

Funds Managed by:
AKD Investment Management Ltd.

2021



annual report



Partner with AKD
Profit from the Experience



**AKD Investment
Management Ltd.**

CORPORATE INFORMATION



Abdul Karim
Chairman



Imran Motiwala
Chief Executive Officer



Hasan Ahmed
Director



Anum Dhedhi
Director



Ali Wahab Siddiqui
Director



Aysha Ahmed
Director



Saim Mustafa Zuberi
Director

MANAGEMENT COMPANY

216-217, Continental Trade Centre, Block-8,
Clifton, Karachi-74000

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

Chairman

Mr. Abdul Karim

Director & Chief Executive Officer

Mr. Imran Motiwala

Director

Ms. Anum Dhedhi

Ms. Aysha Ahmed

Mr. Ali Wahab Siddiqui

Mr. Hasan Ahmed

Mr. Saim Mustafa Zuberi

CHIEF OPERATING OFFICER AND COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Mr. Muhammad Yaqoob Sultan, CFA

CHIEF FINANCIAL OFFICER OF THE MANAGEMENT COMPANY

Muhammad Munir Abdullah

HEAD OF INTERNAL AUDIT OF THE MANAGEMENT COMPANY

Ms. Tayyaba Masoom Ali

AUDIT COMMITTEE

Mr. Ali Wahab Siddiqui (Chairman)

Mr. Hasan Ahmed (Member)

Mr. Saim Mustafa Zuberi (Member)

Ms. Tayyaba Masoom Ali (Secretary)

HUMAN RESOURCE AND REMUNERATION (HR & R) COMMITTEE

Ms. Aysha Ahmed (Chairman)

Mr. Abdul Karim (Member)

Mr. Imran Motiwala (Member)

Ms. Anum Dhedhi (Member)

Mr. Saim Mustafa Zuberi (Member)

Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

RATING

AKD Investment Management Limited
AM3++ (AM Three Plus Plus) issued by PACRA

**CORPORATE
INFORMATION**

VISION



To serve investors in Pakistan's capital markets with diligence, integrity and professionalism, thereby delivering consistent superior returns and unparalleled customer service.

MISSION STATEMENT



AKD Funds shall continuously strive to:

- ▶ *Keep primary focus on investing clients' interest*
- ▶ *Achieve highest standards of regulatory compliance and good governance*
- ▶ *Prioritize risk management while endeavoring to provide inflation adjusted returns on original investment*
- ▶ *Enable the investing public and clients to make AKDIML Funds a preferred part of their overall savings and investment management strategy*
- ▶ *Distinguish themselves and compete on the basis of unparalleled service quality while setting industry standards for professionalism, transparency and consistent superior performance*
- ▶ *Foster and encourage technical, professional, ethical development of human capital to provide our people the best opportunities and environment for their personal growth*

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of AKD Investment Management Limited (AKDIML), the Management Company of AKD Opportunity Fund (AKDOF), Golden Arrow Stock Fund (GASF) - (*Formerly: Golden Arrow Selected Stocks Fund Limited*), AKD Index Tracker Fund (AKDITF), AKD Cash Fund (AKDCF) AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF) and AKD Islamic Stock Fund (AKDISSF) is pleased to present its annual report along with the Funds' Audited Financial Statements for the year ended June 30, 2021.

FUNDS' FINANCIAL PERFORMANCE

AKD Opportunity Fund (AKDOF)

For the FY21, the return of AKD Opportunity Fund stood at 103.76% compared to the benchmark KSE-100 Index return of 37.58%.

Golden Arrow Stock Fund (GASF)

For the FY21, the return of Golden Arrow Stock Fund stood at 113.80% compared to the benchmark KSE-100 Index return of 37.58%.

AKD Index Tracker Fund (AKDITF)

For the FY21, the return of AKD Index Tracker Fund stood at 34.58% compared to the benchmark KSE-100 Index return of 37.58%.

The Chief Executive under the authority granted by the Board of Directors approved total distribution (including refund of element) of Rs. 0.63153 per unit to the unit holders during the year ended June 30, 2021.

AKD Cash Fund (AKDCF)

For the FY21, the return of AKD Cash Fund stood at 6.38% compared to the benchmark return of 6.70%.

The Chief Executive under the authority granted by the Board of Directors approved total distribution (including refund of element) of Rs. 3.17886 per unit to the unit holders during the year ended June 30, 2021.

AKD Aggressive Income Fund (AKDAIF)

For the FY21, the return of AKD Aggressive Income Fund stood at 7.08% compared to the benchmark return of 7.76%.

The Chief Executive under the authority granted by the Board of Directors approved total distribution (including refund of element) of Rs. 3.50400 per unit to the unit holders during the year ended June 30, 2021.

AKD Islamic Income Fund (AKDISIF)

For the FY21, the return of AKD Islamic Income Fund stood at 6.95% compared to the benchmark return of 3.55%.

The Chief Executive under the authority granted by the Board of Directors approved total distribution (including refund of element) of Rs. 3.23485 per unit to the unit holders during the year ended June 30, 2021.

AKD Islamic Stock Fund (AKDISSF)

For the FY21, the return of AKD Islamic Stock Fund stood at 66.48% compared to the benchmark KMI-30 Index return of 39.32%.

MACRO PERSPECTIVE

Pakistan's economy witnessed robust recovery in FY21 posting a provisional GDP growth of 3.94% compared to negative growth of 0.47% during FY20. This was much more than the forecasted growth of 2.1%. The higher than expected growth in GDP was on the back of 4.43% growth from the Services sector and exceptional growth in Large Scale Manufacturing of 9.29%. Fiscal deficit during the period also showed improvement posting 7.1% of GDP as compared to 8.1% of GDP during FY20. On the external front forex reserves stood at US\$24.4 bn (June 2021) providing import cover of more than 4 months.

The Current Account position remained fairly stable throughout FY21 with the year closing at a deficit of US\$1.8bn as compared to a deficit \$4.45 billion during FY20. External account remained positive during 1HFY21 with a Current Account Surplus of \$1.25 billion (0.86% of GDP), while the momentum tapered off in during the latter of the fiscal year on the back of import of plant & machinery (TERF (Temporary Economic Refinance Facility) related) and higher crude oil prices. Exports of Goods surged by 13.74%YoY to \$25.63 billion largely on back of textile exports. Remittances meanwhile posted phenomenal growth of 27%YoY to \$29.37 billion providing fiscal space and keeping the current account deficit in check. Foreign Direct Investment (FDI) registered a decline of 28.95% to \$1.85 billion. That said, the Government's efforts to attract Non-Resident Pakistani money paid off attracting \$1.56 billion through

Roshan Digital Accounts (RDA) with more than 180,000 accounts opened primarily by Non-Resident Pakistanis by June end FY21. Pakistan also raised US\$2.5 billion from the international capital market through long term Eurobonds under its first ever Global Medium Term Note Program. The IMF during the year cautioned economic managers globally that the pandemic posed several challenges with a need to be proactive in protecting themselves from the economic fallout, while also appreciating our government's policies and initiatives in this regard during these testing times.

On the fiscal front, tax collection figures posted an encouraging growth trend of 18% YoY during FY21 clocking in at PKR 4.7trn, comfortably above the revised target of PkR4.6trn. This took the provisional fiscal deficit during FY21 to 7.1% as opposed to 8.1% during FY20 and the stated target of 7%. In terms of primary deficit, FY21 closed with a deficit of 1.12% which marked a significant annual improvement where the same clocked in at 1.8% in FY20.

Controlling inflation remained challenging where CPI during FY21 was recorded at 8.90% YoY in spite of a high base effect and compared to 10.74%YoY in FY20. With Inflation remaining in the target zone and focus on growth, the State Bank of Pakistan (SBP) maintained the interest rate at 7.00% during FY21. At the same time to facilitate the business community and promote capital expenditure, the SBP offered TERF, a financing facility for 10 years at a fixed rate priced significantly below the discount rate primarily for import of new machinery. Till the cut-off date of availing this facility reportedly the SBP had approved facilities to various manufacturing concerns in amount of Rs435.7bn against which it had already disbursed approximately Rs163.0bn during the current fiscal year.

The Large Scale Manufacturing (LSM) sector witnessed a swift recovery posting a growth of 14.85% during FY21 as compared to decline of 10.17% in FY20. During the period under review, major contribution towards the growth came from Textile, Non Metallic Mineral Products, Food, Beverages & Tobacco and Automobiles to name a few. However, overall growth during the period was kept in check by sectors that posted negative growth including Leather Products and Electronics.

Furthermore, Pakistan was able to attract net \$1.85 bn in Foreign Direct Investment (FDI) during FY21, down by 29%YoY as compared to \$2.60 recorded during FY20. Decrease in net inflows can be attributed to a high base effect where net FDI inflows have surged at a two year CAGR of 16.42% against \$1.36 billion recorded during FY19. Power sector, Oil and Gas Explorations and Financial Business remained the major sectors to attract a net cumulative FDI of \$1.38 bn alone.

Local currency remained strong during the year where PKR-US\$ appreciated by 6.67%YoY to close at PKR 157.54 per. Positivity in local currency was supported by a sustainable external account balance where Current Account witnessed surplus of \$1.25 bn during 1HFY21. Moreover, the Real Effective Exchange Rate (REER) remained below 100 during 9 months of the fiscal year.

EQUITY MARKET REVIEW

FY21 turned out to be an optimistic year for the local bourse where the benchmark KSE-100 index remained buoyant and posted a 7-year highest return of 37.58% (USD 46.75%) to close at 47,356pts. This was on the back of Government's pro-growth policies, surplus in External Account balance and revival of economic activities. The improved performance of the market was in spite of unprecedented challenges posed by the COVID19 pandemic and with it the economic uncertainty; under which the government and central bank have been hailed by the business community and market players alike for the proactive measures taken to ensure the economy weathers these difficult times. Needless to say, after touching a 4 year high of 48,726 (June14, 2021), the KSE-100 index witnessed a correction on the back of profit taking.

Average daily turnover during FY21 surged by an impressive 168.32% clocking in at 527.52 million shares as compared 196.60 million shares during FY20 as negative real interest rates helped the local bourse in attracting liquidity. Moreover, the discontinuation of larger denominated bearer bonds (another government initiative to discourage the movement of undocumented money) also supported the stock market an exceedingly viable option for declared wealth in attracting liquidity. However, continued foreign institutional selling led to investors moving to second/third tier counters and following the incredible re-rating of TRG's stock price, the technology sector has driven the limelight. Overwhelming response was witnessed for fresh equity issues where seven new companies (ex-spo and preference shares) were oversubscribed by 2.2x on average fetching approximately Rs17.17 bn. Moreover, ~24 companies issued right shares successfully raising PKR 49.55bn during outgoing year.

Foreign investors continued to remain net sellers in the equities with net outflow of \$387.34 million during FY21, taking the cumulative outflow since FY16 to \$2.25 billion. During FY21, Banks/DFI and Broker Proprietary disinvested their positions with a net selling of \$94.76 million and \$32.19 million respectively, while much of this selling was absorbed by Individuals and Companies with net buying of \$332.07 million and \$137.80 million respectively.

Major outperformance was witnessed in sectors including Cement, Commercial Banks, Technology & Communication and Food & Personal Care Products. However, some of the gains were diluted by negative performance from Tobacco, Oil & Gas Exploration Companies and Vanaspati & Allied Industries. Total Market Capitalization ratio to GDP increased to 17.40% in FY21 as compared to 15.71% recorded during FY20.

In terms of valuation, the KSE-100 Index closed at a forward Price to Earnings Multiple of 5.95x, which is a 60.14% discount as compared to MSCI Frontier Markets P/E of 14.93x and offering a healthy dividend yield of 5.9%, approximately 150bps below the risk free rate.

MONEY MARKET REVIEW

During FY21, twenty six (26) Market Treasury Bills (MTBs) auctions were carried out by the State Bank of Pakistan, where the government managed to raise PKR 15.23 trn cumulatively. The Weighted average yield of 3 months, 6 months, and 12 months MTBs were 7.15%, 7.29%, and 7.42% respectively, down by 5.08%, 4.84%, and 4.57% as compared to 12.23%, 12.13%, and 11.98% same period last year.

The SBP also conducted twelve (12) auctions of Fixed Rate Pakistan Investment Bonds (PIBs) and was successful in raising PKR 1.06 trn during FY21. Weighted average yield for 3 years, 5 years, and 10 years PIBs decreased by 3.15%, 2.35%, and 1.72% to 8.44%, 8.93%, and 9.45% as compared to 11.58%, 11.28%, and 11.18% same period last year.

The Monetary Policy Committee conducted five (5) meetings, while maintaining the discount rate at 7.00%. The SBP conducted 97 Open Market Operations (OMO) of different maturities and injected average amount of PKR 856.17 bn at an average cut off yield of 7.04% and mopped-up average amount of PKR 79.55 bn at an average cut off yield of 6.93%.

As per the auction target calendar for September – November 2021, the SBP targets to raise PKR 3.90 trn by issuing 3–12 months MTBs against maturing amount of PKR 3.91 trn. In addition, SBP targets to raise another PKR 450 bn through 3–30 years Fixed Rate PIBs during the period against maturing amount of PKR 18 bn.

STATEMENT OF CORPORATE AND FINANCIAL REPORTING FRAMEWORK

- (a) The financial statements, prepared by the Management of the Company, present fairly the state of affairs of the Fund, the result of its operations, cash flows and movement in unit holders' funds.
- (b) Proper books of account of the Funds have been maintained.
- (c) Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable and prudent judgments.
- (d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed.
- (e) The system of internal control is sound in design and has effectively implemented and monitored.

- (f) There are no significant doubts upon the Funds' ability to continue as a going concern.
- (g) Statutory payments, taxes, duties, levies and charges, if any have been properly disclosed in the financial statements.
- (h) Summary of key financial data / performance tables is appended to the Financial Statements of the Funds.
- (i) The Pattern of unit holdings is appended to the Financial Statements of the Funds.
- (j) The statement showing the attendance of Directors in BOD meetings and Audit Committee meetings is as under:

S.No.	Name of Director	MEETINGS ATTENDANCE					
		30-Apr-21	25-Feb-21	29-Oct-20	30-Sep-20	Attended	Leave
1	Mr. Abdul Karim	✓	✓	✓	✓	4	0
2	Mr. Imran Motiwala	✓	✓	✓	✓	4	0
3	Ms. Anum Dhedhi	✓	✓	✗	✓	3	1
4	Mr. Saim Mustafa Zuberi	✓	✓	✗	✓	3	1
5	Mr. Ali Wahab Siddiqui	✓	✓	✓	✓	4	0
6	Mr. Hasan Ahmed	✓	✓	✓	✓	4	0
7	Ms. Aysha Ahmed	✓	✓	✓	✓	4	0

S.No.	Name of Director	MEETINGS ATTENDANCE					
		29-Apr-21	25-Feb-21	28-Oct-20	29-Sep-20	Attended	Leave
1	Mr. Ali Wahab Siddiqui	✓	✓	✓	✓	4	0
2	Mr. Hasan Ahmed	✓	✓	✓	✓	4	0
3	Mr. Saim Mustafa Zuberi	✓	✗	✗	✓	2	2

- (k) There have been no trades in the units of the Funds carried out by the Directors, CEO, CFO, CIO, COO, Company Secretary and their spouses and minor children of the Management Company other than as disclosed below and in the note to the financial statements:

S.No.	Trades by	Designation	Investment (No of Units)	Redemption (No of Units)
AKD OPPORTUNITY FUND				
1	Mr. Imran Motiwala	CEO	23,871	13,530
2	Mrs. Sehr Imran Motiwala	Spouse-CEO	5,671	5,671
3	Mr. Muhammad Yaqoob	COO & Company Secretary	13,803	-
4	Mrs. Maliha Yaqoob	Spouse-COO & Company Secretary	15,226	-
5	Minor Children	Minor Children - COO & Company Secretary	16,526	-
AKD ISLAMIC INCOME FUND				
1	Mr. Imran Motiwala	CEO	27,100	27,100
2	Mrs. Sehr Imran Motiwala	Spouse-CEO	346,630	2,570,366
3	Mr. Muhammad Yaqoob	COO & Company Secretary	-	18,822
4	Mrs. Maliha Yaqoob	Spouse-COO & Company Secretary	417	417
5	Mr. Muhammad Munir	CFO	13	-
AKD ISLAMIC STOCK FUND				
1	Ms. Anum Dhedhi	CIO & Director	10,657	-
2	Mrs. Sehr Imran Motiwala	Spouse-CEO	173,755	-
3	Mr. Muhammad Yaqoob	COO & Company Secretary	10,646	-
AKD CASH FUND				
1	Hasan Ahmed	Director	7	-
GOLDEN ARROW STOCK FUND				
1	Minor Children	Minor Children - COO & Company Secretary	100,689	-

BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

- i. The total number of directors are seven as follows:
 - a) Male: Five
 - b) Female: Two
- ii. The composition of the Board of Directors is as follows:
 - Independent Director: Three*
 - Non-Executive Directors: Two
 - Executive Directors: Two*
 - Female directors: Two*

RATING OF THE MANAGEMENT COMPANY

The Pakistan Credit Rating Agency Limited (PACRA) has assigned Asset Manager Rating of AM3++ (A M three Plus Plus) to AKD Investment Management Limited (AKDIML) on February 08, 2021.

RATING OF THE FUNDS

AKD OPPORTUNITY FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 5-Star Performance Ranking in long term [based on performance review of trailing 36 months (3 Year) and trailing 60 months (5 Year) for the period ended December 31, 2020] and short term [based on performance review of trailing 12 months

(1 Year) for the period ended December 31, 2020] to AKD Opportunity Fund (AKDOF) on February 15, 2021.

AKD CASH FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “AA+(f)” (Double A Plus; fund stability rating) to AKD Cash Fund (AKDCF) on March 04, 2021.

AKD AGGRESSIVE INCOME FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “A(f)” (Single A; fund stability rating) to AKD Aggressive Income Fund (AKDAIF) on March 04, 2021.

GOLDEN ARROW STOCK FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 5-Star Performance Ranking in long term [based on performance review of trailing 36 months (3 Year) and trailing 60 months (5 Year) for the period ended December 31, 2020] and short term [based on performance review of trailing 12 months (1 Year) for the period ended December 31, 2020] to Golden Arrow Stock Fund (GASF) on February 15, 2021.

AKD ISLAMIC INCOME FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the stability rating of “A+(f)” (Single A Plus; fund stability rating) to AKD Islamic Income Fund (AKDISIF) on March 04, 2021.

AKD ISLAMIC STOCK FUND

The Pakistan Credit Rating Agency Limited (PACRA) has assigned 4-Star Performance Ranking in short term [based on performance review of trailing 12 months (1 Year) for the period ended December 31, 2020] to AKD Islamic Stock Fund (AKDISSF) on February 15, 2021.

HOLDING COMPANY

AKD Group Holdings (Private) Limited [Formerly: Aqeel Karim Dhedhi Securities (Private) Limited] is the holding company of AKD Investment Management Limited and holds 99.97% of the outstanding ordinary shares of the Company.

APPOINTMENT OF AUDITORS

The Board re-appointed M/s Yousuf Adil, Chartered Accountants as the statutory auditors for AKD Opportunity Fund (AKDOF), AKD Index Tracker Fund (AKDITF), AKD Cash Fund (AKDCF), AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF), and AKD Islamic Stock Fund (AKDISSF) for the year 2021-2022 as recommended by the Audit Committee.

The present auditors M/s Yousuf Adil, Chartered Accountants are retiring and have completed their five years as auditors of the Golden Arrow Stock Fund (GASF). As per the requirements of the NBFC Regulations, 2008 the auditors have to be changed this year. The Board appointed M/s Riaz Ahmad & Company, Chartered Accountants as the statutory auditors for Golden Arrow Stock Fund (GASF) for the year 2021-2022 as recommended by the Audit Committee.

ACKNOWLEDGEMENTS

The Directors would like to take this opportunity to thank the Securities and Exchange Commission of Pakistan, the Ministry of Finance, the State Bank of Pakistan and the Management of the Pakistan Stock Exchange for their continued support and cooperation. The Board also appreciates the devoted performance of the staff and officers of the AKD Investment Management Limited. The Board will also like to thank the investors for their confidence in the Company.

FUTURE OUTLOOK

During two months of FY21, the Current Account Deficit reached \$2.29 billion (4.13% of GDP) owing to an increase in the Balance of Trade, as the External Account remained under pressure due to higher commodity prices – crude oil in particular, coupled with the import of vaccines and disbursements against TERF related capital expenditure (SBP disbursement reportedly US\$1.63bn during FY22). As per the Central Bank, the Current Account is expected to reach a sustainable level of 2 to 3 percent of GDP during FY22. Recent depreciation of the local currency is expected to help contain the import of luxury goods and stabilize the US dollar/pak rupee parity. In addition, it is also pertinent to mention that the central bank has recognized the inflationary pressures of the Current Account deficit and while leaning towards a growth accommodating monetary stance, increased the discount rate by 25bps to 7.25% in its last monetary committee meeting held in September 21.

Reportedly, Pakistan is expected to re-initiate staff level discussions with the International Monetary Fund (IMF) during last week Sep'21 for release of the sixth tranche of \$6 bn under the Extended Fund Facility (EFF), for which a decision by the third week of October 2021 is likely. As per media reports the government remains reluctant to increase electricity tariffs, underscoring a delay since in April 2021 as part of its revised Circular Debt Management Plan (CDMP) to generate PKR 900 bn through tariff adjustments till June 2023 and remains a major impasse with the IMF. Recent receipts of ~\$2.7 bn, additional liquidity provided by the IMF under its program to facilitate developing countries during the pandemic has taken the total foreign exchange reserve to ~27 bn. More importantly, following the central bank's efforts to create a market determined US dollar/Rupee parity, the Real Effective Exchange Rate (REER) of 97 by end of August 2021 implies a very low likelihood of further Rupee depreciation.

MSCI decided to downgrade the status of Pakistan from Emerging Market (EM) to Frontier Market (FM) effective from November 2021 under its Semi-Annual Index Review (SAIR). Pakistan's current weight of ~0.02% in the MSCI's Emerging Market Index suggests an outflow of ~\$150 mn from passive EM managers, while it is expected that with a weight of approximately 5.5% in MSCI's FM100 index shall

accommodate the same amount with prospective inflows. More importantly, we believe the reclassification will reduce foreign selling which has been witnessed since FY16 as the local bourse would have a more significant weightage of a much smaller fund allocated to frontier markets, unlike the case in the emerging markets.

As far as fixed income is concerned, the State Bank of Pakistan is targeting inflation in the range of 7 to 9 percent in FY22. MPC reinforced its stance to continue negative real interest rates to appropriately support the growth in the economy. However, any near term accommodative stance by the SBP with possible further gradual tapering of stimulus cannot be ruled out owing to growth in demand.

We expect the stock market to remain positive due to expansionary fiscal policy by the Government where the country has posted a provisional GDP growth of ~4.40% in FY21. The Government of Pakistan is expecting growth of approximately 4.8% in FY22 which seems achievable considering the capex gains

from TERF financing, expansionary fiscal policy along with relatively low interest rates. We reiterate our positive market outlook for FY22 based on (i) expected growth in GDP owing to robust corporate earnings (ii) compelling Price to Earnings multiple of 5.62x, (iii) Healthy dividend yield of 6.5%, (iv) negative real interest rates, (v) reduction in Capital Gains Tax rate from 15.00% to 12.50% for capital market transactions.

For and on behalf of the board

Imran Motiwala
Chief Executive Officer

Abdul Karim Memon
Chairman

Karachi: September 29, 2021

AKD Islamic Income Fund



MANAGEMENT COMPANY

AKD Investment Management Limited
216-217, Continental Trade Centre, Block-8,
Clifton, Karachi-74000

TRUSTEE

MCB Financial Services Limited
4th Floor, Perdesi House,
2/1 R-Y Old Queens Road,
Karachi-74200

BANKERS

BankIslami Pakistan Limited
Dubai Islamic Bank Pakistan Limited
Summit Bank Limited (Islamic Banking)

AUDITORS

Yousuf Adil
Chartered Accountants
Cavish Court A-35, Block 7 & 8
KCHSU, Sharah-e-Faisal,
Karachi-75350, Pakistan

LEGAL ADVISER

Sattar & Sattar
Attorneys - at - law
3rd Floor, UBL Building,
I.I Chundrigar Road,
Karachi.

REGISTRAR

AKD Investment Management Limited.
216 - 217, Continental Trade Centre,
Block-8, Clifton Karachi-74000
UAN: 111-253-465 (111-AKDIML)

DISTRIBUTORS

AKD Investment Management Limited
Financial Investments Mart (Pvt) Ltd.
Investomate (Private) Limited.
Investlink Advisor (Private) Limited.
YPay Financial Services (Pvt.) Ltd.

RATING

AKD Islamic Income Fund
PACRA: A+(f) [A Plus(f)]

FUND MANAGER'S REPORT

i) Description of the Collective Investment Scheme Category and types:

Open – end Islamic Income Scheme

ii) Statement of Collective Investment Scheme's Investment objective:

AKD Islamic Income Fund (AKDISIF) is a fund that primarily focuses on Shariah compliant income securities and instruments. The objective of AKDISIF is to provide investors with an investment vehicle that strives to enhance capital coupled with regular halal income by investing in Shariah compliant income investments.

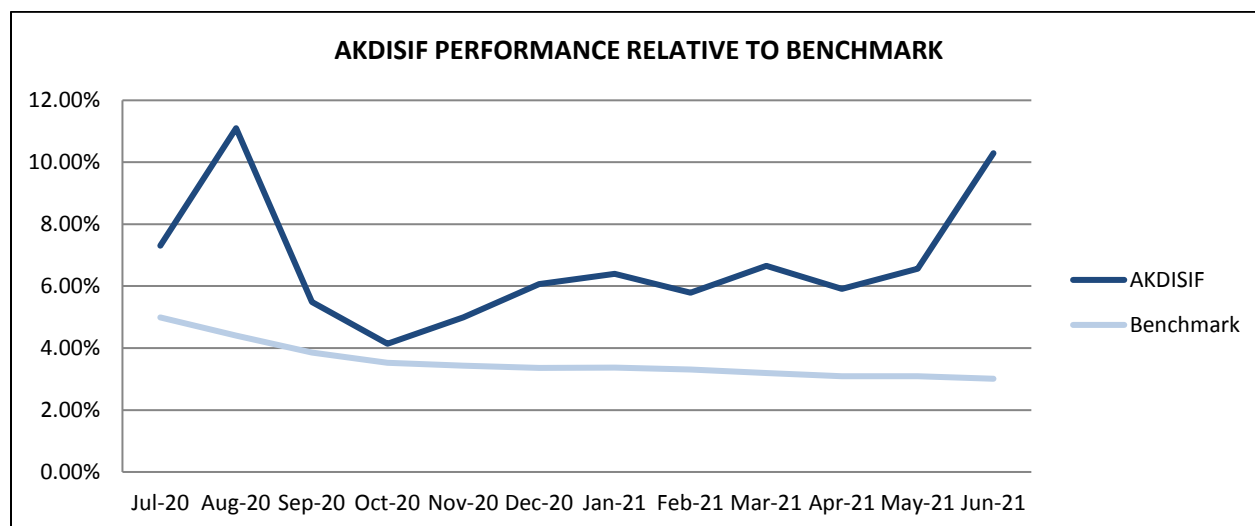
iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:

For the FY21, the return of AKD Islamic Income Fund stood at 6.95% compared to benchmark return of 3.55%.

iv) Statement of benchmark (s) relevant to the Collective Investment Scheme:

Six (6) months average deposit rates of three (3) A Rated Scheduled Islamic Banks or Islamic Windows of Conventional Banks as selected by MUFAP.

v) Comparison of the Collective Investment Scheme's performance during the period compared with the said benchmark:



Monthly yield (annualized)	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
AKDISIF	7.31%	11.10%	5.49%	4.14%	4.99%	6.07%	6.40%	5.79%	6.66%	5.91%	6.56%	10.29%
Benchmark	4.99%	4.40%	3.86%	3.53%	3.43%	3.36%	3.37%	3.31%	3.19%	3.09%	3.09%	3.01%

vi) **Description of the strategies and policies employed during the period under review in relation to the Collective Investment Scheme's performance:**

AKD Islamic Income Fund is an Open – end Islamic Income Scheme. The returns of the fund are generated through investment in high quality Shariah complaint securities and Islamic Bank deposit. AKDISIF is fully complied with the relevant policies and procedures as per fund's regulatory requirement.

vii) **Disclosure of Collective Investment Scheme's asset allocation as the date of report and particulars of significant changes in asset allocation:**

Asset Allocation (% of Total Assets)	30-Jun-21	30-Jun-20
Cash and Cash Equivalents	35.81%	76.96%
Sukuk	25.63%	15.88%
Commercial Papers	-	5.56%
Spread Transactions	34.07%	-
Other Assets including Receivables	4.49%	1.60%

viii) **Non-Compliant Investment**

Name of Non-Compliant Investment	Type of Investment	Value of Investment before Provision	Provision held if any	Value of Investment after Provision	Percentage of Net Assets	Percentage of Gross Assets
-----Rupees in '000-----						
TPL Trakker Limited	SUKUK	117,724	Nil	117,724	16.26%	16.14%

ix) **Analysis of the Collective Investment Scheme's performance:**

FY21 Return	6.95%
Benchmark Return	3.55%

x) **Changes in NAV and NAV per unit since the last reviewed period:**

Net Assets Value		Change in Net Assets	NAV Per Unit	
30-Jun-21	30-Jun-20		30-Jun-21	30-Jun-20
(Rupees in 000)			(Rupees)	
723,889	297,595	143.25%	50.4424	50.2055

xi) **Disclosure on the markets that the Collective Investment Scheme has invested in including review of the market (s) invested in and return during the period:**

MACRO PERSPECTIVE

Pakistan's economy witnessed robust recovery in FY21 posting a provisional GDP growth of 3.94% compared to negative growth of 0.47% during FY20. This was much more than the forecasted growth of 2.1%. The higher than expected growth in GDP was on the back of 4.43% growth from the Services sector and exceptional growth in Large Scale Manufacturing of 9.29%. Fiscal deficit during the period also

showed improvement posting 7.1% of GDP as compared to 8.1% of GDP during FY20. On the external front forex reserves stood at US\$24.4 bn (June 2021) providing import cover of more than 4 months.

The Current Account position remained fairly stable throughout FY21 with the year closing at a deficit of US\$1.8bn as compared to a deficit \$4.45 billion during FY20. External account remained positive during 1HFY21 with a Current Account Surplus of \$1.25 billion (0.86% of GDP), while the momentum tapered off in during the latter of the fiscal year on the back of import of plant & machinery (TERF (Temporary Economic Refinance Facility) related) and higher crude oil prices. Exports of Goods surged by 13.74%YoY to \$25.63 billion largely on back of textile exports. Remittances meanwhile posted phenomenal growth of 27%YoY to \$29.37 billion providing fiscal space and keeping the current account deficit in check. Foreign Direct Investment (FDI) registered a decline of 28.95% to \$1.85 billion. That said, the Government's efforts to attract Non-Resident Pakistani money paid off attracting \$1.56 billion through Roshan Digital Accounts (RDA) with more than 180,000 accounts opened primarily by Non-Resident Pakistanis by June end FY21. Pakistan also raised US\$2.5 billion from the international capital market through long term Eurobonds under its first ever Global Medium Term Note Program. The IMF during the year cautioned economic managers globally that the pandemic posed several challenges with a need to be proactive in protecting themselves from the economic fallout, while also appreciating our government's policies and initiatives in this regard during these testing times.

On the fiscal front, tax collection figures posted an encouraging growth trend of 18% YoY during FY21 clocking in at PKR 4.7trn, comfortably above the revised target of Pkr4.6trn. This took the provisional fiscal deficit during FY21 to 7.1% as opposed to 8.1% during FY20 and the stated target of 7%. In terms of primary deficit, FY21 closed with a deficit of 1.12% which marked a significant annual improvement where the same clocked in at 1.8% in FY20.

Controlling inflation remained challenging where CPI during FY21 was recorded at 8.90% YoY in spite of a high base effect and compared to 10.74%YoY in FY20. With Inflation remaining in the target zone and focus on growth, the State Bank of Pakistan (SBP) maintained the interest rate at 7.00% during FY21. At the same time to facilitate the business community and promote capital expenditure, the SBP offered TERF, a financing facility for 10 years at a fixed rate priced significantly below the discount rate primarily for import of new machinery. Till the cut-off date of availing this facility reportedly the SBP had approved facilities to various manufacturing concerns in amount of Rs435.7bn against which it had already disbursed approximately Rs163.0bn during the current fiscal year.

The Large Scale Manufacturing (LSM) sector witnessed a swift recovery posting a growth of 14.85% during FY21 as compared to decline of 10.17% in FY20. During the period under review, major contribution towards the growth came from Textile, Non Metallic Mineral Products, Food, Beverages & Tobacco and Automobiles to name a few. However, overall growth during the period was kept in check by sectors that posted negative growth including Leather Products and Electronics.

Furthermore, Pakistan was able to attract net \$1.85 bn in Foreign Direct Investment (FDI) during FY21, down by 29%YoY as compared to \$2.60 recorded during FY20. Decrease in net inflows can be attributed to a high base effect where net FDI inflows have surged at a two year CAGR of 16.42% against \$1.36 billion

recorded during FY19. Power sector, Oil and Gas Explorations and Financial Business remained the major sectors to attract a net cumulative FDI of \$1.38 bn alone.

Local currency remained strong during the year where PKR-US\$ appreciated by 6.67%YoY to close at PKR 157.54 per. Positivity in local currency was supported by a sustainable external account balance where Current Account witnessed surplus of \$1.25 bn during 1HFY21. Moreover, the Real Effective Exchange Rate (REER) remained below 100 during 9 months of the fiscal year.

MONEY MARKET REVIEW

During FY21, twenty six (26) Market Treasury Bills (MTBs) auctions were carried out by the State Bank of Pakistan, where the government managed to raise PKR 15.23 trn cumulatively. The Weighted average yield of 3 months, 6 months, and 12 months MTBs were 7.15%, 7.29%, and 7.42% respectively, down by 5.08%, 4.84%, and 4.57% as compared to 12.23%, 12.13%, and 11.98% same period last year.

The SBP also conducted twelve (12) auctions of Fixed Rate Pakistan Investment Bonds (PIBs) and was successful in raising PKR 1.06 trn during FY21. Weighted average yield for 3 years, 5 years, and 10 years PIBs decreased by 3.15%, 2.35%, and 1.72% to 8.44%, 8.93%, and 9.45% as compared to 11.58%, 11.28%, and 11.18% same period last year.

The Monetary Policy Committee conducted five (5) meetings, while maintaining the discount rate at 7.00%. The SBP conducted 97 Open Market Operations (OMO) of different maturities and injected average amount of PKR 856.17 bn at an average cut off yield of 7.04% and mopped-up average amount of PKR 79.55 bn at an average cut off yield of 6.93%.

As per the auction target calendar for September – November 2021, the SBP targets to raise PKR 3.90 trn by issuing 3–12 months MTBs against maturing amount of PKR 3.91 trn. In addition, SBP targets to raise another PKR 450 bn through 3–30 years Fixed Rate PIBs during the period against maturing amount of PKR 18 bn.

FUTURE OUTLOOK

During two months of FY21, the Current Account Deficit reached \$2.29 billion (4.13% of GDP) owing to an increase in the Balance of Trade, as the External Account remained under pressure due to higher commodity prices – crude oil in particular, coupled with the import of vaccines and disbursements against TERF related capital expenditure (SBP disbursement reportedly US\$1.63bn during FY22) As per the Central Bank, the Current Account is expected to reach a sustainable level of 2 to 3 percent of GDP during FY22. Recent depreciation of the local currency is expected to help contain the import of luxury goods and stabilize the US dollar/pak rupee parity. In addition, it is also pertinent to mention that the central bank has recognized the inflationary pressures of the Current Account deficit and while leaning towards a growth accommodating monetary stance, increased the discount rate by 25bps to 7.25% in its last monetary committee meeting held in September 21.

Reportedly, Pakistan is expected to re-initiate staff level discussions with the International Monetary Fund (IMF) during last week Sep'21 for release of the sixth tranche of \$6 bn under the Extended Fund Facility

(EFF), for which a decision by the third week of October 2021 is likely. As per media reports the government remains reluctant to increase electricity tariff's, underscoring a delay since in April 2021 as part of its revised Circular Debt Management Plan (CDMP) to generate PKR 900 bn through tariff adjustments till June 2023 and remains a major impasse with the IMF. Recent receipts of ~\$2.7 bn, additional liquidity provided by the IMF under its program to facilitate developing countries during the pandemic has taken the total foreign exchange reserve to ~27 bn. More importantly, following the central bank's efforts to create a market determined US dollar/Rupee parity, the Real Effective Exchange Rate (REER) of 97 by end of August 2021 implies a very low likelihood of further Rupee depreciation.

MSCI decided to downgrade the status of Pakistan from Emerging Market (EM) to Frontier Market (FM) effective from November 2021 under its Semi-Annual Index Review (SAIR). Pakistan's current weight of ~0.02% in the MSCI's Emerging Market Index suggests an outflow of ~\$150 mn from passive EM managers, while it is expected that with a weight of approximately 5.5% in MSCI's FM100 index shall accommodate the same amount with prospective inflows. More importantly, we believe the reclassification will reduce foreign selling which has been witnessed since FY16 as the local bourse would have a more significant weightage of a much smaller fund allocated to frontier markets, unlike the case in the emerging markets.

As far as fixed income is concerned, the State Bank of Pakistan is targeting inflation in the range of 7 to 9 percent in FY22. MPC reinforced its stance to continue negative real interest rates to appropriately support the growth in the economy. However, any near term accommodative stance by the SBP with possible further gradual tapering of stimulus cannot be ruled out owing to growth in demand.

We expect the stock market to remain positive due to expansionary fiscal policy by the Government where the country has posted a provisional GDP growth of ~4.40% in FY21. The Government of Pakistan is expecting growth of approximately 4.8% in FY22 which seems achievable considering the capex gains from TERF financing, expansionary fiscal policy along with relatively low interest rates. We reiterate our positive market outlook for FY22 based on (i) expected growth in GDP owing to robust corporate earnings (ii) compelling Price to Earnings multiple of 5.62x, (iii) Healthy dividend yield of 6.5%, (iv) negative real interest rates, (v) reduction in Capital Gains Tax rate from 15.00% to 12.50% for capital market transactions.

xii) Description and explanation of any significant changes in the state of the affairs of the Collective Investment Scheme during the period and up till the date of Fund Manager's report, not otherwise disclosed in the financial statements:

There was no significant change in the state of affairs during the period under review.

xiii) Break down of unit holding by size:

Range (Units)	No. of Investors
0.1 - 9,999	267
10,000 - 49,999	62
50,000 - 99,999	12
100,000 - 499,999	45
500,000 and above	45
	431

xiv) Disclosure on unit split (if any), comprising:

There were no unit splits during the period.

xv) Disclosure of circumstances that materially affect any interest of unit holders:

Investments are subject to credit and market risk.

xvi) Disclosure if the Asset Management Company or its delegate, if any, receives any soft commission (i.e. goods and services) from its broker (s) or dealers by virtue of transaction conducted by the Collective Investment Scheme:

No soft commission has been received by the AMC from its broker or dealer by virtue of transactions conducted by the Collective Investment Scheme.

AKD Islamic Income Fund

Details of Pattern of Holding (Units)

As at June 30, 2021

	No. of Unitholders	Units Held	% of Total
Associated Companies	-	-	0.00%
Directors and CEO	-	-	0.00%
Individuals	403	1,589,573	11.08%
Insurance Companies	2	606,937	4.23%
Banks/DFIs	-	-	-
Retirement funds	11	4,320,484	30.11%
Public Limited Companies	3	402,744	2.81%
Others	12	7,431,076	51.77%
	431	14,350,814	100.00%

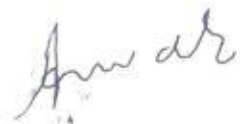
REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

AKD ISLAMIC INCOME FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

AKD Islamic Income Fund, an open-end Scheme established under a Trust Deed dated August 30, 2017 executed between AKD Investment Management Limited, as the Management Company and Digital Custodian Company Limited Formerly MCB Financial Services Limited, as the Trustee. The Fund commenced its operations on February 21, 2018.

1. AKD Investment Management Limited, the Management Company of AKD Islamic Income Fund has, in all material respects, managed AKD Islamic Income Fund during the year ended June 30th, 2021 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
Digital Custodian Company Limited
Formerly MCB Financial Services Limited

Karachi: September 26, 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ



September 10, 2021

The purpose of this report is to provide an opinion on the Shariah Compliance of the Fund's investment and operational activities with respect to Shariah guidelines provided.

It is the core responsibility of the Management Company to operate the Fund and invest the amount of money in such a manner which is in compliance with the Shariah principles as laid out in the Shariah guidelines. In the capacity of the Shariah Advisor, our responsibility lies in providing Shariah guidelines and ensuring compliance with the same by review of activities of the fund. We express our opinion based on the review of the information, provided by the management company, to an extent where compliance with the Shariah guidelines can be objectively verified.

Our review of Fund's activities is limited to enquiries of the personnel of Management Company and various documents prepared and provided by the management company.

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2021 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in AKD Islamic Income Fund (AKD-IIF) managed by AKD Investments Management Limited are halal and in accordance with Shariah principles.

May Allah (SWT) bless us and forgive our mistakes and accept our sincere efforts in accomplishment of cherished tasks and keep us away from sinful acts.

For and on behalf of Shariah Supervisory Council of Al-Hilal Shariah Advisors (Pvt.) Limited.

Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

Al-Hilal Shariah Advisors (Pvt) Limited

807 8th Floor Horizon Tower, Khayban-e-Saadi, Block - 3 Clifton,
Karachi, Pakistan. Tel :+92-21-35305931-37, Web: www.alhilalsa.com

**AKD ISLAMIC INCOME
FUND**

Financial Statements
for the year ended
June 30, 2021

INDEPENDENT AUDITOR'S REPORT

To the unit holders of AKD Islamic Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **AKD Islamic Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, and the related income statement, the 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, 2021, and of its financial performance, cash flows and transactions 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.

Following is the key audit matter:

Key audit matter	How the matter was addressed in our audit
<p>Valuation and existence of investments at fair value</p> <p>As disclosed in note 6 to the financial statements, investments carried at fair value through profit or loss amounted to Rs. 432.309 million as at June 30, 2021.</p> <p>These investments represent a significant item on the statement of assets and liabilities. This is a main driver of the Fund's performance. The Fund invests principally in listed equity securities (spread transactions) and listed and unlisted sukuk certificates, and there is a risk that appropriate quoted prices may not be used to determine fair value.</p>	<p>In response to this matter, our key audit procedures included the following:</p> <ul style="list-style-type: none"> obtained understanding of relevant controls placed by Management Company applicable to the balances; independently tested valuations with the prices quoted on Mutual Funds Association of Pakistan (MUFAP) and Pakistan Stock Exchange (PSX); traced securities held by the Fund with the securities appearing in the Central Depository Company account to verify existence;

Key audit matter	How the matter was addressed in our audit
<p>Further, the Fund may have included investments in its financial statements which were not owned by the Fund.</p> <p>Considering the above factors, the valuation and existence of investments 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"> performed verification procedures on purchases and sales on a sample of trades made during the year regarding movement of the securities; and any differences identified during our testing that were over our acceptable threshold were investigated further.

Information Other than the Financial Statements and Auditor's Report Thereon

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

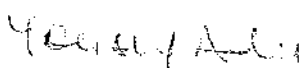
We also provide Those Charges with Governance of Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.


Chartered Accountants

Place: Karachi

Date: September 29, 2021

AKD ISLAMIC INCOME FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2021

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
ASSETS			
Bank balances	5	261,069	232,235
Investments	6	432,309	64,686
Profit receivable	7	7,537	3,754
Deposits, prepayments and other receivables	8	27,665	327
Preliminary expenses and floatation cost	9	470	757
Total Assets		729,050	301,759
LIABILITIES			
Payable to AKD Investment Management Limited - Management Company	10	1,121	1,182
Payable to MCB Financial Services Limited - Trustee	11	81	34
Payable to Securities and Exchange Commission of Pakistan	12	84	52
Accrued expenses and other liabilities	13	3,875	2,896
Total Liabilities		5,161	4,164
NET ASSETS		723,889	297,595
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		723,889	297,595
CONTINGENCIES AND COMMITMENTS			
	14		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE	15	14,350,814	5,927,534
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT		50.4424	50.2056

The annexed notes from 1 to 29 form an integral part of these financial statements.

YD

For AKD Investment Management Limited
(Management Company)


Chief Executive Officer


Chief Financial Officer


Director

AKD ISLAMIC INCOME FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 ----- (Rupees in '000) -----	2020 -----
INCOME			
Net unrealised appreciation on remeasurement of investments classified as 'at fair value through profit or loss'	6.4	433	358
Unrealised gain on future contracts		2,877	-
Capital gain on sale of investments		5,511	-
Income from sukuk certificates		9,757	5,677
Income from security margin		36	-
Income from commercial paper		777	929
Profit on bank deposits		16,361	24,474
Total income		35,752	31,438
EXPENSES			
Remuneration of AKD Investment Management Limited - Management Company	10.1	1,690	798
Sindh sales tax on the remuneration of Management Company	10.2	220	104
Remuneration of MCB Financial Services Limited - Trustee	11.1	507	311
Sindh sales tax on the remuneration of Trustee	11.2	66	40
Annual fee to Securities and Exchange Commission of Pakistan	12.1	84	52
Expenses allocated by Management Company	10.3	634	259
Auditor's remuneration	16	232	233
Settlement and bank charges		117	82
Amortisation of preliminary expenses and floatation costs	9	287	287
Brokerage		1,547	-
Fee and subscription		517	231
Printing and related cost		35	50
Legal and professional charges		491	388
Provision against Sindh Workers' Welfare Fund	13.1	587	572
Total expenses		7,014	3,407
Net income for the year before taxation		28,738	28,031
Taxation	17	-	-
Net income for the year after taxation		28,738	28,031
Allocation of net income for the year			
Net income for the year after taxation		28,738	28,031
Income already paid on units redeemed		(11,674)	(12,678)
		17,064	15,353
Accounting income available for distribution			
- Relating to capital gains		8,821	358
- Excluding capital gains		8,243	14,995
		17,064	15,353
Earnings per unit	18		

The annexed notes from 1 to 29 form an integral part of these financial statements.

Y/A

For AKD Investment Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

AKD ISLAMIC INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2021

	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Net income for the year after taxation	28,738	28,031
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>28,738</u>	<u>28,031</u>


The annexed notes from 1 to 29 form an integral part of these financial statements.

YD

For AKD Investment Management Limited
(Management Company)


Chief Executive Officer


Chief Financial Officer


Director

**AKD ISLAMIC INCOME FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2021**

		2021	2020
	Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		28,738	28,031
Adjustments for non cash and other items:			
Amortisation of preliminary expenses and floatation costs	9	287	287
Net unrealised appreciation on remeasurement of investments classified as at 'fair value through profit or loss'	6.4	(433)	(358)
Unrealised gain on future contracts		(2,877)	-
Income from sukuk certificates		(9,757)	(5,677)
Income from commercial paper		(777)	(929)
Profit on bank deposits		(16,361)	(24,474)
		(1,180)	(3,120)
Increase in assets			
Deposits, prepayments and other receivables		(24,461)	(68)
(Decrease) / increase in liabilities			
Payable to AKD Investment Management Limited - Management Company		(61)	(168)
Payable to MCB Financial Services Limited - Trustee		47	9
Payable to Securities and Exchange Commission of Pakistan		32	(72)
Accrued expenses and other liabilities		979	1,488
		997	1,257
Investments - net		(367,190)	(17,774)
Net cash used in operating activities		(391,834)	(19,705)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from issuance of units		2,043,718	779,237
Net payment on redemption of units		(1,632,425)	(720,202)
Profit received on bank deposits, sukuk certificates and commercial paper		23,112	29,949
Dividend paid		(13,737)	(15,059)
Net cash generated from financing activities		420,668	73,925
Net increase in cash and cash equivalents		28,834	54,220
Cash and cash equivalents at beginning of the year		232,235	178,015
Cash and cash equivalents at end of the year	5	261,069	232,235

The annexed notes from 1 to 29 form an integral part of these financial statements.

For AKD Investment Management Limited
(Management Company)


Chief Executive Officer


Chief Financial Officer


Director

AKD ISLAMIC INCOME FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2021

	2021			2020		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	296,649	946	297,595	224,936	652	225,588
Issue of 39,723,587 (2020: 14,751,344) units						
- Capital value (at Ex-Net asset value per unit at the beginning of year)	1,994,344	-	1,994,344	739,834	-	739,834
- Element of income	79,484	-	79,484	55,031	-	55,031
	2,073,828	-	2,073,828	794,865	-	794,865
Redemption of 31,300,307 (2020: 13,321,745) units						
- Capital value (at Ex-Net asset value per unit at the beginning of year)	(1,571,448)	-	(1,571,448)	(668,135)	-	(668,135)
- Element of loss	(49,303)	(11,674)	(60,977)	(39,369)	(12,678)	(52,067)
	(1,620,751)	(11,674)	(1,632,425)	(707,524)	(12,678)	(720,202)
Total comprehensive income for the year	-	28,738	28,738	-	28,031	28,031
Distribution during the year	-	(13,737)	(13,737)	-	(15,059)	(15,059)
Refund of capital	(30,110)	-	(30,110)	(15,628)	-	(15,628)
Net income for the year less distribution	(30,110)	15,001	(15,109)	(15,628)	12,972	(2,656)
Net assets at end of the year	719,616	4,273	723,889	296,649	946	297,595
Undistributed income brought forward						
- Realised income		588			864	
- Unrealised income / (loss)		358			(212)	
		946			652	
Accounting income available for distribution						
- Relating to capital gains		8,821			358	
- Excluding capital gains		8,243			14,995	
		17,064			15,353	
Distribution during the year						
Annual distribution		-			-	
Interim distribution		(13,737)			(15,059)	
		(13,737)			(15,059)	
Undistributed income carried forward		4,273			946	
Undistributed income carried forward						
- Realised income		963			588	
- Unrealised income		3,310			358	
		4,273			946	
	Rupees			Rupees		
Net assets value per unit at beginning of the year		50.2055			50.1537	
Net assets value per unit at end of the year		50.4424			50.2055	

The annexed notes from 1 to 29 form an integral part of these financial statements.

YA

For AKD Investment Management Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

1. LEGAL STATUS AND NATURE OF BUSINESS

AKD Islamic Income Fund (the Fund) was established under a Trust Deed, executed between AKD Investment Management Limited (AKDIML) as the Management Company and MCB Financial Services Limited (MCBFSL) as the Trustee. The Fund was authorised by the Securities and Exchange Commission of Pakistan (SECP) as a unit trust scheme on May 30, 2017. The initial Public Offering (IPO) of the Fund was made during the period from February 19, 2018 to February 20, 2018 and the Fund commenced operations from February 21, 2018. In accordance with the Trust Deed, the first accounting period of the Fund commenced on the date on which the Fund property was first transferred to the Trustee i.e. February 19, 2018.

The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the NBFC Rules, 2003 and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 216-217, Continental Trade Centre, Block-8, Clifton, Karachi, in the province of Sindh.

The Fund is an open-ended collective investment scheme and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The Fund is categorised as an open ended Shariah Complaint (Islamic) Income Scheme in accordance with Circular 7 of 2009, issued by the Securities and Exchange Commission of Pakistan (SECP). Al-Hilal Shariah Advisors (Private) Limited acts as its Shariah Advisor to ensure that the activities of the Fund are in compliance with the principles of Shariah.

Title to the assets of the Fund are held in the name of MCB Financial Services Limited as Trustee of the Fund.

The Management Company has been assigned a quality rating of "AM3++" by the Pakistan Credit Rating Agency Limited (PACRA) on February 08, 2021. The Fund has been given stability rating of 'A+(f)' by PACRA on March 04, 2021.

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.

Where provisions of and directives issued under the Companies Act, 2017, 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, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

The SECP 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. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except the certain investments which 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. The amounts are rounded off to the nearest thousand rupees except stated otherwise.

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.

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 4.1.1 and 6);
- (ii) Impairment of financial assets (Note 4.1.5); and
- (iii) Taxation (Note 4.5 and 17)

3. AMENDMENTS TO ACCOUNTING STANDARDS

3.1 Amendments to accounting standards that are effective for the year ended June 30, 2021

The following amendments to accounting standards are effective for the year ended June 30, 2021. 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 period beginning on or after
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in	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
Certain annual improvements have also been made to a number of IFRSs.	

3.2 Amendments to accounting standards that are not yet effective

The following amendments to accounting standards are only effective for accounting period, beginning on or after the date mentioned against each of them. These amendments to accounting standards 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 date (accounting period beginning on or after)
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021

**Effective date (accounting period
beginning on or after)**

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

January 01, 2022

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

January 01, 2022

Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

January 01, 2022

Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current

January 01, 2023

Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies

January 01, 2023

Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates

January 01, 2023

Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

January 01, 2023

Certain annual improvements have also been made to a number of IFRSs which are also not expected to have material impact on 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 SECP:

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Financial Instruments

4.1.1 Classification of financial assets

IFRS 9 contains three principal classification categories for financial assets:

- Amortised cost ("AC"),
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

Financial assets at amortised cost

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

A financial asset is measured at FVOCI only if it meets both of the following conditions and is not designated as 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 other comprehensive income (OCI), only dividend income is recognised in income statement. This election is made on an investment-by-investment basis.

Financial assets at FVTPL

All other financial assets are classified 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 measure at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

4.1.2 Recognition and initial measurement of financial instruments

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.

4.1.3 Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured at amortised cost. Amortised cost is calculated using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Financial assets at FVOCI

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

For debt instruments classified as financial assets at FVOCI, the amounts already recognised in other comprehensive income are reclassified to income statement on derecognition of financial assets. This treatment is in contrast to equity instruments classified as financial assets at FVOCI, where there is no reclassification on derecognition.

Financial assets at FVTPL

All 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 income statement.

4.1.4 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 categorizes 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.

4.1.5 Impairment

Under expected credit loss (ECL) model of IFRS 9, the Fund recognises loss allowances on financial assets other than debt securities. The Fund measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured at 12-month ECL:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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.

As disclosed in note 2.1.2 of these financial statements, the Fund follows requirements of circular 33 of 2012 (the circular) for impairment of debt securities. Under the circular, provision for non performing debt securities is made on the basis of time based criteria as prescribed under the circular. Impairment losses recognised on debt securities can be reversed through the income statement.

As allowed under circular no. 33 of 2012 dated October 24, 2012 issued by the SECP, the Management Company may also make provision against debt securities over and above minimum provision requirement prescribed in aforesaid circular, in accordance with the provisioning policy approved by the Board of Directors and disseminated by the Management Company on its website.

4.1.6 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

4.1.7 Derecognition

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

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

4.1.8 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.

4.1.9 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.

4.2 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.

4.3 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the NBFC Regulations.

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, if any, are regularly reviewed and adjusted to reflect the current

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 to the unit holders as cash dividend.

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 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which these are approved 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 is deemed to comprise of the portion of income already paid on units redeemed during the year and cash distribution for the year.

Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

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 date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to investment facilitators, distributors and the Management Company.

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 asset value per unit as of the close of the business day less any back-end load, any duties, taxes, and charges on redemption, if applicable.

4.8 Element of income / (loss) included in prices of units issued less

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. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element

4.9 Net assets value per unit

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

4.10 Spread transactions (ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as financial assets at fair value through profit or loss and carried on the statement of assets and liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the income statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the income statement.

4.11 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included operating income in the income statement on the date at which the sale transaction takes place.
- Profit on bank deposits, security margin, commercial paper and sukuku are recognised on a time proportionate basis using the effective yield method.
- Unrealised gains / (losses) arising on remeasurement of investments and future spread transactions classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.

4.12 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	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Saving accounts	5.1	<u>261,069</u>	<u>232,235</u>

5.1 Profit rates on these accounts range between 5% to 6.6% (2020: 5% to 7.5%) per annum.

6. INVESTMENTS

At fair value through profit or loss

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
- Listed equity securities (spread transactions)	6.1	245,458	-
- Sukuk certificates	6.2	<u>186,851</u>	<u>47,911</u>
		<u>432,309</u>	<u>47,911</u>

At amortised cost

- Commercial paper - Unlisted	6.3	-	16,775
		<u>432,309</u>	<u>64,686</u>

6.1 Listed equity securities (spread transactions)

Sectors / Companies	As at July 01, 2020	Purchased during the year	Sold during the year	As at June 30, 2021	Carrying value as at June 30, 2021	Market value as at June 30, 2021
	(Number of shares)			(Rupees in 000)		
AUTOMOBILE ASSEMBLER						
Ghandhara Industries Limited	-	315,500	275,500	40,000	11,291	11,161
Ghandhara Nissan Limited	-	120,000	103,500	16,500	1,831	1,803
CABLE AND ELECTRICAL GOODS						
Pak Elektron Limited	-	39,500	39,500	-	-	-
CEMENT						
D.G Khan Cement Company Limited	-	40,500	2,000	38,500	4,667	4,540
Fauji Cement Company Limited	-	37,000	-	37,000	886	851
Maple Leaf Cement Factory Limited	-	42,000	32,000	10,000	484	470
Lucky Cement Limited	-	500	500	-	-	-
CHEMICALS						
Engro Polymer & Chemicals Limited	-	19,000	-	19,000	928	898
Ghani Global Holding Limited	-	4,521,500	3,379,500	1,142,000	57,109	56,689
ENGINEERING						
Aisha Steel Mills Limited	-	38,500	29,000	9,500	237	237
International Steels Limited	-	72,500	72,500	-	-	-
Mughal Iron & Steel Industries Limited	-	7,000	7,000	-	-	-
FERTILIZERS						
Engro Fertilizers Limited	-	9,000	-	9,000	635	632
Fauji Fertilizer Bin Qasim Limited	-	90,000	50,500	39,500	1,056	1,044
FOOD AND PERSONAL CARE PRODUCTS						
Al Shaheer Corporation Limited	-	1,661,000	1,334,000	327,000	6,475	6,517
Unity Foods Limited	-	7,090,500	5,494,500	1,596,000	69,588	71,054
OIL & GAS EXPLORATION COMPANIES						
Oil & Gas Development Company Limited	-	73,000	2,000	71,000	7,054	6,747
Pakistan Petroleum Limited	-	549,000	490,000	59,000	5,304	5,123
OIL & GAS MARKETING COMPANIES						
Pakistan State Oil Company Limited	-	60,000	10,000	50,000	11,400	11,213
Sui Northern Gas Pipelines Limited	-	120,500	-	120,500	5,702	5,854
POWER GENERATION AND DISTRIBUTION						
Hub Power Company Limited	-	9,500	-	9,500	778	757
REFINERY						
Attock Refinery Limited	-	361,000	299,500	61,500	16,341	15,769
Byco Petroleum Pakistan Limited	-	7,801,000	4,633,500	3,167,500	39,156	36,775
National Refinery Limited	-	109,500	95,500	14,000	7,444	7,324
TECHNOLOGY & COMMUNICATION						
Avanceon Limited	-	57,000	57,000	-	-	-
Investment as at June 30, 2021					248,366	245,458
Investment as at June 30, 2020					-	-

6.2 Sukuk certificates

Name of investee company	Rate of return	Number of certificates			Carrying value as at June 30, 2021	Market value as at June 30, 2021	Unrealised appreciation / (diminution) as at June 30, 2021	Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at July 01, 2020	Purchased during the year	Sold / Matured during the year						As at June 30, 2021
%										
Sukuk certificates - Listed										
Dawood Hercules Corporation Limited		200	-	(200)	-	-	-	-	-	
Energycor PK Limited (formerly: BYCO Petroleum Pakistan Limited)	8.51	150	-	-	150	8,772	(18)	1.21%	2.02%	
TPL Trakker Limited (note 6.2.1)	10.45	-	115	-	115	115,000	2,724	16.26%	27.23%	
Sukuk certificates - Unlisted										
Hub Power Company Limited	10.13	250	-	-	250	25,500	600	3.54%	5.92%	
Hub Power Holdings Limited	10.12	-	300	-	300	24,738	-	3.42%	5.72%	
Mughal Iron & Steels Industries Limited	8.79	-	10	-	10	10,035	35	1.39%	2.32%	
Total as at June 30, 2021					183,510	186,851	3,341			
Total as at June 30, 2020					47,553	47,911	358			

6.2.1 The exposure limit of investment in a single company as percentage of net assets exceeded by 1.25% against the prescribed limit of 15% of the total net assets as required under section 55(5) of NBFC Regulations.

6.2 Significant terms and conditions of sukuk certificates are as follows:

Name of investee company	Face value per certificate (Rupees)	Redeemed Face value per certificate (Rupees)	Markup rate	Issue date	Maturity date	Secured / Unsecured	Rating
Sukuk Certificates - Listed							
Energycor PK Limited (formerly: BYCO Petroleum Pakistan Limited)	100,000	58,333	3 months KIBOR + 1.05%	January 18, 2017	January 18, 2023	Secured	AAA
TPL Trakker Limited	1,000,000	1,000,000	3 months KIBOR + 3.00%	December 31, 2020	December 31, 2025	Secured	A+
Sukuk Certificates - Unlisted							
Hub Power Company Limited	100,000	100,000	1 year KIBOR + 1.90%	March 19, 2020	March 19, 2024	Secured	AA+
Hub Power Holdings Limited	100,000	82,459	6 months KIBOR + 2.50%	November 12, 2020	November 12, 2025	Secured	AA+
Mughal Iron & Steels Industries Limited	1,000,000	1,000,000	3 months KIBOR + 1.30%	March 2, 2021	March 2, 2025	Secured	A+

6.3 Commercial paper

Name of investee company	Rate of return per annum	Face value				Carrying value	Maturity	Rating	Face value as a percentage of	
		As at July 01, 2020	Purchased during the year	Matured during the year	As at June 30, 2021				Investments	Net assets
----- (Rupees in '000) -----										
	%									
K-Electric Limited	14.64	18,000	-	18,000	-	-	13-Aug-20	A-1+	-	-
Kot Addu Power Company Limited	7.99 & 8.09	-	12,000	12,000	-	-	8-Jun-21	A-1+	-	-
Total as at June 30, 2021										
Total as at June 30, 2020										

		2021	2020
		----- (Rupees in '000) -----	
6.4	Net unrealised appreciation on re-measurement of investments classified as at 'fair value through profit or loss'	Note	
	Market value of investments	432,309	47,911
	Carrying amount of investments	(431,876)	(47,553)
		433	358
7.	PROFIT RECEIVABLE		
	Profit receivable on:		
	- Sukuk certificates	5,594	1,350
	- Commercial paper	-	929
	- Bank deposits	1,943	1,475
		7,537	3,754
8.	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES		
	Security deposits with		
	- National Clearing Company of Pakistan Limited	100	100
	- Central Depository Company of Pakistan Limited	2,500	-
	Security margin deposit	21,925	-
	Unrealised loss on future contracts	2,877	-
	Prepaid shariah advisor fee	209	173
	Advance tax	54	54
		27,665	327
8.1	As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance), payments made to Collective Investment Schemes (CISs) are exempt from withholding tax under section 151 and 150 of the Ordinance. However, during the year ended June 30, 2018, withholding tax on profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt amounts to Rs. 0.054 million (2020: Rs. 0.054 million).		
9.	PRELIMINARY EXPENSES AND FLOATATION COST	Note	
	Cost	1,433	1,433
	Accumulated amortisation		
	Opening balance	(676)	(389)
	Amortisation during the year	(287)	(287)
	Closing balance	(963)	(676)
		470	757
9.1	Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulations, 2008.		
10.	PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY	Note	
	Management fee	10.1	240
	Sindh sales tax on management fee	10.2	31
	Expenses allocated by the Management Company	10.3	90
	Formation cost	757	1,044
	Others	3	-
		1,121	1,182

- 10.1 The Management Company has charged remuneration at the rate of 0.4% (2020: 0.4%) of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.
- 10.2 Sindh sales tax on services at the rate of 13% (2020: 13%) on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.
- 10.3 The Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund.

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
11. PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE			
Trustee fee	11.1	72	30
Sindh sales tax on trustee fee	11.2	9	4
		<u>81</u>	<u>34</u>

- 11.1 The Trustee is entitled to a monthly remuneration to be paid monthly in arrears 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 tariff structure applicable to the Fund is as follows:

Amount of Funds Under Management [Average Net Assets Value (NAV)]	Tariff per annum
Upto Rs 1,000 million	0.12% of Net Assets
Exceeding Rs 1,000 million and up to Rs.5,000 million	Rs. 1.2 million plus 0.065% per annum of the amount exceeding Rs. 1,000 million
Exceeding Rs. 5,000 million and up to Rs. 10,000 million	Rs. 3.8 million plus 0.06% per annum of the amount exceeding Rs. 5,000 million

- 11.2 Sindh sales tax on services at the rate of 13% (2020: 13%) on gross value of Trustee fee is charged under the provisions of Sindh Sales Tax on Services Act, 2011.

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
12. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee payable to SECP	12.1	<u>84</u>	<u>52</u>

- 12.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 all categories of Collective Investment Scheme are required to pay an annual fee, to the Securities and Exchange Commission of Pakistan, an amount equal to 0.02% of the average annual net assets of the scheme.

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
13. ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditor's remuneration		173	173
Brokerage payable		707	-
NCC fee payable		67	-
Printing charges payable		150	150
Provision for Sindh Workers' Welfare Fund (SWWF)	13.1	1,491	905
Withholding tax payable		1,245	1,471
Others		42	197
		<u>3,875</u>	<u>2,896</u>

13.1 Provision for Sindh Workers' Welfare Fund (SWWF)

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISOs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISOs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISOs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP obtained a legal opinion on these matters during financial year ended June 30, 2017. Based on such legal advice (which also stated that even if a review petition is filed by any party, such petition can only be based on very limited grounds and the chances of any major change in the SCP judgement are very limited), MUFAP had recommended to all its members to reverse the Federal WWF and start recording of Sindh WWF. Consequently, the Fund has recorded provision of Rs. 0.587 million for the year and Rs. 1.491 million (2020: Rs. 0.905 million) in aggregate in respect of SWWF.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2021 would have been higher by Re. 0.104 per unit (2020: Re. 0.153 per unit).

Subsequent to the year ended June 30, 2021, Sindh Revenue Board (SRB) through its letter dated August 12, 2021 to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Company's (AMCs) are covered under the term "financial institutions" as per the SWWF Act, 2014 and are therefore, subject to SWWF charge whereas the Mutual Funds managed by those AMCs do not qualify as "Financial Institutions" as per SWWF Act, 2014 and are therefore, not liable to pay SWWF contributions. The development was discussed at MUFAP level and has also been taken up with the SECP and all the Asset Management Companies. In consultation with the SECP, have reversed the cumulative provision for SWWF recognised in the financial statements of the Funds. The SECP has given its concurrence for prospective reversal of provision for SWWF. Accordingly, going forward, no provision for SWWF would be recognised in the financial statements of the Fund.

14. CONTINGENCIES AND COMMITMENTS

- 14.1 The commitment to sell equity securities at a future date under spread transactions amounts to Rs. 251.310 million (2020: Nil).
- 14.2 Except as disclosed in note 14.1, there were no other contingencies and commitments outstanding as at June 30, 2021 and June 30, 2020.

15. NUMBER OF UNITS IN ISSUE

	2021	2020
Opening units in issue	5,927,534	4,497,935
Units issued during the year	39,723,587	14,751,344
Less: Units redeemed	(31,300,307)	(13,321,745)
Total units in issue at the end of the year	14,350,814	5,927,534

16. AUDITOR'S REMUNERATION

	2021	2020
	----- (Rupees in '000) -----	
Annual audit fee	100	100
Half year fee	50	50
Income certification	30	30
COCG certification	20	20
Out of pocket	15	16
	215	216
Sindh sales tax	17	17
	232	233

17. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed 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. During the year, Fund has distributed cash dividend of at least 90% of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

18. EARNINGS PER UNIT

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

19. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund is 1.66% (2020: 1.31%) which includes 0.30% (2020: 0.33%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, Annual fee to the SECP. This ratio is within the maximum limit of 2.5% (2020: 2.5%) prescribed under the NBFC Regulations for a collective investment scheme categorised as " Shariah Compliant Income Scheme".

20. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations, 2008 and Constitutive documents of the Fund.

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

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

20.1 Transactions during the year with connected persons / related parties

	2021	2020
	----- (Rupees in '000) -----	
- AKD Investment Management Limited - Management Company		
Remuneration to Management Company	1,690	798
Sindh Sales Tax Provincial on Management Remuneration	220	104
Expenses allocated by the Management Company	634	259
Sales load	147	14
Issue of 131,761 (2020: 18,606) units	6,900	1,000
Redemption of 131,761 (2020: 18,662) units	6,925	1,011
- MCB Financial Services Limited - Trustee		
Trustee remuneration	507	311
Sindh Sales Tax on trustee remuneration	66	40
- AKD Aggressive Income Fund		
Sukuk purchased from AKD Aggressive Income Fund	45,000	-
- Chief Financial Officer of the Management Company		
Issue of 13 units (2020: Nil)	1	-
Redemption of Nil (2020: 5,968) units	-	333
Dividend paid	3	5

	2021 ----- (Rupees in '000) -----	2020
- Chief Executive Officer of the Management Company		
Issue of 27,100 (2020: 79,113) units	1,437	4,265
Redemption of 27,100 (2020: 79,135) units	1,439	4,385
- Spouse of the Chief Executive Officer of the Management Company		
Issue of 346,630 (2020: 9,406,294) units	18,299	516,865
Redemption of 2,570,366 (2020: 7,626,999) units	130,147	419,783
Issue of capital refund Nil (2020: 227,989) units	-	11,435
- Company Secretary and Chief Operating Officer of the Management Company		
Issue of Nil (2020: 1,666) units	-	84
Redemption of 18,822 (2020: Nil) units	945	-
Dividend paid	-	98
- Spouse of the Company Secretary and Chief Operating Officer of the Management Company		
Issue of 417 (2020: 27,686) units	21	1,500
Redemption of 417 (2020: 27,686) units	21	1,519
- AKD Investment Management Limited - Staff Provident Fund		
Issue of Nil (2020: 104,250) units	-	5,543
Redemption of Nil (2020: 104,250) units	-	5,613
- Afsheen Aqeel Dhedhi - Close relative of the Sponsor of the Management Company		
Issue of 2 (2020: 2) units	-	-
- Muhammad Farid Alam - Key Management Personnel of Associated Company		
Issue of 1,687 (2020: 2,726) units	85	137
Dividend paid	100	161
- Connected person due to holding of more than 10% units		
Bank Alfalah Limited. Employees Provident Fund**		
Issue of 1,914,064 (2020: Nil) units	100,000	-
Issue of capital refund 77,627 (2020: Nil) units	3,898	-
Dividend paid	2,294	-
- Pak Qatar Investment Account**		
Issue of 9,571,272 (2020: Nil) units	505,634	-
Redemption of 4,783,097 (2020: Nil) units	255,379	-
Issue of capital refund 303,078 (2020: Nil) units	15,218	-
Dividend paid	255	-

- **Pak Qatar Individual Family Participant Investment Fund** - Connected party due to holding of more than 10% units**

Issue of 3,849,493 (2020: Nil) units	202,814	-
Redemption of 1,923,725 (2020: Nil) units	102,711	-
Issue of capital refund 121,896 (2020: Nil) units	6,120	-
Dividend paid	103	-

- **Silk Bank Employee Provident Fund* - Connected person due to holding of more than 10% units***

Issue of Nil (2020: 102,897) units	-	5,161
Dividend paid	-	5,161

20.2 Balances outstanding at year end:

- **AKD Investment Management Limited - Management Company**

Remuneration payable	240	100
Sales Tax on Management Remuneration	31	13.00
Payable against expenses allocated by the Management Company	90	25
Payable against formation cost	757	1,044
Sales load payable	3	-

- **MCB Financial Services Limited - Trustee**

Trustee remuneration	72	30
Sindh sales Tax on trustee remuneration	9	4

- **Chief Financial Officer of the Management Company**

Outstanding 854 (2020: 841) units	43	42
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- **Spouse of the Chief Executive Officer of the Management Company**

Outstanding Nil (2020: 2,223,736) units	-	111,644
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- **Company Secretary and Chief Operating Officer of the Management Company**

Outstanding Nil (2020: 18,822) units	-	945
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- **Afsheen Aqeel Dhedhi - Close relative of the Sponsor of the Management Company**

Outstanding 29 (2020: 28) units	1	1
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- **Muhammad Farid Alam - Key Management Personnel of Associated Company**

Outstanding 32,485 (2020: 30,798) units	1,639	1,546
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Connected person due to holding of more than 10% units

- **Bank Alfalah Limited Employees Provident Fund****

Outstanding 1,991,691 (2020: Nil) units	100,466	-
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2021 2020
----- (Rupees in '000) -----

-	Silk Bank Employee Provident Fund*		
	Outstanding Nil (2020: 1,003,629) units	-	50,388
	Connected party due to holding of more than 10% units		
-	Pak Qatar Investment Account**		
	Outstanding 5,091,253 (2020: Nil) units	256,815	-
-	Pak Qatar Individual Family Participant Investment Fund**		
	Outstanding 2,047,664 (2020: Nil) units	103,289	-

* Prior period connected party, current figures not shown

** Current period connected party, prior period figures not shown

21. FINANCIAL INSTRUMENTS BY CATEGORY

All the financial assets and liabilities carried on the statement of assets and liabilities are categorised as follows:

	2021	2020
	----- (Rupees in '000) -----	
Financial assets		
At fair value through profit or loss		
Investments	432,309	47,911
At amortised cost		
Investments	-	16,775
Bank balances	261,069	232,235
Profit receivable	7,537	3,754
Deposits	27,402	100
	<u>728,317</u>	<u>300,775</u>
Financial liabilities		
At amortised cost		
Payable to AKD Investment Management Limited - Management Company	1,090	1,169
Payable to MCB Financial Services Limited - Trustee	72	30
Accrued expenses and other liabilities	1,139	520
	<u>2,301</u>	<u>1,719</u>

22. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, profit rate and other price risk), credit risk and liquidity risk. Risks of the Fund are being managed by the Management Company in accordance with the approved policies of the investment committee which provides broad guidelines for management of above mentioned risks. The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's financial assets primarily comprise of balances with banks and investment in debt instruments classified at 'fair value through profit or loss'. The Fund also has profit receivable on bank deposit & commercial papers, deposits, prepayments and other receivables. The Fund's principal financial liabilities include remuneration payable to the Management Company, the Trustee and accrued and other liabilities.

22.1 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 Board and regulations laid down by the SECP, the NBFC Regulations and the NBFC Rules.

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

22.1.1 Currency risk

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

22.1.2 Profit rate risk

Profit 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 profit rates. As of June 30, 2021, the Fund is exposed to such risk on its balances held with banks and investment in sukuk certificates and commercial paper. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

As of June 30, details of Fund's profit bearing financial instruments were as follows:

	Note	2021 ----- (Rupees in '000) -----	2020
Variable rate instruments (financial asset)			
Balances with banks	5	261,069	232,235
Sukuk certificates	6.2	186,851	47,911
		<u>447,920</u>	<u>280,146</u>
Fixed rate instruments (financial asset)			
Commercial papers - Unlisted	6.3	-	16,775

a) Sensitivity analysis for variable rate instruments

A change of 100 basis points in profit rates on bank balances and on sukuk certificates at the reporting date would have increased / decreased net income before taxation and total comprehensive income by Rs 4.48 million (2020: Rs 2.80 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

b) Sensitivity analysis for fixed rate instruments

There are no fixed rate instrument as at June 30, 2021

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, 2021 is not necessarily indicative of the effect on the Fund's net assets and net income due to future movements in interest rates.

Exposure to profit rate risk and maturity

Profit 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, 2021

Particulars	Effective profit rate %	Exposed to profit rate risk			Not exposed to profit rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		

Rupees in '000

On-balance sheet financial instruments**Financial assets at fair value through profit or loss**

Investments	8.51 to 10.45	-	8,754	178,097	245,458	432,309
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Financial assets at amortised cost

Bank balances	5 to 8.6	261,069	-	-	-	261,069
Profit receivable		-	-	-	7,537	7,537
Deposits		-	-	-	24,525	24,525
		261,069	-	-	32,062	293,131
Sub total		261,069	8,754	178,097	277,520	725,440

Financial liabilities

Payable to AKD Investment Management - Management Company		-	-	-	1,090	1,090
Payable to MCB Financial Services Limited -		-	-	-	72	72
Accrued expenses and other liabilities		-	-	-	1,139	1,139
Sub total		-	-	-	2,301	2,301

On-balance sheet gap

	261,069	8,754	-	275,219	723,139
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Total profit rate sensitivity gap

	261,069	8,754	-	275,219
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Cumulative profit rate sensitivity gap

	261,069	8,754	-	275,219
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As at June 30, 2020

Particulars	Effective profit rate %	Exposed to profit rate risk			Not exposed to profit rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		

Rupees in '000

On-balance sheet financial instruments**Financial assets at fair value through profit or loss**

Investments	9.31 to 14.18	-	-	47,911	-	47,911
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Financial assets at amortised cost

Bank balances	7.5 to 13	232,235	-	-	-	232,235
Investment	14.64	16,775	-	-	-	16,775
Profit receivable		-	-	-	3,754	3,754
Deposits		-	-	-	100	100
		249,010	-	-	3,854	252,864
Sub total		249,010	-	47,911	3,854	300,775

Financial liabilities

Payable to the AKD Investment - Management Company		-	-	-	1,169	1,169
Payable to MCB Financial Services Limited - Trustee		-	-	-	30	30
Accrued expenses and other liabilities		-	-	-	520	520

Sub total		-	-	-	1,719	1,719
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On-balance sheet gap

	249,010	-	47,911	2,135	299,056
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Total profit rate sensitivity gap

	249,010	-	47,911	2,135
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Cumulative profit rate sensitivity gap

	249,010	-	47,911	2,135
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22.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are cost by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the Fund is not allowed to invest in equity securities, hence it is not exposed to equity price risk.

22.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on investments in term finance certificates and sukuk certificates, commercial papers, bank balances and other financial assets at amortised cost. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

The Fund keeps deposits and performs transactions with reputed financial institutions with reasonably high credit ratings. The Fund has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major customers. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Fund's maximum exposure to credit risk is the carrying amounts of following financial assets.

	2021		2020	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	261,069	261,069	232,235	232,235
Investments	432,309	432,309	64,686	64,686
Profit receivable (bank deposits and investments)	7,537	7,537	3,754	3,754
	700,915	700,915	300,675	300,675

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2021 and June 30, 2020:

	Rating Agency	2021		2020	
		Rupees in '000	%	Rupees in '000	%
Bank balances with profit receivable by rating category					
A+ / A1	PACRA	28	0.01%	37	0.02%
Suspended	VIS	12	0.00%	12	0.01%
AA / A-1+	VIS	262,973	99.98%	233,661	99.97%
		263,013	100.00%	233,710	100.00%

Investment in variable income securities including profit receivable	Rating Agency	Rating	2021	2020
			(Rupees in '000)	
Cnergyco PK Limited (formerly: BYCO Petroleum Petroleum Limited)	PACRA	AAA	8,905	8,947
TPL Trakker Limited	PACRA	A+	123,922	-
Hub Power Company Limited	PACRA	AA+	26,322	26,010
Hub Power Holdings Limited Limited	PACRA	AA+	26,289	-
Mughal Iron & Steels Industries Limited	PACRA	A+	10,105	-
			195,543	34,957

Above ratings are on the basis of latest available ratings assigned by PACRA and VIS Credit Rating Company Limited Credit Rating Company Limited as of June 30, 2021.

Balance with bank is assessed to have low credit risk of default since the banks are highly regulated by the State Bank of Pakistan. Accordingly, management of the Fund estimates that loss allowance on balance with banks at the end of the reporting period at an amount equal to 12 month Expected Credit Loss (ECL). None of the balance with banks at the end of the reporting period is past due, and taking into account the historical default experience and the current credit ratings of the banks, the management of the Fund have assessed that there is no impairment, and hence have not recorded any loss allowance on this balance.

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 debt securities which are diversified and relate to various sectors. 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.

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

22.3 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 cash redemptions, if any, at the option of unit holders. The Fund 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.

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 instruments 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, 2021				
Within one month	Over one to three months	Over three to twelve Months	Over one to five years	Total

Rupees in '000'

Financial liabilities at amortised cost

Payable to the AKD Investment Management Limited - Management Company	333	-	-	757	1,090
Payable to the MCB Financial Services Limited - Trustee	72	-	-	-	72
Accrued expenses and other liabilities	1,139	-	-	-	1,139
	1,544	-	-	757	2,301

As at June 30, 2020				
Within One month	Over One to Three months	Over Three to Twelve Months	Over One to Five years	Total

Rupees in '000'

Financial liabilities at amortised cost

Payable to the AKD Investment Management Limited - Management Company	125	-	-	1,044	1,169
Payable to the MCB Financial Services Limited - Trustee	30	-	-	-	30
Accrued expenses and other liabilities	520	-	-	-	520
	675	-	-	1,044	1,719

23. 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.

The Fund's objective when managing unit holders' fund is to safeguard the Fund's ability to continue as a going concern in order to provide returns for the benefits of the unit holders to maintain a strong base of assets to support the development of the investment activities of the Fund and to meet unexpected losses or opportunities. As required under the NBFC Regulations, every open end scheme shall maintain minimum fund size (i.e. net assets of the Fund) of Rs. 100 million at all times during the life of scheme. In order to comply with the requirement and to maintain or adjust the Unit Holders' Fund, the Fund's policy is to perform the following:

- 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 of the Management Company 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.

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the close of trading i.e. period end date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value as these are short term in nature.

The following table shows financial instruments recognized at fair value, based on:

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

The table below provides information on financial assets carried at fair values, by valuation methods

	As at June 30, 2021			
	Level 1	Level 2	Level 3	Total
Assets	Rupees in '000'			
Investments	245,458	186,851	-	432,309
	As at June 30, 2020			
	Level 1	Level 2	Level 3	Total
Assets	Rupees in '000'			
Investments	-	64,686	-	64,686

During the year ended June 30, 2021, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

25. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE 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. Imran Motiwala	Chief Executive Officer	B.Sc. (Marketing)	28
2	Mr. Muhammad Yaqoob	Chief Operating Officer and Company Secretary	MBA (Finance), CFA Charterholder	17
3	Ms. Anum Dhedhi	Chief Investment Officer	B.Sc. (Financial Economics)	10
4	Mr. Sheikh Usman Haroon	Risk Manager	ACCA, CFA Level III Passed	7
5	Mr. Bilal Shuja Zaidi	Investment Analyst	BS (Accounting & Finance), CFA Level III Passed	3
6	Mr. Danish Aslam	Fund Manager	BS (Accounting & Finance), CFA Level I Passed	3
7	Mr. Ajay Kumar	Fund Manager	MBA (Finance), CFA Charterholder	6

Mr. Danish Aslam Peter is the Manager of the Fund. He is also manager of AKD Cash Fund and AKD Aggressive Income Fund.

26. PATTERN OF UNIT HOLDING

As at June 30, 2021

	Number of unit holders	Number of units held	percentage investment
			%
Individuals	403	1,589,573	11.09%
Retirement Funds	11	4,320,484	30.14%
Corporates	3	402,744	2.81%
Insurance Companies	2	606,937	4.23%
Others	12	7,413,076	51.72%
	431	14,332,814	100%

As at June 30, 2020

	Number of unit holders	Number of units held	percentage investment
			%
Individuals	358	3,373,411	56.91%
Retirement Funds	10	1,917,554	32.35%
Corporates	2	9,111	0.15%
Insurance Companies	2	575,425	9.71%
Others	8	52,033	0.88%
Associated Companies	1	-	0.00%
	381	5,927,534	100%

27. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

During the year 85th, 86th, 87th and 88th board meetings were held on September 30, 2020, October 29, 2020, February 25, 2021 and April 30, 2021 respectively. Information in respect of attendance by Directors in these meetings is given below :

S.No.	Name of Director	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
1	Mr. Abdul Karim	4	4	-	-
2	Mr. Imran Motiwala	4	4	-	-
3	Ms. Anum Dhedhi	4	3	1	86th
4	Mr. Saim Mustafa Zuberi	4	3	1	86th
5	Mr. Ali Wahab Siddiqui	4	4	-	-
6	Mr. Hasan Ahmed	4	4	-	-
7	Ms. Aysha Ahmed	4	4	-	-

28. GENERAL

28.1 Figures have been rounded off to the nearest thousand Rupees.

28.2 Comparative figures have been reclassified where necessary for better presentation and comparison

29. DATE OF AUTHORISATION FOR ISSUE


These financial statements were authorised for issue on 29 SEP 2021 by the Board of Directors of the Management Company.

4A

For AKD Investment Management Limited
(Management Company)


Chief Executive Officer


Chief Financial Officer


Director

AKD ISLAMIC INCOME FUND
PERFORMANCE TABLE

	2021	2020	2019
Total net assets value (Rs '000)*	723,889	297,595	225,588
Net assets value per unit - (Rs)*	50.4424	50.2055	50.1537
Selling price as at June 30 (Rs)*	50.9468	50.7075	50.6552
Repurchase price as at June 30 (Rs)*	50.4424	50.2055	50.1537
Highest selling price (Rs)	54.0201	56.4446	54.7154
Lowest selling price (Rs)	50.7165	50.6709	50.5713
Highest repurchase price (Rs)	53.4852	55.8857	54.1737
Lowest repurchase price (Rs)	50.2144	50.1692	50.0706
Return of the Fund			
- capital growth (Rs '000)	426,294	72,007	(4,784)
- income distribution (including refund of capital) (Rs '000)	43,847	30,687	16,978
Distribution per unit			
Interim			
Gross (2021: Announced on June 30, 2021)	3.23	5.73	4.06
Gross (2020: Announced on June 30, 2020)			
Gross (2019: Announced on June 28, 2019)			
Final	-	-	-
Average Annual Return			
- One year	6.95	11.54	8.43
- Two years	9.22	9.97	6.34
- Three years	8.95	8.05	-
Weighted Average Portfolio Duration	252	131	99

* Final distributions for the period made subsequent to the year end have been adjusted against the closing NAVs.

Note: The portfolio composition of the fund has been disclosed in note 6 to the financial statements.

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



**AKD Investment
Management Ltd.**

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