rupees in '000) -----								
<b>Financial instruments</b>								
<b>Financial assets measured at fair value</b>								
Investment in listed equity securities	-	4,869,187	-	4,869,187	4,869,187	-	-	4,869,187
	-	4,869,187	-	4,869,187	4,869,187	-	-	4,869,187
<b>Financial assets not measured at fair value</b>								
Bank balances	-	-	278,910	278,910				
Dividend and profit receivable	-	-	6,022	6,022				
Deposits and other receivables	-	-	184	184				
	-	-	285,116	285,116				
<b>Financial liabilities not measured at fair value</b>								
Payable to Management Company	-	-	23,844	23,844				
Payable to trustee	-	-	556	556				
Accrued expenses and other liabilities	-	-	337	337				
Unclaimed dividend	-	-	-	-				
Net assets attributable to unitholders	-	-	5,126,450	5,126,450				
	-	-	5,151,187	5,151,187				

26.2

		Class B						
		June 30, 2020						
		Carrying amount		Fair Value				
	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial instruments		(Rupees in '000)						
Financial assets measured at fair value								
Investment in listed equity securities	1,502,570	-	-	1,502,570	1,502,570	-	-	1,502,570
	<b>1,502,570</b>	-	-	<b>1,502,570</b>	<b>1,502,570</b>	-	-	<b>1,502,570</b>
Financial assets not measured at fair value								
Bank balances	-	-	314,221	314,221				
Dividend and profit receivable	-	-	1,777	1,777				
Deposits and other receivables	-	-	3,546	3,546				
	-	-	<b>319,544</b>	<b>319,544</b>				
Financial liabilities not measured at fair value								
Payable to Management Company	-	-	7,330	7,330				
Payable to trustee	-	-	265	265				
Accrued expenses and other liabilities	-	-	1,239	1,239				
Unclaimed dividend	-	-	142,808	142,808				
Net assets attributable to unitholders	-	-	<b>1,504,867</b>	<b>1,504,867</b>				
	-	-	<b>1,656,509</b>	<b>1,656,509</b>				
		Class A						
		June 30, 2019						
		Carrying amount		Fair Value				
	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial instruments		(Rupees in '000)						
Financial assets measured at fair value								
Investment in listed equity securities	-	4,556,990	-	4,556,990	4,556,990	-	-	4,556,990
	-	<b>4,556,990</b>	-	<b>4,556,990</b>	<b>4,556,990</b>	-	-	<b>4,556,990</b>
Financial assets not measured at fair value								
Bank balances	-	-	127,708	127,708				
Dividend and profit receivable	-	-	187,264	187,264				
Deposits and other receivables	-	-	100	100				
	-	-	<b>315,072</b>	<b>315,072</b>				
Financial liabilities not measured at fair value								
Payable to Management Company	-	-	13,833	13,833				
Payable to trustee	-	-	496	496				
Accrued expenses and other liabilities	-	-	286	286				
Unclaimed dividend	-	-	-	-				
Net assets attributable to unitholders	-	-	<b>4,848,295</b>	<b>4,848,295</b>				
	-	-	<b>4,862,910</b>	<b>4,862,910</b>				
		Class B						
		June 30, 2019						
		Carrying amount		Fair Value				
	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Total
Financial instruments		(Rupees in '000)						
Financial assets measured at fair value								
Investment in listed equity securities	4,101,848	-	-	4,101,848	4,101,848	-	-	4,101,848
	<b>4,101,848</b>	-	-	<b>4,101,848</b>	<b>4,101,848</b>	-	-	<b>4,101,848</b>
Financial assets not measured at fair value								
Bank balances	-	-	786,197	786,197				
Dividend and profit receivable	-	-	8,480	8,480				
Deposits and other receivables	-	-	2,675	2,675				
	-	-	<b>797,352</b>	<b>797,352</b>				
Financial liabilities not measured at fair value								
Payable to Management Company	-	-	12,560	12,560				
Payable to Trustee	-	-	512	512				
Accrued expenses and other liabilities	-	-	114,792	114,792				
Unclaimed dividend	-	-	134,158	134,158				
Net assets attributable to unitholders	-	-	<b>4,463,482</b>	<b>4,463,482</b>				
	-	-	<b>4,725,504</b>	<b>4,725,504</b>				

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.

**27. 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:

- Monitor the level of daily issuance and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to the unit holders;
- Redeem and issue 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.

**28. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue by the Board of Directors of the Management Company on August 27, 2020.

**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.

**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>	<b>HBL INVESTMENT FUND</b>
<b>NAME OF AUDITOR</b>	<b>Deloitte Yousuf Adil, Chartered Accountants</b>
<b>NAME OF TRUSTEE</b>	<b>Central Depository Company of Pakistan Limited.</b>
<b>NAME OF BANKERS</b>	<b>MCB Bank Limited JS Bank Limited Habib Bank Limited Soneri Bank limited</b>

**Type and Category of Fund**

Equity / Open-end

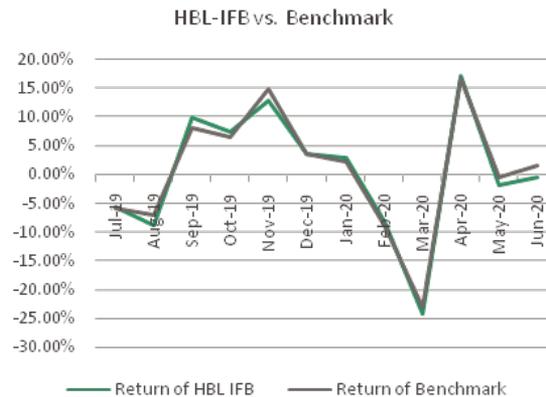
**Investment Objective and Accomplishment of Objective**

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.

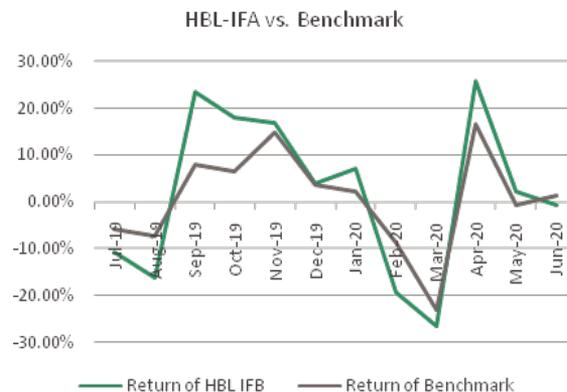
**Benchmark and Performance Comparison with Benchmark**

The Fund's benchmark is KSE-100 Index.

Month	Return of Fund	
	HBL-IFB	Benchmark
Jun-20	-0.52%	1.45%
May-20	-1.79%	-0.53%
Apr-20	17.17%	16.69%
Mar-20	-24.26%	-23.04%
Feb-20	-8.12%	-8.76%
Jan-20	2.87%	2.20%
Dec-19	3.56%	3.68%
Nov-19	12.86%	14.86%
Oct-19	7.33%	6.62%
Sep-19	9.87%	8.11%
Aug-19	-8.90%	-7.10%
Jul-19	-5.67%	-5.79%



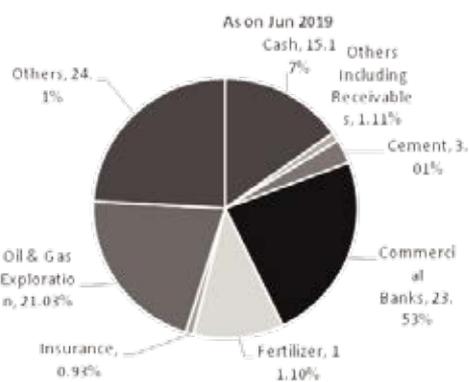
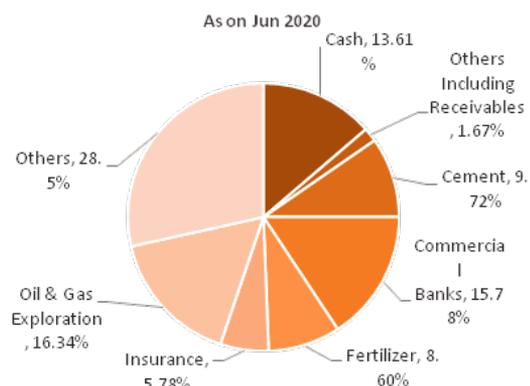
Month	Return of Fund	
	HBL-IFA	Benchmark
Jun-20	-0.60%	1.45%
May-20	2.34%	-0.53%
Apr-20	25.83%	16.69%
Mar-20	-26.56%	-23.04%
Feb-20	-19.43%	-8.76%
Jan-20	7.22%	2.20%
Dec-19	3.81%	3.68%
Nov-19	16.81%	14.86%
Oct-19	17.92%	6.62%
Sep-19	23.60%	8.11%
Aug-19	-16.27%	-7.10%
Jul-19	-10.84%	-5.79%



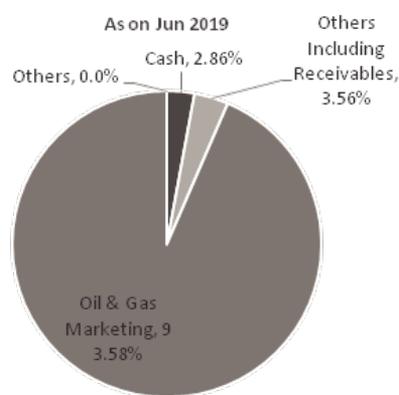
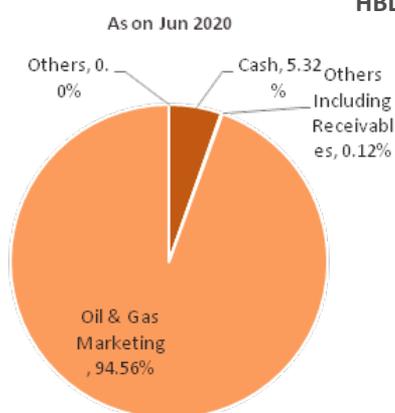
**Strategies and Policies employed during the Year**

During the year under review, the Fund increased its exposure in equities from 84% on June 30, 2019 to 85% on June 30, 2020. Furthermore, sector-wise allocation was continuously reviewed and revisited throughout the year to ensure optimum return to the investors. Accordingly, exposure in cements and insurance companies was increased, while exposure in fertilizers, commercial banks and oil & gas exploration 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, 2018 and June 30, 2017:

#### HBL Investment Fund - B

Sector Name	As on Jun 2020	As on Jun 2019
Cash	13.61%	15.17%
Others Including Receivables	1.67%	1.11%
Cement	9.72%	3.01%
Commercial Banks	15.78%	23.53%
Fertilizer	8.60%	11.10%
Insurance	5.78%	0.93%
Oil & Gas Exploration	16.34%	21.03%
Others	28.5%	24.1%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

#### HBL Investment Fund - A

Sector Name	As on Jun 2020	As on Jun 2019
Cash	5.32%	2.86%
Others Including Receivables	0.12%	3.56%
Oil & Gas Marketing	94.56%	93.58%
Others	0.0%	0.0%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

## Fund Performance

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. 293.75 million and Rs. 10.45 million respectively during the year under review. The fund size of the fund stood at Rs. 6.63 billion as on June 30, 2020.

### Performance review of each class is presented below:

#### HBL Growth Fund – Class ‘A’

HBL Growth Fund – Class ‘A’ earned and incurred a total income and net loss of Rs. 149.95 million and Rs. 34.04 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Class ‘A’ was Rs. 18.0827 per unit as on June 30, 2020 as compared to Rs. 17.1016 as at June 30, 2019, thereby giving a return of 5.74%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Class ‘A’ was Rs. 5.13 billion as on June 30, 2020 as compared to Rs. 4.85 billion at the start of the year.

#### HBL Growth Fund – Class ‘B’

HBL Growth Fund – Class ‘B’ earned a total and net income of Rs. 143.80 million and Rs. 44.49 million respectively during the year ended June 30, 2020. The Net Asset Value (NAV) per unit of the Class ‘B’ was Rs. 15.2116 per unit as on June 30, 2020 as compared to Rs. 16.0884 as at June 30, 2019, after incorporating dividend of Rs. 0.45 per unit, thereby giving a negative return of 2.62%. During the year the benchmark KSE 100 index yielded a return of 1.53%. The size of Class ‘B’ was Rs. 1.50 billion as on June 30, 2020 as compared to Rs. 4.46 billion at the start of the year.

### Review of Market invested in

The equity markets’ performance during FY20 can be described as a tale of two halves.

1HFY20 was dominated by continued reforms in light of the Extended Fund Facility from the IMF; market determined exchange rate mechanism, high inflation, regular adjustments in energy tariffs and rising interest rates. However, investor sentiment subsequently improved on account of 1) progress on FATF front, 2) reduction in current account deficit, 3) stability in PKR/USD parity, and 4) declining long-term yields in the secondary market due to expectation of lower future inflation outlook. Hence the benchmark KSE100 index increased by 20% during 1HFY20 to close at 40,735 points on December 31, 2019.

2HFY20 continued with the same momentum as the benchmark KSE100 index made a high of 43,219 on January 13, 2020. However, the positive momentum was broken with the onset of the COVID-19 pandemic, which resulted in lockdowns globally and in Pakistan. This led to a steep decline in the KSE100 index as it fell to a low of 27,229 points on March 25, 2020. The local bourse saw a dip, in line with global markets, driven by expectations of hampered economic activity. International Oil prices witnessed new lows as global storages overflowed. Global Trade and shipping also witnessed huge downturns. Domestic companies with already weak business outlook due to ongoing economic environment and high leverage witnessed further uncertainty.

The market rebounded in April 2020 where despite a complete lockdown and uncertainty surrounding its potential timeline and impact, the KSE100 witnessed a sharp 16.69% uptick on the back of unexpectedly aggressive monetary easing by the SBP (cumulative 625bps reduction in the Policy Rate), approval of Rapid Financing Instrument of USD 1.4bn by the IMF, announcement of fiscal stimulus measures by the GoP to reduce the impact of the COVID-19 outbreak on the economy and Government’s decision to ease off lockdown restrictions for certain industries. The KSE100 index closed the year at 34,422 points (up 1.53%).

In terms of flows, foreign investors remained net sellers with an outflow of USD 284mn (compared to outflow of USD 356mn in FY19).

Pakistan equities are likely to continue this momentum as cheaper valuation (trading at a Forward P/E of 6.8x against peer average 16.8x) and slowdown in covid-19 cases will lead to improvement in Investor sentiment. Market participants would closely follow trend of coronavirus cases and the ensuing macro numbers. Cyclical sectors (Cement, Steel, OMCs) are expected to perform well due to decline in interest rates and pick-up in economic activity. Textile sector is also expected to garner investor's attention due to huge export potential. Technology sector will also remain in limelight due to increased digitalization post covid-19 pandemic. We will maintain our strategic focus towards "bottom-up" approach and align exposure towards stocks with strong earnings potential.

### Distribution

The Board of Directors of HBL Asset Management Limited (the Management Company) has declared cash dividend of up to Rs. 0.27 per unit for the year ended June 30, 2020.

### Significant Changes in the State of Affairs

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.

### 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	3,148	197,161	2,414	127,329
101 – 500	6,762	1,717,675	7,327	1,756,755
501 – 1,000	2,192	1,617,675	2,083	1,468,028
100,1 – 10,000	2,464	7,906,118	2,479	6,954,342
10,001 – 100,000	580	19,129,434	574	15,547,055
100,001 – 500,000	101	20,678,808	96	17,991,778
500,001 – 1,000,000	20	13,936,170	11	8,014,784
1,000,001 – 5,000,000	17	43,428,288	10	24,719,762
5,000,001 and above	9	175,513,671	4	69,930,797
<b>Total</b>	<b>15,293</b>	<b>284,125,000</b>	<b>14,998</b>	<b>146,528,631</b>

### Certificate Splits

Effective from July 2, 2018 the Fund has been converted into an open-ended Equity Fund as per the duly approved Conversion Plan. Upon the conversion of the Fund, every Certificate holder of the Fund of the closed-end fund was entitled to the following for each certificate held:

- One Class 'A' Unit of the Fund representing Frozen Portfolio and related Assets and Liabilities
- One Class 'B' Unit of the Fund representing Unfrozen Portfolio and related Assets and Liabilities.

This matter is fully disclosed in note 1.4 of the financial statements of the Fund.

### 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, 2020

	2020		2019		2018	2017	2016	2015
	Class A	Class B	Class A	Class B				
Net assets at the period end(Rs'000)	1,844,924	1,155,705	1,721,698	2,340,009	5,435,289	6,330,569	5,251,256	5,043,364
NET ASSETS VALUE PER UNIT/CERTIFICATE AT 30 JUNE - RUPEES	6.4934	7.8872	6.0597	8.4072	19.13	22.28	18.48	17.75
Redemption - Class B unit type B	-	7.8872	-	7.9868	-	-	-	-
Redemption - Class B unit type C	-	7.8872	-	8.4072	-	-	-	-
Offer - Class B unit type C	-	8.0655	-	8.5972	-	-	-	-
OFFER / REDEMPTION DURING THE PERIOD - RUPEES								
Highest offer price per unit - Class B unit type C	-	10.878	-	10.7063	-	-	-	-
Lowest offer price per unit - Class B unit type C	-	6.8247	-	8.4074	-	-	-	-
Highest redemption price per unit - Class B unit type B	-	10.6376	-	9.8040	-	-	-	-
Lowest redemption price per unit - Class B unit type B	-	6.6739	-	7.8105	-	-	-	-
Highest redemption price per unit - Class B unit type C	-	10.6376	-	10.4697	-	-	-	-
Lowest redemption price per unit - Class B unit type C	-	6.6739	-	8.2216	-	-	-	-
RETURN ( % )								
Total return	7.16%	-2.94%	*-33.34%	*-16.26%	-8.54%	23.18%	4.11%	-1.12%
Income distribution	0.00%	0.27%	0.00%	0.00%	0.00%	13.50%	4.20%	-
Capital growth	7.16%	-3.21%	*-33.34%	*-16.26%	-8.54%	9.68%	-0.09%	-1.12%
DISTRIBUTION								
First Interim dividend distribution								
Second Interim dividend distribution								
Third Interim dividend distribution								
First Interim dividend distribution	-	0.27	-	-	-	1.35	0.42	-
Date of Income Distribution	-	26-Jun-20	-	-	-	25-Aug-17	26-Aug-16	-
Total dividend distribution for the year/ period	-	0.27	-	-	-	1.35	0.42	-
AVERAGE RETURNS ( % )								
Average annual return 1 year	7.16%	-2.94%	-33.34%	*-16.26%	-8.54%	23.18%	4.11%	-1.12%
Average annual return 2 year	-15.48%	-9.85%	N/A	N/A	2.84%	13.25%	1.46%	15.70%
Average annual return 3 year	N/A	N/A	N/A	N/A	3.26%	8.24%	11.70%	27.52%
PORTFOLIO COMPOSITION - (%)								
Percentage of Assets as at 30 June:								
Bank Balances	5.32%	13.61%	2.86%	15.17%	6.59%	5%	6%	7%
GoP Ijarah Sukuks	-	-	-	-	-	-	-	-
Placement with Banks and DFIs	-	-	-	-	-	-	-	-
Corporate Sukuks	-	-	-	-	-	-	-	-
Stock / Equities	94.56%	84.72%	93.58%	83.72%	91.93%	94%	93%	92%
Others	0.12%	1.67%	3.56%	1.11%	1.49%	1%	1%	1%

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.

## PROXY VOTING DISCLOURE

Summary of Actual Proxy voted by CIS

HBL Investment Fund	Meetings	Resolutions	For	Against
Number	7	15	15	-
(%ages)		100%	100%	-

(h) AMC did not participate in shareholders' meetings

Investee Company	AGM Meeting Dt	EOGM Meeting Dt
Allied Bank Ltd	14/11/2018)(28/3/2019)(16/5/2019)	27/08/2018
Adamjee Insurance Co	27/09/2018)(29/4/2019)	25/02/2019
Amreli Steels Limited	23/10/2018	
Askari Bank Ltd	25/3/2019	
AGP Limited	17/4/2019	
Bank of Punjab	29/3/2019	
Bank Al Habib Ltd	27/3/2019	
Bank Alfalah Ltd	25/09/2018)(28/3/2019)	
DG Khan Cement Ltd	27/10/2018	17/4/2019
Engro Corporation Ltd	(3/12/2018)(24/4/2019)(13/5/2019)(17/6/2019)	(25/09/2018)(28/5/2019)
Engro Fertilizer Ltd	(2/10/2018)(26/11/2018)(28/3/2019)	27/5/2019
Engro Polymer & Chemicals Ltd	(18/09/2018)(1/4/2019)	
Fauji Fertilizer Bin Qasim Ltd	29/3/2019	
Fauji Fertilizer Co Ltd	(28/09/2018)(10/12/2018)(19/12/2018)(26/3/2019)(23/6/2019)	
Faysal Bank Limited	28/3/2019	07-10-18
Highnoon Lab	29/4/2019	31/08/2018
Habib Bank Limited	(19/09/2018)(17/12/2018)(27/3/2019)(21/6/2019)	21/6/2019
Hub Power Company Ltd	(5/10/2018)(30/4/2019)	(16/4/2019)
Hascol Petroleum	(18/09/2018)(19/11/2018)(29/4/2019)	10-10-18
International Industries Ltd	(28/09/2018)(22/3/2019)	
International Steels Limited	(25/09/2018)(22/3/2019)	
Kohat Cement Co Ltd	25/10/2018	29/6/2019
Kohinoor Textile Mill Ltd	27/10/2018)(21/3/2019)	
Lucky Cement Ltd	(28/09/2018)(27/10/2018)	
Lotte Chemical Pakistan Ltd	(19/11/2018)(18/4/2019)	
Maple Leaf Cement Factory	27/10/2018	
Mughal Iron & Steel Industries	27/10/2018	
Mari Petroleum Company Ltd	18/10/2018)(20/3/2019)	
Meezan Bank Ltd	2/10/2018)(28/3/2019)(20/5/2019)	17/11/2018
MCB Bank Ltd	(28/08/2018)(22/11/2018)(29/3/2019)(23/5/2019)	
Mughal iron & Steel	27/10/2018	
Nishat (Chunian) Ltd	26/10/2018)(17/4/2019)	20/08/2018
Nishat Mills Ltd	27/10/2018)(17/4/2019)	
Nishat Chunian Power Ltd	26/10/2018)(2/4/2019)(23/6/2019)	
Oil & Gas Development Co Ltd	(25/10/2018)(20/12/2018)(18/4/2019)(17/6/2019)	
Pakgen Power Ltd	30/4/2019	25/10/2018
Pakistan Petroleum Ltd	26/10/2018	
Pakistan Oilfields Ltd	(25/09/2018)(20/3/2019)	
Pakistan State Oil Company Ltd	(02/10/2018)(16/10/2018)(19/6/2019)	
Sitara Chemical Ind.	27/10/2018	20/6/2019
Sui Northern Gas Pipeline Ltd	23/5/2019	
TPL Insurance	(27/09/2018)(16/10/2018)(12/11/2018)(17/4/2019)	
Thal Limited	(22/10/2018)(20/3/2019)	
The Searle Company Ltd	22/11/2018	
United Bank Ltd	(18/09/2018)(19/11/2018)(28/3/2019)(16/6/2019)(18/6/2019)	

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office**

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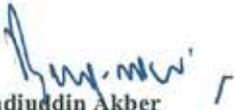
**TRUSTEE REPORT TO THE UNIT HOLDERS**

**HBL INVESTMENT FUND**

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

We, Central Depository Company of Pakistan Limited, being the Trustee of HBL 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, 2020 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 21, 2020



## INDEPENDENT AUDITORS' 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, 2020, 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, 2020, 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 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. 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.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investment</b></p> <p>Investments held at fair value through profit or loss and through other</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"> <li>obtained understanding of relevant controls placed by the Management Company applicable to the balance;</li> </ul>

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>comprehensive income are disclosed in note 6 to the financial statements and represent a significant portion of the net assets of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in equity securities; which is the main driver of the Fund's performance.</p> <p>Considering the above factors the valuation and existence are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<ul style="list-style-type: none"> <li>independently verified existence of investments from the Central Depository Company (CDC) account statement;</li> <li>independently tested the valuations directly with the prices quoted on Pakistan Stock Exchange Limited (PSX);</li> <li>performed test of details on sale and purchase of investments on a sample basis; and</li> <li>any differences identified during our testing that were over our acceptable threshold were investigated further.</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 audit report.

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 Those Charged with Governance 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 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 Those Charged with Governance of 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 Those Charged with Governance of 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 Those Charged with Governance of 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.



**Deloitte Yousuf Adil**  
Chartered Accountants

**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 Naresh Kumar.

  
Chartered Accountants

**Date:** September 24, 2020  
**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

**HBL Investment Fund**  
**Statement of Assets and Liabilities**  
*As at June 30, 2020*

		June 30, 2020			June 30, 2019		
		Class A	Class B	Total	Class A	Class B	Total
		----- (Rupees in '000) -----					
<b>Assets</b>							
Bank balances	5	98,673	183,558	282,231	49,550	390,621	440,171
Investments	6	1,754,372	1,142,187	2,896,559	1,619,479	2,154,419	3,773,898
Dividend receivable and accrued mark-up	7	2,211	852	3,063	61,446	4,254	65,700
Receivable against sale of investments		-	18,141	18,141	-	21,933	21,933
Advances and deposits	8	100	3,480	3,580	100	3,217	3,317
<b>Total assets</b>		<b>1,855,356</b>	<b>1,348,218</b>	<b>3,203,574</b>	<b>1,730,575</b>	<b>2,574,444</b>	<b>4,305,019</b>
<b>Liabilities</b>							
Payable to the Management Company	9	8,573	5,650	14,223	5,304	7,099	12,403
Payable to the Trustee	10	259	239	498	259	352	611
Payable to the Securities and Exchange Commission of Pakistan	11	371	329	700	2,156	2,548	4,704
Payable against purchase of investments		-	1,090	1,090	-	16,064	16,064
Accrued expenses and other liabilities	12	1,229	84,190	85,419	1,158	122,353	123,511
Unclaimed dividend		-	101,015	101,015	-	86,019	86,019
<b>Total liabilities</b>		<b>10,432</b>	<b>192,513</b>	<b>202,945</b>	<b>8,877</b>	<b>234,435</b>	<b>243,312</b>
<b>Net assets</b>		<b>1,844,924</b>	<b>1,155,705</b>	<b>3,000,629</b>	<b>1,721,698</b>	<b>2,340,009</b>	<b>4,061,707</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,844,924</b>	<b>1,155,705</b>	<b>3,000,629</b>	<b>1,721,698</b>	<b>2,340,009</b>	<b>4,061,707</b>
<b>Contingencies and commitments</b>							
		----- Number of units -----					
Number of units in issue	13	284,125,000	146,528,631		284,125,000	278,335,332	
		----- (Rupees) -----					
Net assets value per unit	4.8	6.4934	7.8872		6.0597	8.4072	

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 Investment Fund**  
**Income Statement**  
For the year ended June 30, 2020

Note	2020			2019			
	Class A	Class B	Total	Class A	Class B	Total	
----- (Rupees in '000) -----							
<b>Income</b>							
Capital gain / (loss) on sale of government securities	8	96,180	96,188	(80)	(151,542)	(151,622)	
Dividend income	42,639	77,148	119,787	95,713	117,340	213,053	
Income from government securities	1,967	860	2,827	356	891	1,247	
Mark-up on deposits with banks	10,949	27,506	38,455	5,209	36,288	41,497	
Back end load income	-	-	-	-	4,559	4,559	
Unrealised / (diminution) on remeasurement of investments classified as financial asset at fair value through profit or loss - net	6.1.1	(76,079)	(76,079)	-	(374,874)	(374,874)	
	55,563	125,615	181,178	101,198	(367,338)	(266,140)	
<b>Expenses</b>							
Remuneration of Management Company	9.1	36,470	31,958	68,428	45,382	53,645	99,027
Sindh Sales Tax on remuneration of the Management Company	9.2	4,741	4,154	8,895	5,900	6,974	12,874
Remuneration of Trustee		2,687	2,404	5,091	3,133	3,685	6,818
Annual fee to the Securities and Exchange Commission of Pakistan		371	329	700	2,156	2,548	4,704
Selling & marketing expense	9.4	15,422	13,249	28,671	9,020	10,609	19,629
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	5,768	5,023	10,791	2,269	2,682	4,951
Securities transaction costs		-	6,977	6,977	-	6,183	6,183
Auditors' remuneration	15	362	350	712	289	138	427
Printing charges		3	-	3	28	30	58
Fee and subscription charges		604	28	632	689	625	1,314
Settlement and bank charges		800	1,002	1,802	646	1,033	1,679
Conversion expense from closed end to open end fund		-	-	-	-	283	283
		67,228	65,474	132,702	69,512	88,435	157,947
<b>Net Income / (loss) from operating activities</b>		(11,665)	60,141	48,476	31,686	(455,773)	(424,087)
Provision for Sindh Workers' Welfare Fund	12.2	-	(1,203)	(1,203)	(634)	-	(634)
<b>Net income / (loss) for the year before taxation</b>		(11,665)	58,938	47,273	31,052	(455,773)	(424,721)
Taxation	16	-	-	-	-	-	-
<b>Net income / (loss) for the year after taxation</b>		(11,665)	58,938	47,273	31,052	(455,773)	(424,721)
<b>Allocation of net income / (loss) for the year:</b>							
Net income for the period		-	58,938	58,938	31,052	-	31,052
Income already paid on redemption of units		-	(789)	(789)	-	-	-
			58,149	58,149	31,052	-	31,052
<b>Accounting income available for distribution:</b>							
- Relating to capital gains		-	19,449	19,449	-	-	-
- Excluding capital gains		-	38,700	38,700	31,052	-	31,052
		-	58,149	58,149	31,052	-	31,052
<b>Earnings per unit</b>	17						

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 Investment Fund**  
**Statement of Comprehensive Income**  
*For the year ended June 30, 2020*

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
	------(Rupees in '000)-----					
Net income / (loss) for the year after taxation	(11,665)	58,938	47,273	31,052	(455,773)	(424,721)
<b>Items that will not be reclassified to income statement</b>						
Unrealised appreciation / (diminution) on re-measurement of investments	134,891	-	134,891	(891,965)	-	(891,965)
<b>Total comprehensive income / (loss) for the year</b>	<b>123,226</b>	<b>58,938</b>	<b>182,164</b>	<b>(860,913)</b>	<b>(455,773)</b>	<b>(1,316,686)</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**

# HBL Investment Fund

## Statement of Movement In Unitholders' Fund

For the year ended June 30, 2020

	2020						2019									
	Class A			Class B			Class A			Class B						
	Capital value	Accumulated loss	Unrealised income / (loss) on investment	Total	Capital value	Accumulated loss	Total	Capital value	Accumulated loss	Unrealised income / (loss) on investment	Premium on issue of certificates	General reserve	Total	Capital value	Accumulated loss	Total
	(Rupees in '000)															
<b>Net assets at beginning of the year</b>	2,841,250	(2,221,541)	1,101,989	1,721,698	2,784,354	(444,345)	2,340,009	2,841,250	(384,828)	1,993,954	984,688	225	5,435,289	-	-	-
Transfer from premium on issue of certificates	-	-	-	-	-	-	-	-	984,688	-	(984,688)	-	-	-	-	-
Transfer from general reserve	-	-	-	-	-	-	-	-	225	-	(225)	-	-	-	-	-
Issuance of Nil units (2019: 284,125,000 Class B units at the time of conversion)	-	-	-	-	-	-	-	-	984,913	-	(984,688)	(225)	-	-	-	-
Issuance of 15,865,632 units (2019: 5,352,206 units)	-	-	-	-	133,386	-	133,386	-	-	-	-	-	-	-	-	-
- Capital value (at net asset value per unit at the beginning of the year)	-	-	-	-	8,341	-	8,341	-	-	-	-	-	-	-	-	-
- Element of income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total proceeds on issuance of units	-	-	-	-	141,727	-	141,727	-	-	-	-	-	-	-	-	-
Redemption of 147,672,333 units (2019: 11,141,874 units)	-	-	-	-	(1,241,511)	-	(1,241,511)	-	-	-	-	-	-	-	-	-
- Capital value (at net asset value per unit at the beginning of the year)	-	-	-	-	(103,790)	-	(103,790)	-	-	-	-	-	-	-	-	-
- Element of loss	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Income paid on redemption of units	-	-	-	-	(789)	-	(789)	-	-	-	-	-	-	-	-	-
Total payment on redemption of units	-	-	-	-	(1,345,291)	-	(1,345,291)	-	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the year	-	(11,665)	-	(11,665)	-	58,938	58,938	-	31,052	-	-	-	31,052	-	(455,773)	(455,773)
Other comprehensive income / (loss) for the year	-	-	134,891	134,891	-	-	-	-	-	(891,965)	-	-	(891,965)	-	-	-
Distribution during the year of Rs. 0.27 per unit declared on June 28, 2020	-	-	-	-	-	(38,889)	(38,889)	-	-	-	-	-	-	-	-	-
Net income/(loss) for the year less distribution	-	(11,665)	134,891	123,226	-	20,049	20,049	-	31,052	(891,965)	-	-	(860,913)	-	(455,773)	(455,773)
<b>Net assets at end of the year</b>	<b>2,841,250</b>	<b>(2,233,206)</b>	<b>1,236,880</b>	<b>1,844,924</b>	<b>1,580,790</b>	<b>(425,085)</b>	<b>1,155,705</b>	<b>2,841,250</b>	<b>(2,221,541)</b>	<b>1,101,989</b>	<b>-</b>	<b>-</b>	<b>1,721,698</b>	<b>2,784,354</b>	<b>(444,345)</b>	<b>2,340,009</b>
<b>Undistributed income / (loss) brought forward</b>																
- Realised		(2,221,541)				(69,471)			(229,448)							
- Unrealised		-				(374,874)			(155,380)							
		<b>(2,221,541)</b>				<b>(444,345)</b>			<b>(384,828)</b>							
Transfer from premium on issue of certificates		-				-			984,688							
Transfer from general reserve		-				-			225							
Transferred to Class B - Segment on conversion of Fund		-				-			(2,852,678)						11,428	
Accounting Income / (loss) for the year available for distribution																
- Relating to capital gains						19,449										
- Excluding capital gains						38,700			31,052							
			(11,665)			58,149			31,052						(455,773)	
Distribution during the year						(38,889)			-							
<b>Accumulated loss carried forward</b>		<b>(2,233,206)</b>				<b>(425,085)</b>			<b>(2,221,541)</b>						<b>(444,345)</b>	
<b>Accumulated loss carried forward</b>																
- Realised		(2,233,206)				(340,005)			(2,221,541)						(69,471)	
- Unrealised		-				(76,079)			-						(374,874)	
		<b>(2,233,206)</b>				<b>(425,085)</b>			<b>(2,221,541)</b>						<b>(444,345)</b>	
Net assets value per unit at beginning of the year	6.0597				8.4072			9.0897					10.0402			
Net assets value per unit at end of the year	6.4934				7.8872			6.0597					8.4072			

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 Investment Fund**  
**Statement of Cash Flow**  
For the year ended June 30, 2020

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
Note -----(Rupees in '000)-----						
<b>Cash flow from operating activities</b>						
Net income / (loss) for the period before taxation	(11,665)	58,938	47,273	31,052	(455,773)	(424,721)
<b>Adjustments of non-cash items</b>						
Capital (gain) / loss on sale of investment	(8)	(96,180)	(96,188)	80	151,542	151,622
Income from government securities	(1,967)	(860)	(2,827)	(356)	(891)	(1,247)
Unrealised diminution on remeasurement of investments classified as financial asset at fair value through profit or loss - net	-	76,079	76,079	-	374,874	374,874
Dividend income	(42,639)	(77,148)	(119,787)	(95,713)	(117,340)	(213,053)
Mark-up on deposits with banks	(10,949)	(27,506)	(38,455)	(5,209)	(36,288)	(41,497)
	(67,228)	(66,677)	(133,905)	(70,146)	(83,876)	(154,022)
<b>(Increase) / decrease in assets</b>						
Investments	6	1,032,333	1,032,339	(80)	(13,110)	(13,190)
Receivable against sale of investments	-	3,792	3,792	-	(21,933)	(21,933)
Advances, deposits and prepayments	-	(263)	(263)	-	-	-
	6	1,035,862	1,035,868	(80)	(35,043)	(35,123)
<b>Increase / (decrease) in liabilities</b>						
Payable to Management Company	3,269	(1,449)	1,820	5,304	(3,590)	1,714
Payable to Central Depository Company of Pakistan Limited - Trustee	-	(113)	(113)	259	(69)	190
Payable to the Securities and Exchange Commission of Pakistan	(1,785)	(2,219)	(4,004)	2,156	(2,756)	(600)
Payable against purchase of investment	-	(14,974)	(14,974)	-	2,881	2,881
Accrued expenses and other liabilities	71	(38,163)	(38,092)	1,158	40,844	42,002
	1,555	(56,918)	(55,363)	8,877	37,310	46,187
<b>Cash (used in) / generated from operations</b>	(65,667)	912,267	846,600	(61,349)	(81,609)	(142,958)
Dividend received	102,108	78,670	180,778	105,712	121,434	227,146
Mark-up received on bank deposit	10,715	29,386	40,101	4,831	35,911	40,742
Income received from government securities	1,967	860	2,827	356	891	1,247
	114,790	108,916	223,706	110,899	158,236	269,135
<b>Net cash generated from operating activities</b>	49,123	1,021,183	1,070,306	49,550	76,627	126,177
<b>Cash flow from financing activities</b>						
Amount received on issue of units	-	141,727	141,727	-	52,869	52,869
Amount paid on redemption of units	-	(1,346,080)	(1,346,080)	-	(109,765)	(109,765)
Unclaimed dividend	-	14,996	14,996	-	(252)	(252)
Dividend paid	-	(38,889)	(38,889)	-	-	-
<b>Net cash used in financing activities</b>	-	(1,228,246)	(1,228,246)	-	(57,148)	(57,148)
Net increase in cash and cash equivalents	49,123	(207,063)	(157,940)	49,550	19,479	69,029
<b>Cash and cash equivalents at beginning of the year</b>	49,550	390,621	440,171	-	371,142	371,142
<b>Cash and cash equivalents at end of the year</b>	5	98,673	183,558	49,550	390,621	440,171

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. STATUS AND NATURE OF BUSINESS**

- 1.1** HBL Investment Fund was established under a Trust Deed, executed between HBL Asset Management Limited as the Management Company and Central Depository Company of Pakistan Limited as the Trustee.
- 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 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.

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 (the Plan) 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 (the Commission) on February 16, 2018.

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 Holder 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.

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.

- 1.5** JCR-VIS Credit Rating Company has assigned an asset manager rating of 'AM2+' (Positive outlook) to the Management Company.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company Limited as trustee of the Fund.
- 1.7** In March 2020, the World Health Organization ("WHO") declared the outbreak of the novel coronavirus (known as COVID-19) as a global pandemic. The rapid spread of the virus has caused governments around the world to implement stringent measures to help control its spread, including, without limitation, quarantines, "stay-at-home" or "shelter-in-place" orders, social-distancing mandates, travel restrictions, and closures or reduced operations for businesses, governmental agencies, schools and other institutions. The industry, along with global economic conditions generally, has been significantly disrupted by the pandemic.

The COVID-19 pandemic and associated impacts on economic activity had certain effect on the operational and financial condition of the Fund for the year ended June 30, 2020 due to increase in overall credit risk pertaining to the corporate debt instruments' portfolios of mutual funds, subdued equity market performance due to overall slowdown in economic activity and continuity of business operations. However, to reduce the impact on the performance of the Fund, regulators / governments across the country have introduced a host of measures on both the fiscal and economic fronts by issuing certain circulars and notifications from time to time.

The management of the Fund is closely monitoring the situation, and in response to the developments, the management has taken action to ensure the safety of its employees and other stakeholders, and initiated a number of initiatives.

## **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 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
- The requirements of the Trust Deed, the NBFC Rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the "NBFC Regulations") and the directives issued by the SECP.

Wherever provisions of and directives issued under the Companies Act, 2017, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRS, the provisions of and directives issued under the Companies Act, 2017, requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

### **2.2 Basis of measurement**

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

### **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 Critical accounting estimates and judgments**

The preparation of the financial statements in conformity with the approved accounting standards 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 its 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:

- (i) classification and valuation of financial assets (notes 4.2)

### 3. NEW ACCOUNTING STANDARDS / AMENDMENTS AND IFRS INTERPRETATIONS

#### 3.1 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2020

The following standards, amendments and interpretations are effective for the year ended June 30, 2020. These standards, amendments and interpretations 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>
IFRS 16 Leases	January 01, 2019
IFRS 14 – Regulatory Deferral Accounts	July 01, 2019
Amendments to IFRS 9 'Financial Instruments' - prepayment features with negative compensation	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 19 'Employee Benefits' - Plan amendment, curtailment or settlement	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments'	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs, which did not have material effect on the financial reporting of the Fund.

#### 3.2 New accounting standards / amendments and IFRS interpretations that are not yet effective

3.2.1 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, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting periods beginning on or after:</b>
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020

**Effective from accounting periods  
beginning on or after:**

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
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, which are not expected to have material effect on the financial reporting of the Fund.

Other than the aforesaid standards, interpretations and 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 accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the year ended June 30, 2019, unless otherwise stated below.

**4.1 Cash and cash equivalent**

Cash and cash equivalents comprise of bank balances including term deposits with banks (with maturity period of less than three months from the date of deposit) that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

**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. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

#### **4.2.1 Classification and measurement of financial assets**

IFRS 9 contains three principal classification categories for financial assets:

- Measured at amortized cost (“AC”),
- Fair value through other comprehensive income (“FVTOCI”) and
- Fair value through profit or loss (“FVTPL”).

Financial asset at amortised cost

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

- 1) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **Financial Asset at FVOCI**

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

- 1) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- 2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, for an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI, only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

FVOCI financial assets are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI.

#### **Financial asset at FVTPL**

All other financial assets are classified as measured at FVTPL (for example: equity held for trading and debt securities not classified either as AC or FVOCI).

In addition, on initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

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.

Financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the profit or loss

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

#### **4.2.1.1 Business Model Assessment**

The business model is determined under IFRS 9 at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. It is not an instrument-by-instrument analysis; rather it can be performed at a higher level aggregation. It is typically observable through the activities that the entity undertakes to achieve the objective of the business model; all relevant evidence that is available at the date of the assessment (including history of sales of the financial assets) are considered. Following three business models are defined under the IFRS 9:

- 1) Hold to collect business model
- 2) Hold to collect and sell business model
- 3) FVTPL business model

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors in the form of net asset value (NAV). The investment portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

#### **4.2.1.2 Regular way contracts**

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

#### **4.2.1.3 Recognition**

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

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

#### **4.2.1.4 Impairment of financial assets**

The SECP/Commission has 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. Meanwhile, asset management companies shall continue to follow the requirements of Circular 33 of 2012.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance of 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.

#### **4.2.2 Fair value measurement principles and provision**

The fair value of financial instruments is determined as follows:

##### **Basis of valuation of debt securities:**

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). 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 aforementioned 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.

##### **Basis of valuation of equity securities:**

The fair value of shares of listed companies is based on their prices quoted on the Pakistan Stock Exchange Limited at the reporting date without any deduction for estimated future selling costs.

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

Basis of valuation of securities at amortised cost:

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

Gains or losses are also recognised in the income statement when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

#### **4.2.4 Financial liabilities**

##### **4.2.4.1 Classification and measurement of financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss. The Fund does not have any financial liabilities designated as fair value through profit or loss.

#### **4.2.5 Derecognition**

##### **4.2.5.1 Financial assets**

The Fund derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all the associated risks and rewards of ownership to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying value and the sum of the consideration received and receivable is recognised in Income Statement.

##### **4.2.5.2 Financial liabilities**

The Fund derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the Income Statement.

#### **4.3 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.

#### **4.4 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.

#### **4.5 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 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 ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders.

#### **4.6 Dividend distribution**

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.

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

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

Element of income / (loss) represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

Further, the element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net assets value 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.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the fund.

#### **4.8 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 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.
- 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.
- Dividend income from equity securities is recognised when the right to receive dividend is established.
- Mark up / return on Term finance certificates, bank deposits and investment in debt securities are recognized on a time apportionment basis using effective interest method.

4.10 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.

5 BANK BALANCES

	Note	2020			2019		
		Class A	Class B	Total	Class A	Class B	Total
------(Rupees in '000)-----							
Savings accounts	5.1	<b>98,673</b>	<b>183,558</b>	<b>282,231</b>	49,550	390,621	440,171

5.1 These accounts carry mark-up at rates ranging between 7.00% and 14.05% (2019: 5.35% and 13.50%) per annum.

6 INVESTMENTS

	Note	2020			2019		
		Class A	Class B	Total	Class A	Class B	Total
------(Rupees in '000)-----							
<b>At fair value through profit or loss</b>							
- Listed equity securities	6.1	-	<b>1,142,187</b>	<b>1,142,187</b>	-	2,154,419	2,154,419
- Government Securities- Market Treasury Bills	6.2	-	-	-	-	-	-
<b>At fair value through other comprehensive income</b>							
- Listed equity securities	6.3	<b>1,754,372</b>	-	<b>1,754,372</b>	1,619,479	-	1,619,479
		<b>1,754,372</b>	<b>1,142,187</b>	<b>2,896,559</b>	1,619,479	2,154,419	3,773,898

6.1 Listed equity securities - At fair value through profit or loss

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

Name of the Investee Company	Number of shares					Market value as at June 30, 2020 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 01, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Total Investments	Net Assets	
------(Units in '000)-----									
<b>TEXTILE COMPOSITE</b>									
Gul Ahmed Textile Mills Limited	-	1,129,000	-	540,500	588,500	16,849	1.48%	1.46%	0.14%
Interloop Limited	799,642	249,500	-	769,500	279,642	12,282	1.08%	1.06%	0.03%
Kohinoor Textile Mills Limited	400,000	-	-	400,000	-	-	0.00%	0.00%	0.00%
Nishat Mills Limited	543,500	428,500	-	698,500	273,500	21,336	1.87%	1.85%	0.08%
	<b>1,743,142</b>	<b>1,807,000</b>	<b>-</b>	<b>2,408,500</b>	<b>1,141,642</b>	<b>50,467</b>			
<b>CEMENT</b>									
Cherat Cement Company Limited	-	210,000	-	29,000	181,000	15,778	1.38%	1.37%	0.09%
Kohat Cement Limited	204,500	158,000	-	239,000	123,500	16,975	1.49%	1.47%	0.06%
Lucky Cement Limited	156,700	180,000	-	162,500	174,200	80,407	7.04%	6.96%	0.05%
Maple Leaf Cement Factory Limited	-	1,883,000	-	1,195,000	688,000	17,874	1.56%	1.55%	0.06%
	<b>361,200</b>	<b>2,431,000</b>	<b>-</b>	<b>1,625,500</b>	<b>1,166,700</b>	<b>131,034</b>			
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Limited	1,789,409	463,500	-	1,506,000	746,909	54,151	4.74%	4.69%	0.06%
K-Electric Limited	5,572,000	1,055,000	-	3,986,500	2,640,500	7,948	0.70%	0.69%	0.01%
Nishat Chunian Power Limited	581,000	-	-	581,000	-	-	0.00%	0.00%	0.00%
Pakgen Power Limited	832,000	75,000	-	907,000	-	-	0.00%	0.00%	0.00%
	<b>8,774,409</b>	<b>1,593,500</b>	<b>-</b>	<b>6,980,500</b>	<b>3,387,409</b>	<b>62,099</b>			
<b>ENGINEERING</b>									
Aisha Steel Mills Ltd - Pref. Shares	130,000	-	-	130,000	-	-	0.00%	0.00%	0.00%
Aisha Steel Mills Ltd - Conv. Cum. Pref. Shares	1,065,000	-	-	-	1,065,000	45,795	4.01%	3.96%	37.11%
International Industries Limited	-	69,800	-	8,000	61,800	5,669	0.50%	0.49%	0.05%
International Steels Limited	-	461,000	-	204,000	257,000	13,274	1.16%	1.15%	0.06%
	<b>1,195,000</b>	<b>530,800</b>	<b>-</b>	<b>342,000</b>	<b>1,383,800</b>	<b>64,738</b>			
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>									
Thal Limited	217,800	80,500	-	215,500	82,800	26,905	2.36%	2.33%	0.20%
	<b>217,800</b>	<b>80,500</b>	<b>-</b>	<b>215,500</b>	<b>82,800</b>	<b>26,905</b>			
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Systems Limited	-	50,000	-	50,000	-	-	0.00%	0.00%	0.00%
	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>50,000</b>	<b>-</b>	<b>-</b>			
<b>PHARMACEUTICALS</b>									
AGP Limited	209,500	171,000	-	230,000	150,500	16,516	1.45%	1.43%	0.05%
GlaxoSmithKline Pakistan Ltd	-	85,900	-	-	85,900	14,953	1.31%	1.29%	0.03%
Highnoon Laboratories Limited	16,500	54,700	4,500	26,200	49,500	24,813	2.17%	2.15%	0.14%
The Searle Company Limited	76,996	76,000	-	84,000	68,996	13,746	1.20%	1.19%	0.03%
	<b>302,996</b>	<b>387,600</b>	<b>4,500</b>	<b>340,200</b>	<b>354,896</b>	<b>70,028</b>			
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	146,948	28,360	10,718	121,220	64,806	80,142	7.02%	6.93%	0.05%
Oil & Gas Development Company Limited	1,290,900	661,000	-	1,170,700	781,200	85,151	7.46%	7.37%	0.02%
Pakistan Oilfields Limited	237,560	66,000	-	287,060	16,500	5,785	0.51%	0.50%	0.01%
Pakistan Petroleum Limited	878,705	747,000	149,141	1,207,600	567,246	49,226	4.31%	4.26%	0.02%
	<b>2,554,113</b>	<b>1,502,360</b>	<b>159,859</b>	<b>2,786,580</b>	<b>1,429,752</b>	<b>220,304</b>			

# HBL Investment Fund

## Notes to the financial statements

For the year ended June 30, 2020

Name of the Investee Company	-----Number of shares-----					Market value as at June 30, 2020 (Rupees in '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 01, 2019	Purchases during the year	Bonus / Rights issue	Sales during the year	As at June 30, 2020		Total Investments	Net Assets	
------(Units in '000)-----									
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Pakistan State Oil Company Limited	484,360	336,800	65,032	651,500	234,692	37,119	3.25%	3.21%	0.05%
Sui Northern Gas Pipeline Limited	484,500	345,000	-	284,500	545,000	29,757	2.61%	2.57%	0.09%
	<b>968,860</b>	<b>681,800</b>	<b>65,032</b>	<b>936,000</b>	<b>779,692</b>	<b>66,876</b>			
<b>COMMERCIAL BANKS</b>									
Allied Bank Limited	729,600	104,000	-	833,600	-	-	0.00%	0.00%	0.00%
Bank Alfalah Limited	2,662,650	1,048,500	-	2,087,500	1,623,650	54,506	4.77%	4.72%	0.09%
Bank Al-Habib Limited	1,018,500	537,500	-	1,370,033	185,967	9,726	0.85%	0.84%	0.02%
Bank of Punjab Limited	5,028,000	4,229,000	-	5,172,500	4,084,500	34,310	3.00%	2.97%	0.15%
Bank Islami Pakistan Limited	-	584,500	-	-	584,500	4,419	0.39%	0.38%	0.05%
Faysal Bank Limited	18,000	-	-	-	18,000	251	0.02%	0.02%	0.00%
Habib Bank Limited**	1,002,700	458,300	-	1,195,400	265,600	25,729	2.25%	2.23%	0.02%
MCB Bank Limited	346,800	327,100	-	491,100	182,800	29,626	2.59%	2.56%	0.02%
National Bank of Pakistan Limited	548,500	1,276,000	-	1,344,500	480,000	13,272	1.16%	1.15%	0.02%
Standard Chartered Bank (Pakistan) Limited	-	127,000	-	-	127,000	3,498	0.31%	0.30%	0.00%
United Bank Limited	637,000	339,700	-	614,500	362,200	37,437	3.28%	3.24%	0.03%
	<b>11,991,750</b>	<b>9,031,600</b>	<b>-</b>	<b>13,109,133</b>	<b>7,914,217</b>	<b>212,774</b>			
<b>FERTILIZER</b>									
Engro Corporation Limited	538,700	137,100	-	461,500	214,300	62,773	5.50%	5.43%	0.04%
Engro Fertilizers Limited	1,172,000	538,500	-	1,419,000	291,500	17,572	1.54%	1.52%	0.02%
Fauji Fertilizer Company Limited	777,500	595,500	-	1,049,500	323,500	35,582	3.12%	3.08%	0.03%
	<b>2,488,200</b>	<b>1,271,100</b>	<b>-</b>	<b>2,930,000</b>	<b>829,300</b>	<b>115,927</b>			
<b>CHEMICAL</b>									
Engro Polymer & Chemicals Limited	1,726,462	1,219,000	-	2,378,000	567,462	14,175	1.24%	1.23%	0.06%
Lotte Chemical Pakistan Limited	786,000	1,538,500	-	2,324,500	-	-	0.00%	0.00%	0.00%
Sitara Chemical Industries Limited	17,900	54,300	-	8,000	64,200	17,790	1.56%	1.54%	0.30%
	<b>2,530,362</b>	<b>2,811,800</b>	<b>-</b>	<b>4,710,500</b>	<b>631,662</b>	<b>31,965</b>			
<b>TRANSPORT</b>									
Pakistan National Shipping Corp Limited	75,500	217,500	-	218,500	74,500	5,629	0.49%	0.49%	0.06%
	<b>75,500</b>	<b>217,500</b>	<b>-</b>	<b>218,500</b>	<b>74,500</b>	<b>5,629</b>			
<b>PAPER &amp; BOARD</b>									
Century Paper & Board Mills Limited	150,000	98,500	-	248,500	-	-	0.00%	0.00%	0.00%
	<b>150,000</b>	<b>98,500</b>	<b>-</b>	<b>248,500</b>	<b>-</b>	<b>-</b>			
<b>GLASS &amp; CERAMICS</b>									
Tariq Glass Industries Ltd	-	171,500	-	88,500	83,000	5,355	0.47%	0.46%	0.08%
	<b>-</b>	<b>171,500</b>	<b>-</b>	<b>88,500</b>	<b>83,000</b>	<b>5,355</b>			
<b>AUTOMOBILE ASSEMBLER</b>									
Sazgar Engineering Works Limited	-	25,000	-	25,000	-	-	0.00%	0.00%	0.00%
	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>25,000</b>	<b>-</b>	<b>-</b>			
<b>TEXTILE SPINNING</b>									
Sunshine Cloth*	50,000	-	-	-	50,000	-	0.00%	0.00%	0.00%
	<b>50,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>50,000</b>	<b>-</b>			
<b>TEXTILE WEAVING</b>									
Mohib Textile*	40,820	-	-	-	40,820	-	0.00%	0.00%	0.00%
	<b>40,820</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,820</b>	<b>-</b>			
<b>INSURANCE</b>									
Adamjee Insurance Company Limited	623,500	311,500	-	408,000	527,000	17,449	1.53%	1.51%	0.15%
IGI Holdings Limited	-	289,900	-	20,000	269,900	48,841	4.28%	4.23%	0.19%
TPL Insurance Limited	689	535,500	-	-	536,189	11,796	1.03%	1.02%	0.57%
	<b>624,189</b>	<b>1,136,900</b>	<b>-</b>	<b>428,000</b>	<b>1,333,089</b>	<b>78,086</b>			
<b>Total as at June 30, 2020</b>	<b>34,068,341</b>	<b>23,828,460</b>	<b>229,391</b>	<b>37,442,913</b>	<b>20,683,279</b>	<b>1,142,187</b>			
As at June 30, 2019	<b>30,583,317</b>	<b>29,282,266</b>	<b>567,333</b>	<b>26,384,575</b>	<b>34,088,341</b>	<b>2,154,419</b>			
<b>Carrying value as at June 30, 2020</b>						<b>1,218,266</b>			

\*Suspended/Delisted Companies

\*\*Sponsors of Management Company

**6.1.1** Net unrealised gain / (loss) on re-measurement of investments at fair value through profit or loss

	2020	2019
	----- Rupees in '000 -----	
Market value of investments	1,142,187	2,154,419
Less: carrying value of investments before mark to market	(1,218,266)	(2,529,293)
	<u>(76,079)</u>	<u>(374,874)</u>

**6.1.2** Investments include shares having market value aggregating to Rs. 163.138 million (June 30, 2019: Rs. 160.870 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.

**6.1.3** 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, 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 Sindh High Court has granted stay order till the final outcome of the case. However, the investee company(s) has withheld shares equivalent to 5% of bonus announcement of the Fund having aggregate fair market value of Rs. 0.426 million at June 30, 2020 (June 30, 2019: Rs. 0.415) and not yet deposited in CDC account of Department of Income tax. Management is of the view that the decision will be in their favor and accordingly has recorded the bonus shares on gross basis at fair value in its investments at year end.

**6.2** Financial assets at fair value through profit or loss - Market treasury bills

Issue date	Tenure	As at July 1, 2019	Purchase during the year	Sales during the year	As at June 30, 2020	Market value as at June 30, 2020 (In '000)	Market value as a percentage of net assets	Market value as a percentage of total investments
----- (Rupees in '000) -----								
October 24, 2019	3 months	-	70,000	70,000	-	-	-	-
November 7, 2019	3 months	-	50,000	50,000	-	-	-	-
<b>Total June 30, 2020</b>		-	<b>120,000</b>	<b>120,000</b>	-			
<b>Total June 30, 2019</b>		-	<b>140,000</b>	<b>140,000</b>	-			

**6.3** Listed equity securities - fair value through other comprehensive income

Name of investee company	Number of Shares					Market value as at June 30, 2020 (In '000)	Market value as a percentage of		Par value as a percentage of issued capital of the investee company
	As at July 1, 2019	Purchases during the year	Bonus Share	Sales during the year	As at June 30, 2020		Total Investments	Net Assets	
----- (Units in '000) -----									
<b>Oil and Gas Marketing Companies</b>									
Pakistan State Oil Company Limited (note 6.3.1 & 6.3.2)	8,527,893	-	1,705,578	-	10,233,471	1,618,526	92.26%	87.73%	2.18%
Sui Northern Gas Pipeline Limiter	2,488,024	-	-	-	2,488,024	135,846	7.74%	7.36%	0.39%
<b>Total June 30, 2020</b>	<b>11,015,917</b>	<b>-</b>	<b>1,705,578</b>	<b>-</b>	<b>12,721,495</b>	<b>1,754,372</b>			
Carrying value as June 30, 2020						<b>517,491</b>			

**6.3.1** Net unrealised gain / (loss) on re-measurement of investments at fair value through other comprehensive income

	2020	2019
	----- Rupees in '000 -----	-----
Market value of investments	<b>1,754,372</b>	1,619,480
Less: cost of investments	<b>(517,491)</b>	(2,511,445)
	<b>1,236,881</b>	(891,965)

**6.3.2** The above mentioned 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, 2008 does not apply to the above frozen shares.

**6.3.3** 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, 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. 13.488 million at June 30, 2020 (June 30, 2019: Rs. 12.054) 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.

**7** **DIVIDEND RECEIVABLE AND PROFIT RECEIVABLE**

	2020			2019		
Note	Class A	Class B	Total	Class A	Class B	Total
	----- (Rupees in '000) -----					
Profit receivable on bank deposits	612	841	1,453	378	2,721	3,099
Dividend receivable	1,599	11	1,610	61,068	1,533	62,601
	<b>2,211</b>	<b>852</b>	<b>3,063</b>	<b>61,446</b>	<b>4,254</b>	<b>65,700</b>

**8** **ADVANCES AND DEPOSITS**

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	-	780	780	-	517	517
	<b>100</b>	<b>3,480</b>	<b>3,580</b>	<b>100</b>	<b>3,217</b>	<b>3,317</b>

**9** **PAYABLE TO THE MANAGEMENT COMPANY**

Management fee	9.1	2,943	1,941	4,884	2,944	3,944	6,888
Sindh Sales Tax on Management Company's remuneration	9.2	383	252	635	383	513	896
Allocation of expenses related to registrar services, accounting, operation and valuation services	9.3	809	534	1,343	147	197	344
Selling and marketing payable	9.4	4,438	2,923	7,361	1,830	2,445	4,275
		<b>8,573</b>	<b>5,650</b>	<b>14,223</b>	<b>5,304</b>	<b>7,099</b>	<b>12,403</b>

- 9.1** Under the provisions of the Non-Banking Finance Companies & Notified Entities Regulations 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The management fee expense charged by the asset Management Company varied between 1.7% to 2% during the year. Currently, the management fee is charged at the rate of 2% of average annual net assets of the fund.
- 9.2** The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13 percent (2019: 13 percent) on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.
- 9.3** In accordance with Regulation 60 of the NBFC Regulations, the Management Company has charged expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS). The expense charged by the asset Management Company varied between 0.1% to 0.55% during the year. Currently, the expense is charged at the rate of 0.55% of average annual net assets of the fund.
- 9.4** SECP vide SRO 639(I)/2019 dated June 20, 2019 has removed cap of 0.4 percent (of average net assets, calculated on daily basis), on charging of selling and marketing expenses which are charged by Asset Management Companies to all categories of open-end mutual funds (except fund of funds). Resultantly, Management Company has charged selling and marketing expenses to the Fund. The selling and marketing expenses charged by the asset Management Company varied between 0.4% to 1.05% during the year. Currently, the selling and marketing expense is charged at the rate of 1.05% of average annual net assets of the fund.

**10 PAYABLE TO THE TRUSTEE**

Note	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
	-----('Rupees in '000)-----					
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	259	203	462	259	316	575
CDS charges payable	-	36	36	-	36	36
	<b>259</b>	<b>239</b>	<b>498</b>	<b>259</b>	<b>352</b>	<b>611</b>

- 10.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The fee is paid to the Trustee monthly in arrears.
- 10.2** The tariff structure applicable to the Fund is as follows:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
From 1 to 1000 million	Rs. 0.7 million or 0.20% p.a. of NAV whichever is higher
1,000 and above	Rs. 2.0 million plus 0.10% p.a. of NAV on amount exceeding Rs. 1,000 million

**11 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
	------(Rupees in '000)-----					
Annual fee	371	329	700	2,156	2,548	4,704

**11.1** SECP vide SRO 685(I)/2019 dated June 28, 2019 has revised the rate of annual fee at 0.02% of the net assets of the fund and accordingly such fee has been charged at the rate of 0.02% percent during the year.

**12 ACCRUED EXPENSES AND OTHER LIABILITIES**

Note	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
	------(Rupees in '000)-----					
Provision for Federal Excise Duty and additional sales tax on management fee	12.1	55,961	55,961	-	55,961	55,961
Provision for Sindh Workers' Welfare Fund	12.2	634	22,278	634	21,075	21,709
Printing charges		-	-	18	-	18
Auditors' remuneration		283	211	217	239	456
Security transaction costs		-	391	-	1,249	1,249
Withholding tax payable		312	4,182	289	404	693
Payable to Class A		-	-	-	42,284	42,284
Other Payables		-	1,167	-	1,141	1,141
		<b>1,229</b>	<b>84,190</b>	<b>1,158</b>	<b>122,353</b>	<b>123,511</b>

**12.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent 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 to be 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 ending June 30, 2019.

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. 55.961 million (2019: Rs. 55.961 million). Had the provision not being made, the Net Asset Value per certificate as at June 30, 2020 would have been higher by Rs.0.382 (2019: Rs. 0.201) per certificate.

**12.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) whereby all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs. 0.5 million in a tax year, were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF. In this regard, a constitutional petition was filed by certain CISs through their trustees in the High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

During 2013 and 2014, judgements were made by Sindh High Court (SHC) and Peshawar High Courts respectively in favor of and against amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding CIS from the definition of Industrial Establishment, and consequently CIS were no more liable to pay contribution to WWF with effect from July 1, 2015.

The Supreme Court of Pakistan (SCP) passed a judgment on November 10, 2016, deciding that amendments made through the Finance Acts through which WWF was levied, are unlawful, as such are not in nature of tax; therefore, it could not be introduced through the money bill. However, the Federal Board of Revenue has filed a review petition in the SCP against the said judgment, which is pending for hearing in the SCP.

The Government of Sindh also introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. On a query raised by Mutual Funds Association of Pakistan (MUFAP) on applicability of SWWF, 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

In 2017, MUFAP recommended to its members that effective from January 12, 2017, Workers' Welfare Fund (WWF) recognized earlier should be reversed in light of the decision made by the Supreme Court of Pakistan and Sindh Workers' Welfare Fund (SWWF) should be recognized effective from May 21, 2015.

MUFAP also communicated the above-mentioned decisions to the Securities and Exchange of Commission (SECP) through its letter dated January 12, 2017, and the SECP through its letter dated February 01, 2017 affirmed above decisions.

As a result of the above recommendations of the MUFAP, the Fund on January 12, 2017, reversed the provision of WWF amounting to Rs. 60.378 million and started recognising provision for SWWF.

As at June 30, 2020, the provision in relation to SWWF amounted to Rs. 0.634 and Rs.22.278 million (2019: Rs. 0.634 and 21.075 million) for Class A and Class B respectively in these financial statements. Had the provision not being made, the net asset value per unit as at June 30, 2020 would have been higher by Rs. 0.002 and Rs.0.152 for Class A and Class B respectively (2019: Rs. 0.002 and 0.076 for Class A and Class B) per certificate.

**13 NUMBER OF UNITS IN ISSUE**

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
Total units in issue at the beginning of the year	284,125,000	278,335,332	562,460,332	284,125,000	284,125,000	568,250,000
Units issued	-	15,865,63	15,865,632	-	5,352,20	5,352,205
Units redeemed	-	(147,672,333)	(147,672,333)	-	(11,141,873)	(11,141,873)
Total units in issue at the end of the year	284,125,000	146,528,631	430,653,631	284,125,000	278,335,332	562,460,332

**14 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at June 30, 2020 and June 30, 2019.

**15 AUDITORS' REMUNERATION**

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
	----- (Rupees in '000) -----					
Annual audit fee	280	182	462	195	80	275
Fee for half yearly review	72	64	136	72	49	121
Other certifications and out of pocket	10	104	114	22	9	31
	<b>362</b>	<b>350</b>	<b>712</b>	<b>289</b>	<b>138</b>	<b>427</b>

**16 TAXATION**

No provision for taxation has been made for Class A as the Fund has incurred a net loss in Class A. The Fund is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 if it has distributed more than 90 percent of its accounting income (excluding capital gains realised or unrealised). The Fund has distributed an amount of Rs. 38.889 million on June 30, 2020 being 100.5% percent of its accounting income (excluding capital gains realised or unrealised) in Class B and therefore has not accrued and recorded taxation charge for the year in Class B. The Fund is also exempt from provision of Section 113 (minimum tax) under clause 11A of Part IV of Second Schedule to the Income Tax Ordinance, 2001. Hence, no provision with respect to tax has been recognized in the 'Income statement' and 'Statement of comprehensive income'.

**17 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.

**18 FINANCIAL INSTRUMENTS BY CATEGORY**

	Class A		
	----- As on June 30, 2020 -----		
	At fair value through other comprehensive income	At Amortised Cost	Total
	----- Rupees in '000 -----		
<b>Assets</b>			
Bank balances	-	98,673	98,673
Investments	1,754,372	-	1,754,372
Dividend and profit receivable	-	2,211	2,211
Deposits		100	100
	<b>1,754,372</b>	<b>100,984</b>	<b>1,855,356</b>



Class A			
As on June 30, 2019			
	At fair value through other comprehensive	At Amortised Cost	Total
Rupees in '000			
<b>Assets</b>			
Bank balances	-	49,550	49,550
Investments	1,619,479	-	1,619,479
Dividend and profit receivable	-	61,446	61,446
Deposits		100	100
	<u>1,619,479</u>	<u>111,096</u>	<u>1,730,575</u>

Class A			
As on June 30, 2019			
	At fair value through profit or loss	At amortised cost	Total
Rupees in '000			
<b>Liabilities</b>			
Payable to the Management Company	-	4,921	4,921
Payable to the Trustee	-	259	259
Payable against purchase of investment	-	-	-
Accrued expenses and other liabilities	-	235	235
Unclaimed dividend	-	-	-
Net assets attributable to unitholder	-	1,721,698	1,721,698
	<u>-</u>	<u>1,727,113</u>	<u>1,727,113</u>

Class B			
As on June 30, 2019			
	At fair value through profit or loss	At Amortised Cost	Total
Rupees in '000			
<b>Assets</b>			
Bank balances	-	390,621	390,621
Investments	2,154,419	-	2,154,419
Dividend and profit receivable	-	4,254	4,254
Deposits		2,700	2,700
	<u>2,154,419</u>	<u>397,575</u>	<u>2,551,994</u>

	Class B		
	As on June 30, 2019		
	At fair value through profit or loss	At amortised cost	Total
	Rupees in '000		
Liabilities			
Payable to the Management Company	-	7,099	7,099
Payable to the Trustee	-	352	352
Payable against purchase of investment	-	16,064	16,064
Accrued expenses and other liabilities	-	44,913	44,913
Unclaimed dividend	-	86,019	86,019
Net assets attributable to unitholder	-	2,340,009	2,340,009
	-	2,494,456	2,494,456

## 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.

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

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
	(Rupees in '000)					
<b>HBL Asset Management Limited</b>						
Remuneration of Management Company	36,470	31,958	68,428	45,382	53,645	99,027
Sindh Sales Tax on remuneration of Management Company	4,741	4,154	8,895	5,900	6,974	12,874
Reimbursement of Fund Operations, accounting and Related costs	5,768	5,023	10,791	2,269	2,682	4,951
Selling and marketing expenses	15,422	13,249	28,671	9,020	10,609	19,629
Issuance of 6,873,603 units (2019: Nil units)	-	70,000	70,000	-	-	-
Redemption of 6,873,603 units (2019: Nil units)	-	67,669	67,669	-	-	-
<b>Habib Bank Limited - Sponsor</b>						
Dividend Income	-	2,719	2,719	-	4,494	4,494
Profit on bank deposits	-	48	48	-	28	28
Dividend paid	-	13,139	13,139	-	-	-
Issuance of 12 units (2019: Nil units)	-	0.10	0.10	-	-	-
<b>MCB Bank Limited - Connected Person due to holding more than 10% Certificate</b>						
Profit on bank deposits	13	14,043	14,056	1,048	8,475	9,523
Dividend Income	-	4,287	4,287	-	8,190	8,190

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
----- (Rupees in '000) -----						
<b>Central Depository Company of Pakistan Limited - Trustee</b>						
Remuneration	2,687	2,404	5,091	3,133	3,685	6,818
CDC Connection charges	768	404	1,172	632	400	1,032
<b>Aga Khan University Employees Provident Fund Trust</b>						
Redemption of nil units (2019: 588,000 units)	-	-	-	-	5,296	5,296
<b>Aga Khan University Employees Gratuity Fund Trust</b>						
Redemption of nil units (2019: 138,000 units)	-	-	-	-	1,243	1,243
<b>Jubilee General Insurance Company Limited</b>						
Issuance of 2,954 units (2019: Nil units)	-	23	23	-	-	-
Dividend paid	-	27	27	-	-	-
<b>Jubilee General Insurance Company Limited Staff Provident Fund Trust</b>						
Issuance of 3,486 units (2019: Nil units)	-	27	27	-	-	-
Dividend paid	-	32	32	-	-	-
<b>Jubilee General Insurance Company Limited Gratuity Fund Trust</b>						
Issuance of 6,592 units (2019: Nil units)	-	51	51	-	-	-
Dividend paid	-	60	60	-	-	-
<b>Directors and Executives of the Management Company</b>						
Issuance of 618 units (2019: Nil units)	-	5	5	-	-	-
Dividend paid	-	7	7	-	-	-
<b>HBL Islamic Asset Allocation Fund</b>						
Purchase of Oil & Gas Development Company Limited - nil shares (2019: 10,000 shares)	-	-	-	-	1,417	1,417
Purchase of Engro Polymer Chemical Limited - nil shares (2019: 35,000 shares)	-	-	-	-	1,261	1,261
Purchase of Maple Leaf Cement Factory Limited - nil shares (2019: 25,000 shares)	-	-	-	-	970	970
Purchase of Engro Fertilizers Limited - nil shares (2019: 15,000 shares)	-	-	-	-	1,076	1,076
Purchase of Pakistan State Oil Company Limited - nil shares (2019: 12,000 shares)	-	-	-	-	2,520	2,520
Purchase of Lotte Chemical Pakistan Limited - nil shares (2019: 30,000 shares)	-	-	-	-	412	412
Purchase of Lucky Cement Limited - nil shares (2019: 4,000 shares)	-	-	-	-	1,734	1,734
Purchase of Kohat Cement Limited - nil shares (2019: 8,000 shares)	-	-	-	-	703	703
Purchase of Hub Power Company Limited - nil shares (2019: 15,000 shares)	-	-	-	-	1,169	1,169
<b>HBL Islamic Dedicated Equity Fund</b>						
Purchase of Kohinoor Textile Mills Limited - nil shares (2019: 83,500 shares)	-	-	-	-	2,408	2,408
Purchase of The Searle Company Limited - nil shares (2019: 6,000 shares)	-	-	-	-	806	806
<b>HBL Islamic Equity Fund</b>						
Purchase of Sitara Chemical Industries Limited - nil shares (2019: 3,200 shares)	-	-	-	-	824	824

## 19.2 Balances outstanding at the year end

	2020			2019		
	Class A	Class B	Total	Class A	Class B	Total
	------(Rupees in '000)-----					
<b>HBL Asset Management Limited</b>						
Payable to the Management Company	2,943	1,941	4,884	2,944	3,944	6,888
Sindh Sales tax payable on remuneration to management company	383	252	635	383	513	896
Allocation of expenses related to registrar services, accounting, operation and valuation services	809	534	1,343	147	197	344
Selling and marketing expense	4,438	2,923	7,361	1,830	2,445	4,275
<b>Habib Bank Limited - Sponsor</b>						
Outstanding units: 48,662,161 (2019: 48,662,161 units)	486,622		486,622	486,622		486,622
Outstanding units : 48,662,173 (2019: 48,662,161units)		383,808	383,808		409,112	409,112
Bank balance	-	457	457	-	415	415
<b>Associated Companies</b>						
<b>Jubilee General Insurance Company Limited</b>						
Outstanding units: 100,379 (2019: 100,379 units)	1,004	-	1,004	1,004	-	1,004
Outstanding units : 103,333 (2019: 100,379 units)	-	815	815	-	844	844
<b>Jubilee General Insurance Company Limited Staff Provident Fund Trust</b>						
Certificates held: 118,454 (2019: 118,454 certificates)	1,184	-	1,184	1,184	-	1,184
Outstanding units: 121,940 (2019: 118,454 units)	-	962	962	-	996	996
<b>Jubilee General Insurance Company Limited Gratuity Fund Trust</b>						
Certificates held: 224,000 (2019: 224,000 certificates)	2,240	-	2,240	2,240	-	2,240
Outstanding units: 230,592 (2019: 224,000 units)	-	1,819	1,819	-	1,883	1,883
<b>Aga Khan University Employees Provident Fund Trust</b>						
Certificates held: 588,000 (2019: 588,000 certificates)	5,880	-	5,880	5,880	-	5,880
<b>Aga Khan University Employees Gratuity Fund Trust</b>						
Certificates held: 138,000 (2019: 138,000 certificates)	1,380	-	1,380	1,380	-	1,380
<b>MCB Bank Limited</b>						
<b>Connected Person Due to Holding more than 10% Certificate</b>						
Bank balance	122	175,935	176,057	122	175,935	176,057
Certificates held: 66,090,021 (2019: 66,090,021 certificates)	660,900	-	660,900	660,900	-	660,900
Outstanding units : 66,090,021 ( 2019: 66,090,021 units)	-	555,632	555,632	-	555,632	555,632
Profit receivable	-	669	669	-	707	707
<b>Central Depository Company Of Pakistan Limited - Trustee</b>						
Trustee fee payable	259	203	462	259	316	575
Security deposit held	100	200	300	100	200	300
CDC charges payable	-	36	36	-	36	36
<b>Directors and Executives of the Management Company</b>						
Outstanding units held: 26,195 (2019: 26,195 units)	262	-	262	262	-	262
Outstanding units : 26,813 (2019: 26,195 units)	-	211	211	-	220	220

## **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'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.

### **20.2 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 all transactions are carried out in Pak Rupees.

### **20.3 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 period would have increased / (decreased) by Rs.0.99 million and Rs.1.84 million (2019: Rs 0.50 million and Rs.3.91 million) of Class A and B respectively, had the interest rates on savings accounts with banks increased / (decreased) by 100 basis points.

#### **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.

### **20.4 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. 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 6.3.

In case of 5% increase / decrease in the fair value of the Fund's Class A equity securities on June 30, 2020, net assets of the Fund would have increased / decreased by Rs. 87.718 million (2019: Rs. 80.973 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, 2020, net assets of the Fund would have increased / decreased by Rs.57.109 million (2019: Rs. 107.721 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'.

## 20.5 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 deposits with banks and financial institutions and credit exposure arising as a result of dividend receivable on equity securities and profit receivable on bank deposits.

### 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.

The analysis below summaries the credit quality of the balances in deposit accounts with Banks with which the Fund has kept such balances as at June 30, 2020:

Name of the bank	Class A		
	Balance as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
Rupees in '000			
<b>Savings Accounts</b>			
MCB Bank Limited	135	AAA	PACRA
Soneri Bank	892	AA-	PACRA
JS Bank Limited	97,604	AA-	PACRA
Zarai Taraqati Bank Limited	42	AAA	JCR-VIS
	98,673		

Class B			
Name of the bank	Balance as at June 30, 2020	Latest available published rating as at June 30, 2020	Rating agency
Rupees in '000			
<b>Savings Accounts</b>			
MCB Bank Limited	152,574	AAA	PACRA
Soneri Bank	2,700	AA-	PACRA
Habib Bank Limited	457	AAA	JCR-VIS
JS Bank Limited	27,807	AA-	PACRA
Zarai Taraqiati Bank Limited	20	AAA	JCR-VIS
	183,558		

Class A			
Name of the bank	Balance as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
Rupees in '000			
<b>Savings Account</b>			
MCB Bank Limite	12	AAA	PACRA
Soneri Ban	41,28	AA-	PACRA
JS Bank Limite	8,13	AA-	PACRA
	49,550		

Class B			
Name of the bank	Balance as at June 30, 2019	Latest available published rating as at June 30, 2019	Rating agency
Rupees in '000			
<b>Savings Accounts</b>			
MCB Bank Limited	175,936	AAA	PACRA
Soneri Bank	185,337	AA-	PACRA
Habib Bank Limited	415	AAA	JCR-VIS
JS Bank Limited	28,932	AA-	PACRA
	390,621		

The maximum exposure to credit risk before considering any collateral as at June 30, 2019 and June 30, 2018 is the carrying amount of the financial assets. Investments in equity securities, however, are not exposed to credit risk. None of these assets are 'impaired' nor 'past due but not impaired'.

#### **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.

## 20.6 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.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through other facilities. The Fund manages the liquidity risk by maintaining sufficient cash balance with banks and marketable securities.

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				
----- As at June 30, 2020 -----				
Upto three months	More than three months and upto one year	More than one year	Total	
----- Rupees in '000 -----				
Payable to the Management Company	8,573	-	-	8,573
Payable to the Trustee	259	-	-	259
Accrued expenses and other liabilities	283	-	-	283
	<b>9,115</b>	<b>-</b>	<b>-</b>	<b>9,115</b>

Class B				
----- As at June 30, 2020 -----				
Upto three months	More than three months and upto one year	More than one year	Total	
----- Rupees in '000 -----				
Payable to the Management Company	5,650	-	-	5,650
Payable to the Trustee	239	-	-	239
Payable against purchase of investment	1,090	-	-	1,090
Accrued expenses and other liabilities	1,769	-	-	1,769
Unclaimed dividend	101,015	-	-	101,015
	<b>109,763</b>	<b>-</b>	<b>-</b>	<b>109,763</b>

Class A

----- As at June 30, 2019 -----

Upto three months	More than three months and upto one year	More than one year	Total	
----- Rupees in '000 -----				
Payable to the Management Company	5,304	-	-	5,304
Payable to the Trustee	259	-	-	259
Accrued expenses and other liabilities	235	-	-	235
	<u>5,798</u>	<u>-</u>	<u>-</u>	<u>5,798</u>

Liabilities

Class B

----- As at June 30, 2019 -----

Upto three months	More than three months and upto one year	More than one year	Total	
----- Rupees in '000 -----				
Payable to the Management Company	7,099	-	-	7,099
Payable to the Trustee	352	-	-	352
Payable against purchase of investment	16,064	-	-	16,064
Accrued expenses and other liabilities	45,317	-	-	45,317
Unclaimed dividend	86,019	-	-	86,019
	<u>154,851</u>	<u>-</u>	<u>-</u>	<u>154,851</u>

Liabilities

**21 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 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.

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.

Class A								
June 30, 2020								
Carrying amount				Fair Value				
Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----								
<b>Financial assets measured at fair value</b>								
Investments - Listed equity securities	-	1,754,372	-	1,754,372	1,754,372	-	-	1,754,372
	-	1,754,372	-	1,754,372	1,754,372	-	-	1,754,372
<b>Financial assets not measured at fair value</b>								
Bank balances	-	-	98,673	98,673				
Dividend and profit receivable	-	-	2,211	2,211				
	-	-	100,884	100,884				
<b>Financial liabilities not measured at fair value</b>								
Payable to Management Company	-	-	8,573	8,573				
Payable to Trustee	-	-	259	259				
Accrued expenses and other liabilities	-	-	283	283				
Net assets attributable to unitholders			1,844,924	1,844,924				
			1,854,039	1,854,039				
Class B								
June 30, 2020								
Carrying amount				Fair Value				
Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----								
<b>Financial assets measured at fair value</b>								
Investments - Listed equity securities	1,142,187	-	1,142,187	1,142,187	-	-	1,142,187	
	1,142,187	-	1,142,187	1,142,187	-	-	1,142,187	
<b>Financial assets not measured at fair value</b>								
Bank balances	-	-	183,558	183,558				
Dividend and profit receivable	-	-	852	852				
	-	-	184,410	184,410				
<b>Financial liabilities not measured at fair value</b>								
Payable to Management Company	-	-	5,650	5,650				
Payable to Trustee	-	-	239	239				
Payable against purchase of investment	-	-	1,090	1,090				
Accrued expenses and other liabilities	-	-	1,769	1,769				
Unclaimed dividend	-	-	101,015	101,015				
Net assets attributable to unitholders			1,155,705	1,155,705				
			1,265,468	1,265,468				

	Class A							
	June 30, 2019				Fair Value			
	Carrying amount							
Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----								
Financial assets measured at fair value								
Investments - Listed equity securities	-	1,619,479	-	1,619,479	1,619,479	-	-	1,619,479
	-	1,619,479	-	1,619,479	1,619,479	-	-	1,619,479
Financial assets not measured at fair value								
Bank balances	-	-	49,550	49,550				
Dividend and profit receivable	-	-	61,446	61,446				
	-	-	110,996	110,996				
Financial liabilities not measured at fair value								
Payable to Management Company Payable to Trustee		-	5,304	5,304				
Payable against purchase of investment		-	259	259				
Accrued expenses and other liabilities		-	235	235				
Unclaimed dividend		-	-	-				
Net assets attributable to unitholders		-	1,721,698	1,721,698				
		-	1,727,496	1,727,496				
----- (Rupees in '000) -----								
	Class B							
	June 30, 2019				Fair Value			
	Carrying amount							
Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----								
Financial assets measured at fair value								
Investments - Listed equity securities	2,154,419	-	2,154,419	2,154,419	-	-	2,154,419	
	2,154,419	-	2,154,419	2,154,419	-	-	2,154,419	
Financial assets not measured at fair value								
Bank balances	-	-	390,621	390,621				
Dividend and profit receivable	-	-	4,254	4,254				
	-	-	394,875	394,875				
Financial liabilities not measured at fair value								
Payable to Management Company Payable to Trustee		-	7,099	7,099				
Payable against purchase of investment		-	352	352				
Accrued expenses and other liabilities		-	16,064	16,064				
Unclaimed dividend		-	44,913	44,913				
Net assets attributable to unitholders		-	2,340,009	2,340,009				
		-	2,408,437	2,408,437				

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.

### Transfers during the year

There were no transfers between various levels of fair value hierarchy during the year.

**22 LIST OF TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID / PAYABLE**

Top ten brokers during the year ended June 30, 2020

- 1 EFG Hermes Pakistan Limited
- 2 Intermarket Securities Ltd.
- 3 JS Global Capital Ltd
- 4 DJM Securities Limited
- 5 Optimus Capital Management (Private) Limited
- 6 Ismail Iqbal Securities (Private) Limited
- 7 Topline Securities (Private) Limited
- 8 Taurus Securities Limited
- 9 Monaco Securities (Private) Limited
- 10 Fortune Securities Limited

Top ten brokers during the year ended June 30, 2019

- 1 AL Falah Securities (Private) Limited
- 2 Arif Habib Limited
- 3 BMA Capital Management Limited
- 4 DJM Securities (Private) Limited
- 5 EFG Hermes Pakistan Limited
- 6 Intermarket Securities Limited
- 7 JS Global Capital Limited
- 8 Optimus Capital Management (Private) Limited
- 9 Taurus Securities Limited
- 10 Topline Securities (Private) Limited

**23 PARTICULARS OF THE INVESTMENT COMMITTEE**

Details of members of the Investment Committee of the Fund as on June 30, 2020 are as follows:

S.no.	Name	Designation	Qualification	Experience in years
1	Mir Adil Rashid	Chief Executive Officer	BSc	21 + years
2	Adeel Abdul Wahab	Head of Equity	ACCA	12+ years
3	Raza Inam	Acting Head of Research	Bsc (Hons), CFA	7+ years
4	Karim Khawaja	Head of Risk	MBA, CMA	17 + years

**24 PATTERN OF UNITHOLDING**

Category	Class A			
	As at June 30, 2020 -----			
	Number of units holders	Number of units held	Unit holding or investment Rupees in '000	Percentage of total
Individuals	15,000	97,731,966	634,608	34.40%
Associated Companies and Directors	11	60,026,037	389,770	21.13%
Insurance Companies	15	5,936,530	38,548	2.09%
NBFCs	20	45,648	296	0.02%
Bank/DFIs	24	76,116,997	494,255	26.79%
Foreign companies	3	22,356,706	145,170	7.87%
Modarabas	4	6,084	40	0.00%
Foreign Individuals	119	5,955,262	38,670	2.10%
Others	97	15,949,770	103,567	5.61%
	<b>15,293</b>	<b>284,125,000</b>	<b>1,844,924</b>	<b>100%</b>

Class B				
As at June 30, 2020 -----				
Category	Number of units holders	Number of units held	Unit holding or investment Rupees in '000	Percentage of total
Individuals	14,837	73,788,082	581,984	50.36%
Associated Companies and Directors	8	49,207,357	388,110	33.58%
Insurance Companies	13	5,942,712	46,872	4.06%
Trust	12	5,971,516	47,099	4.08%
Bank/DFIs	15	7,808,436	61,586	5.33%
Retirement Funds	6	1,442,757	11,379	0.98%
Other Corporate	107	2,367,772	18,675	1.62%
	<b>14,998</b>	<b>146,528,632</b>	<b>1,155,705</b>	<b>100%</b>

Class A				
As at June 30, 2019 -----				
Category	Number of units holders	Number of units held	Unit holding or investment amount Rupees in '000	Percentage of total
Individuals	15,000	97,731,966	592,222	34.40%
Associated Companies and Directors	11	60,026,037	363,737	21.13%
Insurance Companies	15	5,936,530	35,973	2.09%
NBFCs	20	45,648	277	0.02%
Bank/DFIs	24	76,116,997	461,242	26.79%
Foreign companies	3	22,356,706	135,474	7.87%
Modarabas	4	6,084	37	0.00%
Foreign Individuals	119	5,955,262	36,087	2.10%
Others	97	15,949,770	96,650	5.61%
	<b>15,293</b>	<b>284,125,000</b>	<b>1,721,698</b>	<b>100%</b>

Class B				
As at June 30, 2019 -----				
Category	Number of units holders	Number of units held	Unit holding or investment amount Rupees in '000	Percentage of total
Individuals	15,067	100,511,434	845,015	36.11%
Associated Companies and Directors	8	49,191,909	413,565	17.67%
Insurance Companies	14	5,919,284	49,764	2.13%
Trust	15	33,869,086	284,743	12.17%
Bank/DFIs	17	73,875,322	621,080	26.54%
Retirement Funds	7	1,416,646	11,910	0.51%
Other Corporate	111	13,551,651	113,931	4.87%
	<b>15,239</b>	<b>278,335,332</b>	<b>2,340,009</b>	<b>100%</b>

**25 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY**

Five meetings of the Board of Directors were held on August 29, 2019, October 29, 2019, February 13, 2020, March 02, 2020 and April 29, 2020 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. Farid Ahmed Khan <sup>1</sup>	1	1	-	4
2	Mr. Mir Adil Rashid <sup>2</sup>	4	4	-	1
3	Ms. Ava A. Cowasjee	5	5	-	-
4	Mr. Rayomond H. Kotwal	5	5	-	-
5	Mr. Rizwan Haider	5	5	-	-
6	Mr. Shabbir Hussain Hashmi	5	5	-	-
7	Mr. Shahid Ghaffar	5	5	-	-
8	Mr. Aamir Hasan Irshad <sup>5</sup>	5	5	-	-
8	Mr. Atif Aslam Bajwa <sup>3,4</sup>	2	1	1	3

1 Resigned on September 15, 2019.

2 Appointed on September 16, 2019.

3 Appointed on October 29, 2019.

4 Resigned on February 24, 2020.

5 Resigned on May 14, 2020.

## 26 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, 2020 of Class A is 3.62% and of Class B is 4.06% (2019: 3.09% and 3.30% respectively) which includes 0.29% of Class A and 0.42% of Class B (2019: 0.40% and 0.41% respectively) representing government levy and SECP fee.

## 27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 27, 2020 by the Board of Directors of the Management Company.

## 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

Figures have been rounded off to the nearest thousand Rupees.

**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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