



MCB FUNDS
Investments for Life

ANNUAL REPORT 2023

Funds Under Management of
MCB Investment Management Limited
(Formerly: MCB-Arif Habib Savings and Investments Limited)



Note - Change in Name

The name of the Company was previously **MCB-Arif Habib Savings and Investments Limited**, which has been changed to **MCB Investment Management Limited**. On May 02, 2023, the Board of Directors of the Company resolved to change the name of the Company to **MCB Investment Management Limited**, pursuant to which an Extra-Ordinary General Meeting (EOGM) of the Shareholders was convened on July 7, 2023 and the Shareholders approved the new name of the Company by a special resolution. Thereafter, the Company applied to the Registrar of Companies, SECP, for approval of Change of Name under the provisions of the Companies Act, 2017, which was granted and a titled "**Certificate of Incorporation on Change of Name**" was issued by the Additional Registrar of Companies, Company Registration Office, SECP on August 15, 2023 and as such, the Change of Name became effective from that date.

نوٹ: نام کی تبدیلی

کمپنی کا سابق نام ایم سی بی عارف حبیب سیونگزا اینڈ انویسٹمنٹس لمیٹڈ تھا جو تبدیل کر کے ایم سی بی انویسٹمنٹ مینجمنٹ لمیٹڈ کر دیا گیا ہے۔ 02 مئی 2023ء کو کمپنی کے بورڈ آف ڈائریکٹرز نے کمپنی کا نام ایم سی بی انویسٹمنٹ مینجمنٹ لمیٹڈ کرنے کا فیصلہ کیا جس کے بعد 7 جولائی 2023ء کو ایک غیر معمولی عمومی اجلاس (ای او جی ایم) منعقد ہوا اور حاملین حصص نے خصوصی قرارداد کے ذریعے کمپنی کے نئے نام کی منظوری دی۔ بعد ازاں، کمپنی نے کمپنیز ایکٹ 2017ء کے تحت رجسٹر آف کمپنیز، ایس ای سی پی، کی منظوری کے لیے درخواست دائر کی جو منظور کر لی گئی اور 15 اگست 2023ء کو ایڈیشنل رجسٹر آف کمپنیز، کمپنیز رجسٹریشن آفس، ایس ای سی پی، کی طرف سے سرٹیفکیٹ بعنوان "سرٹیفکیٹ آف انکارپوریشن آن چینج آف نیم" جاری کیا گیا۔ چنانچہ نام کی تبدیلی مذکورہ تاریخ سے مؤثر ہو گئی ہے۔

Vision

“To be the most coveted Savings and Investment company,
while leading the effort to make the saving
population and industry grow”

Mission

“To be the preferred Savings and Investment Manager in Pakistan
by being best in class in customer services
and maximizing stakeholders’ value”

Core Values

HONESTY

We ensure to build trust through responsible actions and honest
relationships with our colleagues, customers and stakeholders

INTEGRITY

We work with integrity in everything we do, and embody our principles
when working with stakeholders as well as internal and external customers.
We assure to promote the integrity for the ultimate benefit for everyone

ETHICS

As a trusted custodian of customer funds, we are committed to
conforming to the highest level of ethical standards in the workplace
that involves putting customer interest first and maintaining
our stakeholders trust in the Company

PROFESSIONALISM

We value everyone and treat our external and internal
customers and our stakeholders with respect, dignity and professionalism

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MCB DCF INCOME FUND

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FUND'S INFORMATION

Management Company	MCB Investment Management Limited* (Formerly: MCB-Arif Habib Savings and Investments Limited) Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
Board of Directors	Mr. Haroun Rashid Mr. Shoaib Mumtaz Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Manzar Mushtaq Mr. Fahd Kamal Chinoy Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Director Chief Executive Officer Director Director Director Director Director
Audit Committee	Syed Savail Meekal Hussain Mr. Ahmed Jahangir Mr. Manzar Mushtaq	Chairman Member Member
Human Resource & Remuneration Committee	Mr. Fahd Kamal Chinoy Mr. Ahmed Jahangir Mr. Manzar Mushtaq Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Credit Committee	Mr. Ahmed Jahangir Mr. Manzar Mushtaq Syed Savail Meekal Hussain Mr. Muhammad Saqib Saleem	Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Chief Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Altaf Ahmad Faisal	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Silk Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited	Khushali Micro Finance Bank Limited Telenor Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqati Bank Limited Habib Bank Limited HBL Mirco Finance Bank Limited National Bank of Pakistan Soneri Bank Limited The Bank of Khyber
Auditors	A. F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Rating	AM1 Asset Manager Rating assigned by PACRA	
Transfer Agent	MCB Investment Management Limited* (Formerly: MCB-Arif Habib Savings and Investments Limited) Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	

*Note: On May 02, 2023, the Board of Directors resolved to change the name of the Company, pursuant to which on July 7, 2023 in Extra-Ordinary General Meeting (EOGM) the Shareholders approved the new name of the Company i.e. **MCB Investment Management Limited**. Thereafter, the Company applied to SECP, for approval of Change of Name, which was granted on August 15, 2023 and as such, the Change of Name became effective from that date.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2023

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB DCF Income Fund** accounts review for the year ended June 30, 2023.

ECONOMY AND MONEY MARKET REVIEW

The fiscal year 2023 (FY23) remained a difficult year for Pakistan as it faced multiple macroeconomic challenges. The 2022 monsoon floods caused significant damage to infrastructure, crops, and livestock, as well as loss of precious lives. The global commodity prices and currency devaluation ushered a wave of inflation never seen since 1974, leading to all time high interest rates. The IMF program remained elusive throughout the latter half of fiscal year which became extremely challenging for the government facing both political and economic difficulties.

The country's external position remained precarious with SBP's foreign exchange reserves declining to USD 4.5 billion as of 30 Jun 23 (mere import cover of 3 weeks) compared to USD 9.8 billion at the start of the fiscal year. Albeit with some delay and reluctance, the government took several politically unpopular steps such as raising energy tariffs, letting PKR depreciate, slapping additional taxes and raising interest rates as per IMF's demands. However, IMF's Staff Level Agreement (SLA) of IMF 9th review eluded throughout the year as the IMF and government were unable to reach a consensus. The delay in the IMF program led to a slowdown in foreign flows from bilateral and multilateral partners leading to erosion in reserves. As a result, the currency remained under severe pressure, with dollar appreciating by 40% in FY23 to close at 286.0 near to its all-time high level.

The country posted a current account deficit (CAD) of USD 2.9 billion in first eleven months of the fiscal year 2023 (11MFY23) declining by 81% YoY compared to a deficit of USD 15.2 billion in the corresponding period last year. Narrowing trade deficit was the major contributor towards improving CAD as a 12.2% decrease in exports coupled with a 23.9% drop in imports led to a 33.8% contraction in the trade deficit. The government kept a lid on imports through administrative measures by imposing import quotas on selective imports. However, these steps led to an increase in smuggling activity which diverted remittances towards grey channels. Furthermore, the tight leash on imports caused shortages across various industries impacted overall economic growth.

Headline inflation represented by CPI averaged 29.0% during FY23 compared to 12.1% in the corresponding period last year. Higher food prices coupled with rising electricity, gas and petroleum prices were the major contributors towards the jump in CPI. The inflationary pressures were broad based, which is depicted by core inflation increasing to 21.2% compared to 12.3% at the end of last fiscal year. SBP has increased interest rates by 1.0% to 22% in an emergent MPS in Jun-23 to push the real interest rate in positive territory on a forward-looking basis and anchor inflation expectations.

The country's provisional GDP growth clocked at 0.29% in FY23 with Agricultural and Services sector increasing by 1.6% and 0.9%, respectively, while industrial sector witnessed a drop of 2.9%. Historic high interest rates coupled with import restrictions were the major culprits behind the fall in industrial output. On the fiscal side, FBR tax collection increased by 16.4% in FY23 to PKR 7,154 billion compared to PKR 6,149 billion in the same period last year but missed the target by PKR 486 billion.

Secondary markets yields increased in FY23 on account of monetary tightening and bout of inflationary pressures post a massive currency devaluation. The 3,6 and 12 Month T-Bills yield increased by 767, 772 and 763 basis points (bps) respectively while 3,5 and 10 Years Bond yields rose by 602, 315 and 240bps respectively during FY23.

FUND PERFORMANCE

During the period under review, the fund generated a year-to-date return of 15.46% as against its benchmark return of 20.11%. The WAM of the fund increased to 2 years because of interest rate outlook

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2023

which was on a rising trend. The fund allocation remained notably in Cash, PIBs and T-Bills at the end of the period under review. At period-end, the fund was invested 32% in Cash, 18.4% in PIBs, 24.9% in T-Bills and 5.7% in TFCs. The Net Assets of the Fund as at June 30, 2023 stood at Rs 7,706 million as compared to Rs. 4,617 million as at June 30, 2022 registering an increase of 67%. The Net Asset Value (NAV) per unit as at June 30, 2023 was Rs. 108.0027 as compared to opening NAV of Rs. 107.3596 per unit as at June 30, 2022 registering an increase of Rs. 0.6431 per unit.

ECONOMY & MARKET – FUTURE OUTLOOK

International Monetary Fund (IMF) and Pakistan have struck a staff-level agreement for the provision of USD 3 billion in bailout funds under a stand-by arrangement (SBA). The program is set to span nine months, and the IMF board approval of the SBA will unlock an immediate disbursement of USD 1.2bn, with the remaining USD 1.8bn scheduled after reviews in Nov-23 and Feb-24.

The new program comes at a critical time when Pakistan is grappling with a severe balance of payments crisis. The successful resumption of the IMF program will help Pakistan to unlock funding from bilateral and multilateral sources helping in rebuilding foreign exchange reserves. Saudi Arabia and UAE have already pledged USD 2bn and USD 1bn respectively which were contingent on the resumption of IMF program, out of which USD 2 billion from KSA has already been received in July 2023. China is also expected to provide USD 2.0 billion with the Chinese commercial banks providing additional USD 1.5 billion. In addition, the IMF program will also help Pakistan to access concessionary financing from World Bank and other multilateral agencies. This has averted the risk of near term default and we expect currency to remain stable in the near term.

We expect Average FY24 inflation to ease to 19.3% compared to 29.0% in FY23 as the base effect will come into play. Inflation is expected to follow a downward trajectory and the buildup of forex reserves during the period may allow a monetary easing cycle in the quarter ending Dec-23. We expect a cumulative easing of around 6% in the next 12 months, however, its pace and timing would be determined by trend in FX reserves.

From the capital market perspective particularly equities, the market is trading at cheap valuations. Market cap to GDP ratio has declined to 7.5%, a discount of 62% from its historical average of 19.7%. Similarly, Earning Yield minus Risk Free Rate is close to 6.0%, compared to the historical average of 2.7% signifying a deep discount at which the market is trading. The resolution of challenges on external account will help to unlock market potential. We believe a micro view of sectors and stocks will remain important and investment selection should focus on companies which trade at a deep discount to their intrinsic value. The market is currently trading at PER of 4.7x, while offering a dividend yield of 11.8%.

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. We would continue to monitor the data points and capitalize on opportunities to add government bonds in Income Funds at attractive rates to benefit from the expected monetary easing in the medium term.

MUTUAL FUND INDUSTRY REVIEW

The Net Assets of the open end mutual funds industry increased by about 28.9% during FY23 to PKR 1,564 billion. Total money market funds grew by about 34.4% since June 2022. Within the money market sphere, conventional funds showed a growth of 6.1% to PKR 473 billion while Islamic funds increased by 90.4% to PKR 429 billion. In addition, the total fixed Income funds increased by about 23.7% since June 2022 to PKR 369 billion. Equity and related funds declined by 27% to PKR 168 billion as concern over macroeconomic factors kept investors at bay.

In terms of the segment share, Money Market funds were the leader with a share of around 57.7%, followed by Income funds with 23.6% and Equity and Equity related funds having a share of 10.7% as at the end of FY23.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2023

MUTUAL FUND INDUSTRY OUTLOOK

The current interest rates would encourage higher flows in the money market funds as they are ideal for investors with a short term horizon and low risk profile. However, external concerns have eased post agreement with IMF and the long term investors may look to add equity exposure at these highly attractive levels. Our operations remained seamless and given our competitive edge in digital access and online customer experience, we are prepared to get benefits of the growing number of investors available online.

MANAGEMENT COMPANY

The fund is managed by MCB-Arif Habib Savings & Investments Limited which is the subsidiary of MCB Bank Limited. On April 18, 2023, MCB Bank Limited (MCB) has acquired 21,664,167 (30.09%) shares from Arif Habib Corporation Limited (AHCL) resulting an increase in shareholding from 36,956,768 (51.33%) shares to 58,620,935 (81.42%) and AHCL no longer holds any shares in MCB-AH.

Consequently, the members of the Company in an Extra Ordinary General Meeting (EOGM) held on July 07, 2023 have resolved via special resolution that the name of the Company be changed from MCB-Arif Habib Savings and Investments Limited to MCB Investment Management Limited and a formal request for change of name has been forwarded to the Securities and Exchange Commission of Pakistan (SECP) for its approval.

CORPORATE GOVERNANCE

The Fund is committed to implement the highest standards of corporate governance. The Board comprises of eight (8) members including the Chief Executive Officer (CEO) and has a diverse mix of gender and knowledge. The Board consists of 1 female and 7 male directors, categorized as follows:

- 4 Non – Executive Directors;
- 3 Independent Directors; and
- 1 Executive Director (CEO).

The details of above are as under:

Sr. No.	Name	Status	Membership in other Board Committees
1.	Mr. Haroun Rashid	Non-Executive Director	None
2.	Mr. Shoaib Mumtaz	Non-Executive Director	HR&R* Committee
3.	Mr. Ahmed Jahangir	Non-Executive Director	Audit Committee; and HR&R* Committee.
4.	Mr. Manzar Mushtaq	Non-Executive Director	Audit Committee
5.	Syed Savail Meekal Hussain	Independent Director	Audit Committee (Chairman)
6.	Mr. Fahd Kamal Chinoy	Independent Director	HR&R* Committee (Chairman).
7.	Ms. Mavra Adil Khan	Independent Director	HR&R* Committee
8.	Mr. Muhammad Saqib Saleem	Executive Director	HR&R* Committee

* HR&R stands for Human Resource and Remuneration

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2023

Management is continuing to comply with the provisions of best practices set out in the code of corporate governance. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

The Board of Directors is pleased to report that:

- a. The financial statements, present fairly the state of affairs, the results of operations, cash flows and changes in equity;
- b. Proper books of accounts of the fund have been maintained;
- c. Appropriate accounting policies as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.;
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further;
- f. There are no significant doubts upon the fund's ability to continue as going concern;
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations;
- h. The outstanding taxes, statutory charges and duties, if any, have been fully disclosed in the audited financial statements;
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. As at June 30, 2023, the Company is in compliance with the requirements of Directors' Training Program, as contained in Regulation No. 20 of the Code;
- k. The detailed pattern of shareholding as on June 30, 2023 is annexed;
- l. A formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and Committees of the Board;
- m. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below are the details of committee meetings held during the year ended June 30, 2023:

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2023

1. Meeting of the Audit Committee.

During the year, eight (8) meetings of the Audit Committee were held. The attendance of each participant is as follows:

	Name of Persons	Number of meetings held	Number of meetings		
			Attendance required	Attended	Leave granted
1.	Mirza Qamar Beg (Chairman)*	8	8	8	-
2.	Mr. Nasim Beg*	8	8	7	1
3.	Mr. Ahmed Jahangir	8	8	8	-
4.	Mr. Kashif A. Habib*	8	8	6	2
5.	Syed Savail Meekal Hussain	8	8	5	3

* Resigned on May 02, 2023.

2. Meeting of the Human Resource and Remuneration Committee.

During the year, five (5) meeting of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

	Name of Persons	Number of meetings	Number of meetings		
			Attendance required	Attended	Leave granted
1.	Mirza Qamar Beg (Chairman)*	5	5	5	-
2.	Mr. Ahmed Jahangir	5	5	5	-
3.	Mr. Nasim Beg*	5	5	5	-
4.	Ms. Mavra Adil Khan	5	5	2	3
5.	Syed Savail Meekal Hussain	5	5	5	-
6.	Mr. Muhammad Saqib Saleem (CEO)	5	5	5	-

* Resigned on May 02, 2023.

- n. No trades in the Units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

EXTERNAL AUDITORS

The Fund's external auditor's **M/s. A.F Ferguson & Co. Chartered Accountants** have retired after completion of audit for Financial Year ended June 30, 2023. The Audit Committee has recommended appointment of **M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants** as external auditors of the Fund for financial year ending June 30, 2024 and the Board has also endorsed the recommendation of the Audit Committee. **M/s. M. Yousuf Adil Saleem & Co. Chartered Accountants** has also expressed their willingness to act as the Fund's external auditors.

**REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2023**

ACKNOWLEDGEMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
July 26, 2023



Manzar Mushtaq
Director

ڈائریکٹرز رپورٹ

* 02 مئی 2023ء کو مستعفی ہو گئے تھے۔

n. دوران سال مینجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانسٹل آفیسر، کمپنی سیکرٹری، اور چیف انٹرنل آڈیٹر اور ان کے شریک حیات اور نابالغ بچوں نے فنڈ کے پونٹس کی کوئی خرید و فروخت نہیں کی۔

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹر اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس 30 جون 2023 کو ختم ہونے والے مالی سال کا آڈٹ مکمل کرنے کے بعد ریٹائر ہو گئے ہیں۔ آڈٹ کمیٹی نے 30 جون 2024 کو ختم ہونے والے مالی سال کے لئے یوسف عادل سلیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو فنڈ کا خارجی آڈیٹر مقرر کرنے کی سفارش کی ہے اور بورڈ نے آڈٹ کمیٹی کی سفارشات کی بھی توثیق کی ہے۔ یوسف عادل سلیم اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے بھی فنڈ کے خارجی آڈیٹرز کے طور پر کام کرنے پر آمادگی کا اظہار کیا ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے قابل قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کا ان کے مسلسل تعاون اور حمایت کے لیے مشکور ہے۔ ڈائریکٹرز انتظامی ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،

Masrur Mushtaq

منظر مشتاق
ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
26 جولائی 2023ء

ڈائریکٹرز رپورٹ

- j. 30 جون 2023ء کو کمپنی، کوڈ کے ریگولیشن نمبر 20 کے مطابق، ڈائریکٹرز ٹریننگ پروگرام کی شرائط پر تعمیل پیرا ہے؛
- k. 30 جون 2023ء کو حصص یافتگی کا تفصیلی خاکہ ملحق ہے؛
- l. بورڈ کی اپنی، بورڈ کے ارکان کی اور بورڈ کی کمیٹیوں کی سالانہ جانچ کے لیے ایک باقاعدہ رسمی اور موثر نظام نافذ کیا گیا ہے؛
- m. بورڈ آف ڈائریکٹرز کی میٹنگ کی حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ ذیل میں سال مختتمہ 30 جون 2023ء کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ہیں:

1. آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی آٹھ (8) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد		میٹنگز کی تعداد		
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	نام
-	8	8	8	1- مرزا محمد قمر بیگ (چیئر مین)*
1	7	8	8	2- جناب نسیم بیگ*
-	8	8	8	3- جناب احمد جہانگیر
2	6	8	8	4- جناب کاشف اے حبیب*
3	5	3	8	5- سید ساویل میکال حسین

* 02 مئی 2023ء کو مستعفی ہو گئے تھے۔

2. ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن کمیٹی کی پانچ (5) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد		میٹنگز کی تعداد		
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	نام
-	5	5	5	1- جناب مرزا قمر بیگ* (چیئر مین)
-	5	5	5	2- جناب احمد جہانگیر
-	5	5	5	3- جناب نسیم بیگ*
3	2	5	5	4- محترمہ ماوراء عادل خان
-	5	5	5	5- سید ساویل میکال حسین
-	5	5	5	6- جناب محمد ثاقب سلیم (سی ای او)

ڈائریکٹرز رپورٹ

3.	جناب احمد جہانگیر	غیر ایگزیکٹو ڈائریکٹر	آڈٹ کمیٹی اور ایچ آر اینڈ آر * کمیٹی
4.	جناب منظر مشتاق	غیر ایگزیکٹو ڈائریکٹر	آڈٹ کمیٹی
5.	جناب سید ساویل میکان حسین	خود مختار ڈائریکٹر	آڈٹ کمیٹی (چیئر مین)
6.	جناب فہد کمال چنائے	خود مختار ڈائریکٹر	ایچ آر اینڈ آر * کمیٹی (چیئر مین)
7.	محترمہ ماوراء عادل خان	خود مختار ڈائریکٹر	ایچ آر اینڈ آر * کمیٹی
8.	جناب محمد ثاقب سلیم	ایگزیکٹو ڈائریکٹر	ایچ آر اینڈ آر * کمیٹی

* ایچ آر اینڈ آر کا مطلب ہے ہیومن ریسورس اینڈ ریوژنیشن

انتظامیہ بہترین طریقوں کے حوالے سے کارپوریٹ گورننس کے ضابطہ اخلاق کی دفعات کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے عزم پر قائم ہے جن میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔ بورڈ آف ڈائریکٹرز کی جانب سے مطلع کیا جاتا ہے کہ:

a. مالیاتی گوشوارے کمپنی کے معاملات کی صورت حال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔

b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں؛

c. مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا باقاعدگی کے ساتھ اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں؛

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی - جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) 2003ء کی، Non بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انسٹیشنز ریگولیشنز 2008ء کی، متعلقہ ٹرسٹ ڈیڈز کی ضروریات اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایات کی تعمیل کی گئی ہے؛

e. انٹرنل کنٹرول یعنی اندرونی جانچ پڑتال کا نظام مستحکم خطوط پر استوار اور موثر انداز میں نافذ کیا گیا ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں؛

f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شبہات نہیں ہیں؛

g. لسٹنگ ریگولیشنز میں واضح کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے؛

h. واجب الاداء ٹیکس، قانونی چارجز اور ڈیوٹیز کو (اگر کوئی ہیں تو) آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے؛

i. پراویڈنٹ ایگریجیوٹس اور پینشن فنڈ کی قدر کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن بینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں کوئی اظہار نہیں کیا گیا ہے؛

ڈائریکٹرز رپورٹ

میوہل فنڈ صنعت کی مستقبل کا منظر

سود کی موجودہ شرحوں سے Money مارکیٹ فنڈز میں زیادہ آمد و رفت کی حوصلہ افزائی ہوگی کیونکہ یہ مختصر المیعاد سرمایہ کاروں کے لیے موزوں ترین ہیں جو خطرے کی کم سطح پر رہنا چاہتے ہیں۔ تاہم آئی ایم ایف معاہدے کے بعد خارجی خدشات کم ہو گئے ہیں اور طویل المیعاد سرمایہ کار ان بے حد پُرکشش سطحوں پر ایکوٹی میں مزید پیسہ لگانا چاہیں گے۔ ہمارے آپریشنز بلا رکاوٹ جاری رہے، اور ڈیجیٹل رسائی اور آن لائن سہولیات میں بھرپور سرمایہ کاری کے نتیجے میں ہمیں جو سبقت حاصل ہے اس کی بدولت ہم آن لائن دستیاب سرمایہ کاروں کی بڑھتی ہوئی تعداد سے استفادہ کرنے کے لیے تیار ہیں۔

مینجمنٹ کمپنی

فنڈ کا انتظام ایم سی بی عارف حبیب سیونگز اینڈ انویسٹمنٹس لمیٹڈ (ایم سی بی-اے ایچ) نے سنبھالا ہوا ہے جو ایم سی بی بینک لمیٹڈ (ایم سی بی) کی سبڈری ہے۔ 18 اپریل 2023ء کو ایم سی بی نے عارف حبیب کارپوریشن لمیٹڈ (اے ایچ سی ایل) سے 21,664,167 (30.09 فیصد) حصص خرید لیے جس کے نتیجے میں حصص یافتگی 36,957,768 (51.33 فیصد) سے بڑھ کر 58,620,935 (81.42 فیصد) ہو گئی اور اے ایچ سی ایل اب ایم سی بی-اے ایچ میں حصص کا حامل نہیں۔ چنانچہ کمپنی کے ارکان نے غیر معمولی عمومی اجلاس (ای او جی ایم) مورخہ 07 جولائی 2023ء میں خصوصی قرارداد کے ذریعے فیصلہ کیا ہے کہ کمپنی کا نام ایم سی بی عارف حبیب سیونگز اینڈ انویسٹمنٹس لمیٹڈ سے تبدیل کر کے ایم سی بی انویسٹمنٹ مینجمنٹ لمیٹڈ کر دیا جائے، اور تبدیلی نام کی رسمی درخواست سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (ایس ای سی پی) کو منظوری کے لیے بھیج دی گئی ہے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیار نافذ کرنے کے لئے پُر عزم ہے۔ بورڈ آف ڈائریکٹرز (8) ارکان پر مشتمل ہے بشمول چیف ایگزیکٹو ڈائریکٹر (CEO) اور اس میں اصناف اور معلومات کا متنوع امتزاج موجود ہے۔ بورڈ 1 خاتون اور 7 حضرات ڈائریکٹرز پر مشتمل ہے جن کو مندرجہ ذیل زمروں میں تقسیم کیا گیا ہے:

- * چار (4) غیر ایگزیکٹو ڈائریکٹرز
- * تین (3) خود مختار ڈائریکٹرز
- * ایک (1) ایگزیکٹو ڈائریکٹر (CEO)

مندرجہ بالا کی تفصیلات درج ذیل ہیں:

نمبر شمار	نام	عہدہ	دیگر بورڈ کمیشنوں میں رکنیت
1.	جناب ہارون رشید	غیر ایگزیکٹو ڈائریکٹر	کوئی نہیں
2.	جناب شعیب ممتاز	غیر ایگزیکٹو ڈائریکٹر	ایچ آر اینڈ آر * کمپنی

ڈائریکٹرز رپورٹ

2023ء میں موصول ہو چکے ہیں۔ چین کی طرف سے بھی 2.0 بلین ڈالر، اور چینی کمرشل بینکوں کی طرف سے اضافی 1.5 بلین ڈالر کی فراہمی متوقع ہے۔ مزید برآں، آئی ایم پروگرام کی بحالی سے پاکستان کو ورلڈ بینک اور دیگر کثیرالاجہتی ایجنسیوں سے رعایتی شرائط پر رقم کے حصول میں بھی مدد ملے گی۔ اس سے مستقبل قریب میں ڈیفالٹ کا خطرہ ٹل گیا ہے، اور ہمیں اُمید ہے کہ قریب المیعاد میں روپے کی قدر مستحکم رہے گی۔

مالی سال 2024ء کی اوسط مہنگائی میں مالی سال 2023ء میں 29.0 فیصد کے مقابلے میں 19.3 فیصد کی متوقع ہے کیونکہ base effect اپنا کردار ادا کرے گا۔ مہنگائی میں بتدریج کمی متوقع ہے، اور دورانِ مدت زرمبادلہ کے ذخائر میں اضافے کی بدولت دسمبر 2023ء کو ختم ہونے والی سہ ماہی میں مالیاتی تسہیل کی گردش ممکن ہو سکتی ہے۔ مجموعی طور پر اگلے بارہ ماہ میں تقریباً 6 فیصد تسہیل متوقع ہے، تاہم اس کی رفتار اور اس کے وقت کا انحصار زرمبادلہ کے ذخائر کے رجحان پر ہوگا۔

کیپٹل مارکیٹ، خصوصاً ایکویٹیز، کے نقطہ نظر سے مارکیٹ میں سستی valuations پر کاروبار ہو رہا ہے۔ مارکیٹ cap کا جی ڈی پی کے ساتھ تناسب کم ہو کر 7.5 فیصد ہو گیا ہے جو اس کے قدیم اوسط 19.7 فیصد سے 62 فیصد کی ہے۔ اسی طرح Earning Yield (آمدنی کی پیداوار) میں سے Risk Free Rate (خطرے سے محفوظ شرح) منہا کرنے پر تقریباً 6.0 فیصد بنتا ہے، اور قدیم اوسط 2.7 فیصد سے موازنہ کرنے پر اس بھرپور کمی کا پتہ چلتا ہے جس پر مارکیٹ میں تجارت ہو رہی ہے۔ خارجی اکاؤنٹ کے مسائل حل کرنے سے مارکیٹ کی استعداد سے فائدہ اٹھانے میں مدد ملے گی۔ ہم سمجھتے ہیں کہ اسٹاک اور شعبہ جات کا مجموعی تناظر اہم رہے گا اور سرمایہ کاری کے انتخاب کے لیے ان کمپنیز پر توجہ مرکوز کی جانی چاہیے جو اپنی اندرونی قدر میں بھرپور کمی پر تجارت کرتی ہیں۔ موجودہ طور پر مارکیٹ میں 4.7x کے PER پر تجارت ہو رہی ہے جبکہ ڈیویڈنڈ کی سطح 11.8 فیصد پر ہے۔

حاملین قرض کے لیے ہم توقع کرتے ہیں کہ بازار زر کے فنڈ سال بھر بلا رکاوٹ پالیسی شرحوں کی عکاسی جاری رکھیں گے۔ ہم ڈینا پوائنٹس کی نگرانی اور پُرکشش شرحوں پر انکم فنڈز میں حکومتی بانڈز شامل کرنے کے مواقع سے استفادہ جاری رکھیں گے تاکہ درمیانی مدت میں متوقع مالیاتی تسہیل سے فائدہ اٹھایا جاسکے۔

میوچل فنڈ صنعت کا جائزہ

اوپن اینڈ میوچل فنڈ صنعت کے net اثاثہ جات دورانِ مالی سال 2023ء تقریباً 28.9 فیصد بڑھ کر 1,564 بلین روپے ہو گئے۔ Money مارکیٹ کے مجموعی فنڈز میں جون 2022ء سے اب تک تقریباً 34.4 فیصد اضافہ ہوا۔ Money مارکیٹ کے دائرہ کار میں روایتی فنڈز تقریباً 6.1 فیصد بڑھ کر 473 بلین روپے ہو گئے، جبکہ اسلامک فنڈز 90.4 فیصد بڑھ کر 429 بلین روپے ہو گئے۔ مزید برآں، فیکسڈ انکم کے مجموعی فنڈز جون 2022ء سے اب تک تقریباً 23.7 فیصد بڑھ کر 369 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز 27 فیصد کم ہو کر 168 بلین روپے ہو گئے کیونکہ مجموعی معاشی عوامل سے متعلق خدشات سرمایہ کاروں کی حوصلہ شکنی کا سبب بنے۔

شعبہ جاتی اعتبار سے مالی سال 2023ء کے اختتام پر Money مارکیٹ فنڈز تقریباً 57.7 فیصد حصے کے ساتھ سب سے آگے تھے، جبکہ دوسرے نمبر پر انکم فنڈز تھے جن کا 23.6 فیصد حصہ تھا، اور تیسرے نمبر پر ایکویٹی اور متعلقہ فنڈز تھے جن کا 10.7 فیصد حصہ تھا۔

ڈائریکٹرز رپورٹ

میں سود کی شرحوں کو 1.0 فیصد بڑھا کر 22 فیصد کر دیا تاکہ سود کی حقیقی شرح کو ترقی پسند بنیاد پر مثبت علاقے میں لے جایا جائے اور مہنگائی کی توقعات پر قابو پایا جائے۔

عارضی مجموعی منلکی پیداوار (GDP) میں مالی سال 2023ء میں 0.29 فیصد ترقی ہوئی۔ اس ضمن میں زراعت اور خدمات کے شعبوں میں بالترتیب 1.6 فیصد اور 0.9 فیصد اضافہ ہوا جبکہ صنعتی شعبے میں 2.9 فیصد کمی ہوئی۔ سود کی اب تک کی بلند ترین شرحوں کے ساتھ ساتھ درآمداتی پابندیاں صنعتی ماحصل میں کمی کے سب سے بڑے عوامل تھے۔ مالیاتی جہت میں ایف بی آر ٹیکس وصولی مالی سال 2023ء میں 16.4 فیصد بڑھ کر 7,154 بلین روپے ہو گئی، بالمقابل گزشتہ سال مماثل مدت میں 6,149 بلین روپے، لیکن 486 بلین روپے کے ہدف تک نہ پہنچ سکی۔

ٹانوی مارکیٹوں کی پیداوار میں مالی سال 2023ء میں اضافہ ہوا جس کے اسباب مالیاتی سختی اور روپے کی قدر میں خطیر کمی کے بعد مہنگائی کے دباؤ کی نئی لہر ہیں۔ 3، 6 اور 12 ماہانہ ٹی۔ ہلز کے منافع جات میں بالترتیب 767، 772 اور 763 بیسیس پوائنٹس (بی پی ایس)، جبکہ 3، 5 اور 10 سالہ بانڈز کے منافع جات میں بالترتیب 602، 315 اور 240 بی پی ایس کا اضافہ ہوا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا سال کا اب تک کا منافع 15.46 فیصد تھا، بالمقابل 20.11 فیصد مقررہ معیار (بچ مارک) منافع تھا۔ فنڈ کی پالوزن اوسط میچورٹی (WAM) بڑھ کر 2 سال ہو گئی کیونکہ سود کی شرحوں میں اضافے کا رجحان تھا۔ زیر جائزہ مدت کے اختتام پر فنڈ کی زیادہ تر سرمایہ کاری نقد، پاکستان انویسٹمنٹ بانڈز (پی آئی بی)، اور ریٹریٹری ہلز (ٹی ہلز) میں تھی۔ اختتام مدت پر فنڈ کی سرمایہ کاری 32 فیصد نقد میں، 18.4 فیصد پی آئی بی میں، 24.9 فیصد ٹی ہلز میں، اور 5.7 فیصد ڈرام فنانس سٹرٹیفکیٹس (ٹی ایف سی) میں تھی۔ 30 جون 2023ء کو فنڈ کے net اثاثہ جات 7,706 ملین روپے تھے، جو 30 جون 2022ء کی سطح 4,617 ملین روپے کے مقابلے میں 67 فیصد اضافہ ہے۔ 30 جون 2023ء کو net اثاثہ جاتی قدر (این اے وی) فی یونٹ 108.0027 روپے تھی، جو 30 جون 2022ء پر ابتدائی این اے وی فی یونٹ 107.3596 روپے کے مقابلے میں 0.6431 روپے فی یونٹ کا اضافہ ہے۔

معیشت اور بازار - مستقبل کا منظر نامہ

انٹرنیشنل مانیٹری فنڈ (آئی ایم ایف) اور پاکستان کے درمیان ایک اسٹاف لیول معاہدہ طے پایا ہے جس کے مطابق ایک اسٹینڈ بائی اگریمنٹ (SBA) کے تحت 3 بلین ڈالر فراہم کیے جائیں گے۔ یہ پروگرام نومبر 2023ء اور فروری 2024ء کی منظوری سے 1.2 بلین ڈالر فروری طور پر فراہم کر دیے جائیں گے، جبکہ بقیہ 1.8 بلین ڈالر کی فراہمی نومبر 2023ء اور فروری 2024ء میں جائزوں کے بعد طے کی گئی ہے۔ یہ پروگرام ایک اہم موڑ پر طے پایا ہے جب پاکستان ادائیگیوں کے توازن کے سنگین بحران سے نبرد آزما ہے۔ آئی ایم ایف پروگرام کی کامیاب بحالی سے پاکستان کو باہمی اور کثیرالجہتی ذرائع سے رقم کے حصول میں مدد ملے گی جس کی بدولت زر مبادلہ کے ذخائر بھی بحال ہوں گے۔ سعودی عرب نے 2 بلین ڈالر اور متحدہ عرب امارات نے 1 بلین ڈالر فراہم کرنے کا وعدہ کیا تھا جو آئی ایم ایف پروگرام کی بحالی پر مشروط تھا۔ اس میں سے سعودی عرب کی طرف سے 2 بلین ڈالر جولائی

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی ڈی سی ایف انکم فنڈ کے اکاؤنٹس کا جائزہ برائے سال مُختتمہ 30 جون 2023ء پیش خدمت ہے۔

معیشت اور بازار زر کا جائزہ

مالی سال 2023ء پاکستان کے لیے مشکل سال تھا کیونکہ متعدد مجموعی معاشی مسائل درپیش رہے۔ 2022ء کے مون سون سیلابوں نے بنیادی ساخت، فصلوں اور موسمیاتیوں کو بہت نقصان پہنچایا اور قیمتی جانیں بھی ضائع ہوئیں۔ عالمی سطح پر ایشیاء کی قیمتوں میں اضافے اور کرنسی کی قدر میں کمی کے باعث مہنگائی کی ایسی لہر آئی جو 1974ء کے بعد سب سے بڑی تھی اور اس کے نتیجے میں سوڈ کی شرحیں بلند ترین سطح پر پہنچ گئیں۔ آئی ایم ایف پروگرام کا آغاز مالی سال کے نصف آخر کے دوران غیر یقینی رہا جس کے باعث سیاسی اور معاشی مسائل سے دوچار حکومت کے لیے سنگین مشکلات پیدا ہو گئیں۔

ملک کی خارجی صورتحال غیر یقینی رہی کیونکہ ایس بی پی کے زرمبادلہ کے ذخائر کم ہو کر 30 جون 2023ء کو 4.5 بلین ڈالر رہ گئے (جو صرف 3 ہفتوں کا درآمداتی cover ہے) جبکہ مالی سال کے آغاز میں 9.8 بلین ڈالر تھے۔

حکومت نے متعدد سیاسی ناپسندیدہ اقدامات اٹھائے، اگرچہ کچھ تاخیر اور ہچکچاہٹ کے ساتھ، مثلاً بجلی اور گیس کی قیمتوں میں اضافہ کیا، روپے کی قدر میں کمی ہونے دی، اضافی ٹیکس عائد کیے اور سوڈ کی شرحوں کو آئی ایم ایف کے مطالبات کے مطابق بڑھا دیا۔ تاہم آئی ایم ایف کے نوں (9th) جائزے کا اسٹاف لیول اگرینٹ (SLA) سال بھر غیر یقینی رہا کیونکہ آئی ایم ایف اور حکومت کے درمیان اتفاق نہیں ہو سکا۔ آئی ایم ایف پروگرام میں تاخیر کے باعث باہمی اور کثیرالجہتی شراکت داروں سے غیر ملکی آمد و رفت میں سُستی آئی جس کے باعث ذخائر کم ہوئے۔ اس کے نتیجے میں روپیہ سنگین دباؤ کا شکار رہا اور مالی سال 2023ء میں ڈالر کی قدر 40 فیصد بڑھ کر 286.0 روپے ہو گئی جو اس کی بلند ترین سطح کے قریب ہے۔

ملک کا کرنٹ اکاؤنٹ خسارہ (CAD) مالی سال 2023ء کے پہلے گیارہ ماہ میں 2.9 بلین ڈالر تھا، جبکہ گزشتہ سال مائل مدت میں 15.2 بلین ڈالر تھا، یعنی 81 فیصد سال در سال (YoY) کمی ہوئی۔ CAD میں کمی کی سب سے بڑی وجہ کاروباری خسارے میں کمی ہے۔ برآمدات میں 12.2 فیصد کمی اور درآمدات میں 23.9 فیصد کمی کی بدولت کاروباری خسارے میں 33.8 فیصد کمی ہوئی۔ حکومت نے منتخب درآمدات پر درآمداتی کوٹے عائد کر کے انتظامی اقدامات کے ذریعے درآمدات کو قابو میں رکھا۔ تاہم ان اقدامات سے غیر قانونی درآمدات (اسنگلنگ) میں اضافہ ہوا جس کے باعث ترسیلات زر مشتبہ ذرائع کی طرف مائل ہو گئیں۔ علاوہ ازیں، درآمدات پر مضبوط لگام کے نتیجے میں متعدد صنعتوں میں کمی واقع ہوئی اور مجموعی معاشی ترقی متاثر ہوئی۔

ہیڈ لائن مہنگائی، جس کی ترجمانی CPI یعنی صارفین کی قیمت کے انڈیکس سے ہوتی ہے، کا اوسط مالی سال 2023ء کے دوران 29.0 فیصد تھا جبکہ گزشتہ سال مائل مدت میں 12.1 فیصد تھا۔ ایشیائے خورد و نوش کی قیمتوں میں اضافے کے ساتھ ساتھ بجلی، گیس اور پٹرول کی بڑھتی ہوئی قیمتیں CPI میں اضافے کے عوامل رہے۔ مہنگائی کے دباؤ وسیع پیمانے پر محیط تھے جس کا اظہار بنیادی مہنگائی میں 21.2 فیصد کمی سطح تک اضافے سے ہوا جو گزشتہ مالی سال کے اختتام پر 12.3 فیصد تھا۔ ایس بی پی نے جون 2023ء کی تازہ ترین MPS

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2023

Fund Type and Category

MCB DCF Income Fund (MCB DCFIF) is an open-end Income scheme, which falls under the category of Income Scheme.

Fund Benchmark

The benchmark for MCB DCFIF is Six (6) months KIBOR rates.

Investment Objective

To deliver superior fixed income returns by investing in an optimal mix of authorized debt instruments while taking into account capital security and liquidity consideration.

Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in medium to long term assets. The fund may also invest a portion of the Fund in money market and short term instruments in order to provide liquidity to Unit Holders at the same time.

Manager's Review

During the period under review, the fund generated an annualized return of 15.46% as against its benchmark return of 20.11%. The WAM of the fund decreased to 2.0 years. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 18.4% invested in PIBs, 32.0% in Cash, 24.9% in T-Bills and 5.7% in TFCs.

The Net Assets of the Fund as at June 30, 2023 stood at Rs. 7,706 million as compared to Rs. 4,617 million as at June 30, 2022 registering an increase of 66.9%.

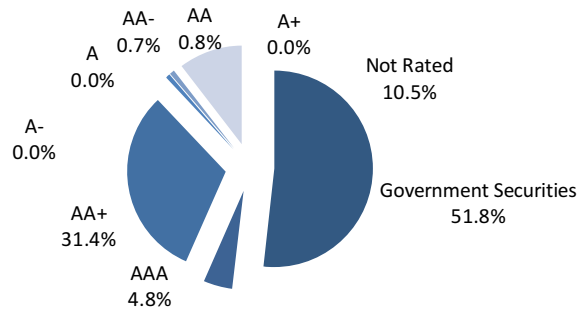
The Net Asset Value (NAV) per unit as at June 30, 2023 was Rs.108.0027 as compared to opening NAV of Rs. 107.3596 per unit as at June 30, 2022 registering an increase of Rs. 0.6431 per unit.

Asset Allocation as on June 30, 2023 (% of total assets)

Asset Allocation (%age of Total Assets)	Jun-23
Cash	32.0%
TFCs/Sukuks	5.7%
Government Backed / Guaranteed Securities	4.1%
GOP Ijara Sukuk	4.4%
PIBS	18.4%
T-Bills	24.9%
Spread Transactions	0.0%
Others including receivables	10.5%
Margin Trading	0.0%

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2023

Asset Quality as of June 30, 2023 (% of total assets)



Mr. Saad Ahmed
Fund Manager

TRUSTEE REPORT TO THE UNIT HOLDERS

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

CDC House, 99-B, Block 'B'
S.M.C.H.S., Main Shakra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
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TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DCF INCOME FUND

**Report of the Trustee pursuant to Regulation 41(h) and clause 8 of Schedule V of
the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We Central Depository Company of Pakistan Limited, being the Trustee of MCB DCF Income Fund (the Fund) are of the opinion that MCB Investment Management Limited (Formerly MCB-Arif Habib Savings and Investments Limited) being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, September 25, 2023



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F.FERGUSON & Co.

INDEPENDENT AUDITOR'S REPORT

To the Unit holders of MCB DCF Income Fund

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Following is the key audit matter:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Net Asset Value (NAV) (Refer notes 4 and 5 to the annexed financial statements)</p> <p>Balances with banks and Investments constitute the most significant components of the NAV. Balances with banks of the Fund as at June 30, 2023 aggregated to Rs 3,929.019 million and Investments amounted to Rs 7,022.044 million.</p> <p>The existence of balances with banks and the existence and proper valuation of Investments for the determination of NAV of the Fund as at June 30, 2023 was considered a high risk area and therefore, we considered this as a key audit matter.</p>	<p>Our audit procedures amongst others included the following:</p> <ul style="list-style-type: none">• Obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2023 and traced them to the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;• Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and• Obtained bank reconciliation statements and tested reconciling items on a sample basis.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

Other Information

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

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

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

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

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

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

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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A.F. FERGUSON & Co.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is **Junaid Mesia**.

A. Ferguson & Co.

A. F. Ferguson & Co.

Chartered Accountants

Dated: September 22, 2023

Karachi

UDIN: AR202310611azjqBTWN9

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2023**

	Note	June 30, 2023	June 30, 2022
		----- (Rupees in '000) -----	
ASSETS			
Balances with banks	4	3,929,019	3,780,064
Investments	5	7,022,044	1,563,944
Mark-up, dividend and other receivables	6	142,110	79,685
Receivable against margin trading system		-	-
Receivable against sale of investments		1,114,288	-
Advances, deposits and prepayments	7	86,104	166,522
Total assets		12,293,565	5,590,215
LIABILITIES			
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	8	26,753	12,172
Payable to Central Depository Company of Pakistan Limited - Trustee	9	512	316
Payable to the Securities and Exchange Commission of Pakistan	10	1,180	866
Payable against purchase of investments		4,228,664	821,364
Accrued and other liabilities	11	329,987	138,182
Total liabilities		4,587,096	972,900
NET ASSETS		7,706,469	4,617,315
Unit holders' fund (as per statement attached)		7,706,469	4,617,315
Contingencies and commitments	12		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		71,354,399	43,007,935
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT	3.7	108.0027	107.3596

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

For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2023

	Note	For the year ended	
		June 30, 2023	June 30, 2022
----- (Rupees in '000) -----			
INCOME			
Profit on bank deposits and term deposit receipts		188,414	180,962
Income from government securities		754,669	190,033
Income from term finance certificates and sukuk certificates		150,273	64,533
Dividend income		-	24,530
Income from letter of placements		737	-
Income from spread transactions - net		-	19,687
Net loss on sale of investments		(27,557)	(44,433)
Profit on margin trading system		-	4,510
Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss' - net	5.1.7	(35,874)	6,815
Other income		2,374	2,529
Total income		1,033,036	449,166
EXPENSES			
Remuneration of MCB-Arif Habib Savings & Investments Limited - Management Company	8.1	88,005	64,050
Sindh sales tax on remuneration of the Management Company	8.2	11,441	8,324
Allocated expenses	8.3	5,867	4,330
Selling and marketing expenses	8.4	23,937	17,612
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	4,400	3,247
Sindh sales tax on remuneration of the Trustee	9.2	575	422
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	1,180	866
Auditors' remuneration	13	974	733
Brokerage, settlement and bank charges		3,002	8,402
Legal and professional charges		174	1,170
Fees and subscription		537	527
Printing and related costs		39	37
Total expenses		(140,131)	(109,720)
Net income from operating activities		892,905	339,446
Reversal of provision for Sindh Workers' Welfare Fund (SWWF)	11.1	-	42,902
Net income for the year before taxation		892,905	382,348
Taxation	14	-	-
Net income for the year after taxation		892,905	382,348
Earnings per unit	3.13	-	-
<i>Allocation of net income for the year:</i>			
Net income for the year after taxation		892,905	382,348
Income already paid on units redeemed		(201,942)	(97,855)
		<u>690,963</u>	<u>284,493</u>
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		-	-
- Excluding capital gains		690,963	284,493
		<u>690,963</u>	<u>284,493</u>

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

For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2023**

	For the year ended	
	June 30, 2022	June 30, 2021
	----- (Rupees in '000) -----	
Net income for the year after taxation	892,905	382,348
Other comprehensive income for the year	-	-
Total comprehensive income for the year	892,905	382,348

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

For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023			June 30, 2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	----- (Rupees in '000) -----					
Net assets at beginning of the year	4,197,230	420,085	4,617,315	3,234,571	411,379	3,645,950
Issuance of 59,906,524 units (2022: 28,799,547 units)						
- Capital value (at ex-net assets value per unit at the beginning of the year)	6,431,541	-	6,431,541	3,083,042	-	3,083,042
- Element of income	376,345	-	376,345	93,364	-	93,364
	6,807,886	-	6,807,886	3,176,406	-	3,176,406
Redemption of 31,560,060 units (2022: 19,849,438 units)						
- Capital value (at ex-net assets value per unit at the beginning of the year)	3,388,276	-	3,388,276	2,124,917	-	2,124,917
- Element of loss	83,544	201,942	285,486	21,792	97,855	119,647
	3,471,820	201,942	3,673,762	2,146,709	97,855	2,244,564
Total comprehensive income for the year	-	892,905	892,905	-	382,348	382,348
Interim distribution for the year ended June 30, 2023 @ Rs 15.8624 per unit on June 17, 2023	-	(659,215)	(659,215)	-	-	-
Refund of capital for the year ended June 30, 2023	(278,660)	-	(278,660)	-	-	-
Interim distribution for the year ended June 30, 2022 @ Rs 9.3394 per unit on June 24, 2022	-	-	-	-	(275,787)	(275,787)
Refund of capital for the year ended June 30, 2022	-	-	-	(67,038)	-	(67,038)
Total distributions during the year	(278,660)	(659,215)	(937,875)	(67,038)	(275,787)	(342,825)
Net assets at end of the year	<u>7,254,636</u>	<u>451,833</u>	<u>7,706,469</u>	<u>4,197,230</u>	<u>420,085</u>	<u>4,617,315</u>
Undistributed income brought forward comprising of:						
- Realised		413,270			395,044	
- Unrealised		6,815			16,335	
Undistributed income brought forward		420,085			411,379	
Accounting income available for distribution:						
- Relating to capital gains		-			-	
- Excluding capital gains		690,963			284,493	
		690,963			284,493	
Distributions during the year		(659,215)			(275,787)	
Undistributed income carried forward		<u>451,833</u>			<u>420,085</u>	
Undistributed income carried forward comprising of:						
- Realised		487,707			413,270	
- Unrealised		(35,874)			6,815	
		<u>451,833</u>			<u>420,085</u>	
		(Rupees)			(Rupees)	
Net asset value per unit at the beginning of the year		<u>107.3596</u>			<u>107.0518</u>	
Net asset value per unit at the end of the year		<u>108.0027</u>			<u>107.3596</u>	

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

For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2023

	Note	For the year ended	
		June 30, 2023	June 30, 2022
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		892,905	382,348
Adjustments for:			
Dividend income		-	(24,530)
Reversal of provision for Sindh Workers' Welfare Fund (SWWF)		-	(42,902)
Income from spread transactions - net		-	(19,687)
Unrealised (diminution) / appreciation on re-measurement of investments 'financial assets at fair value through profit or loss' - net		35,874	(6,815)
		<u>928,779</u>	<u>288,414</u>
(Increase) / decrease in assets			
Investments - net		(3,901,847)	(256,543)
Mark-up, dividend and other receivables		(62,426)	(45,360)
Receivable against margin trading system		-	49,596
Receivable against sale of investments		(1,114,288)	386,229
Advances, deposits and prepayments		80,418	(119,452)
		<u>(4,998,143)</u>	<u>14,470</u>
Increase / (decrease) in liabilities			
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company		14,581	2,108
Payable to Central Depository Company of Pakistan Limited - Trustee		196	36
Payable to the Securities and Exchange Commission of Pakistan (SECP)		314	59
Payable against purchase of investments		3,407,300	(1,144,551)
Accrued and other liabilities		191,805	(5,795)
		<u>3,614,196</u>	<u>(1,148,143)</u>
Dividends received		-	24,530
Net cash used in operating activities		<u>(455,168)</u>	<u>(820,729)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issuance of units - net of refund of capital		6,529,226	3,109,368
Net payments on redemption of units		(3,673,762)	(2,244,564)
Dividend paid		(659,215)	(275,787)
Net cash generated from financing activities		<u>2,196,249</u>	<u>589,017</u>
Net increase / (decrease) in cash and cash equivalents during the year		<u>1,741,081</u>	<u>(231,712)</u>
Cash and cash equivalents at beginning of the year		3,780,064	4,011,776
Cash and cash equivalents at end of the year	15	<u><u>5,521,145</u></u>	<u><u>3,780,064</u></u>

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

For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB DCF Income Fund (the Fund) was established under a Trust Deed dated November 20, 2006 executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme on November 7, 2006 consequent to which the trust deed was executed on November 10, 2006 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules). The Fund are required to be registered under the "Sindh Trusts Act, 2020" (the Sindh Trust Act). Accordingly, on August 12, 2021 the Trust Deed of the fund had been registered under the Sindh Trust Act.

On April 18, 2023, MCB Bank Limited (MCB) has acquired 21,664,167 (30.09%) shares of MCB Arif Habib Savings & Investment Limited (MCB-AH) from Arif Habib Corporation Limited (AHCL). By virtue of this transaction MCB Bank Limited's shareholding in MCB-AH has increased from 36,956,768 (51.33%) shares to 58,620,935 (81.42%) and AHCL no longer holds any shares in MCB-AH. The Board of Directors of the Management Company has passed a resolution in 188th BOD meeting held on May 2, 2023 for the change of name of the Management Company from "MCB-Arif Habib Savings and Investment Limited" to "MCB Investment Management Limited". The Securities and Exchange Commission of Pakistan has also given approval on the Memorandum of Association regarding the Change of Name. The Change of Name of the Management Company has also been approved in the Extra Ordinary General Meeting (EOGM) held on July, 07, 2023 by the Share Holders representing 89.01% Shareholding. After the conclusion of EOGM, the Management Company has applied to the registrar for the alteration in Memorandum and Article of Association and performing all the legal formalities incidental thereto.

- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.4 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of its funds in medium term assets in order to provide higher return to unit holders.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' dated October 06, 2022 to the Management Company and a stability rating of 'AA-(f)' dated March 09, 2023 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

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

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

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which are measured at fair value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

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

2.4 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain standards, amendments and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2023 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.5 Critical accounting estimates and judgements

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

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5).

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.2 Cash and cash equivalents

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

3.3 Financial assets

3.3.1 Classification and subsequent measurement

3.3.1.1 Debt instruments

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

- amortised cost;
- at fair value through other comprehensive income "(FVOCI)"; or
- at fair value through profit or loss (FVTPL) based on the business model of the entity.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

3.3.1.2 Equity instruments

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

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

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

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

3.3.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments as per Circular 33 of 2012) carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

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

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

3.3.2.1 Impairment loss on debt securities

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

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

3.3.3 Regular way contracts

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

3.3.4 Initial recognition and measurement

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

3.3.5 Derecognition

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

3.3.6 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

3.4 Financial liabilities

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

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

3.5 Offsetting of financial assets and financial liabilities

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

3.6 Provisions

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

3.7 Net asset value per unit

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

3.8 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 of the day when the application is received. The offer price represents the Net Asset Value (NAV) of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption applications during business hours on that date. The redemption price represents the NAV per unit as on the close of business day less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

Element of income represents the difference between net asset value per unit on the issuance or redemption date, as the case may be, of units and the net asset 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 of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

3.10 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis using the effective yield rate method.
- Income on government securities is recognised on an accrual basis using the effective yield rate method.
- Income on debt securities (including term finance certificates and sukuks) is recognised on an accrual basis using the effective yield method, except for the securities which are classified as non-performing asset under Circular No. 33 of 2012 issued by the SECP for which the income is recorded on cash basis.
- Dividend income is recognised when the Fund's right to receive the same is established.
- Profit on margin trading system is recognised on an accrual basis using the effective yield rate method.
- Unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement.
- Other income is recognised on an accrual basis using the effective yield rate method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

3.11 Expenses

All expenses including management fee, trustee fee, the Securities and Exchange Commission of Pakistan fee and allocated expenses are recognised in the Income Statement on accrual basis.

3.12 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on enacted tax rates.

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 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders in cash. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

3.13 Earnings per unit

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

3.14 Distribution to units holders

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

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

3.15 Foreign currency translation

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

	Note	June 30, 2023	June 30, 2022
4. BALANCES WITH BANKS		----- (Rupees in '000) -----	
Current accounts		55,020	5
Savings accounts	4.1	3,873,999	3,780,059
	4.2	<u>3,929,019</u>	<u>3,780,064</u>

4.1 These carry profit at the rates ranging from 12.25% to 21.50% per annum (2022: 5.50% to 17.50% per annum).

4.2 This includes balances with related parties of Rs.55.042 million (2022: Rs. 0.124 million) maintained with MCB Bank Limited and Rs. 0.007 million (2022: Rs. 0.011 million) maintained with MCB Islamic Bank Limited.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

5. INVESTMENTS	Note	June 30, 2023	June 30, 2022
5.1 Investments at fair value through profit or loss			
----- (Rupees in '000) -----			
Government securities	5.1.1	5,871,263	1,049,684
Listed debt securities	5.1.2	-	-
Unlisted debt securities	5.1.3	1,150,781	514,260
		7,022,044	1,563,944
5.1.1 Government securities			
Market Treasury Bills	5.1.1.1	3,068,339	-
Pakistan Investment Bonds	5.1.1.2	2,260,149	1,012,304
Government Debt securities	5.1.1.3	542,775	37,380
		5,871,263	1,049,684

5.1.1.1 Market Treasury Bills

Name of security	Note	Date of issue	Face Value			As at June 30, 2023				Market value as a percentage of	
			As at July 01, 2022	Purchased during the year	Sold / matured during the year	As at June 30, 2023	Carrying Value	Market value	Unrealised gain	Net assets	Total investments
			----- (Rupees in '000) -----						----- % -----		
Market Treasury Bills											
- 3 months		April 28, 2022	-	2,200,000	2,200,000	-	-	-	-	-	-
- 3 months		July 14, 2022	-	4,364,680	4,364,680	-	-	-	-	-	-
- 3 months		July 28, 2022	-	7,675,000	7,675,000	-	-	-	-	-	-
- 3 months		August 25, 2022	-	1,675,000	1,675,000	-	-	-	-	-	-
- 3 months		September 22, 2022	-	925,000	925,000	-	-	-	-	-	-
- 3 months		October 6, 2022	-	2,550,000	2,550,000	-	-	-	-	-	-
- 3 months		October 20, 2022	-	710,000	710,000	-	-	-	-	-	-
- 3 months		November 3, 2022	-	3,855,700	3,855,700	-	-	-	-	-	-
- 3 months		November 17, 2022	-	4,700,000	4,700,000	-	-	-	-	-	-
- 3 months		December 15, 2022	-	1,600,000	1,600,000	-	-	-	-	-	-
- 3 months		December 29, 2022	-	1,500,000	1,500,000	-	-	-	-	-	-
- 3 months		January 4, 2023	-	1,125,000	1,125,000	-	-	-	-	-	-
- 3 months		January 26, 2023	-	3,248,700	3,248,700	-	-	-	-	-	-
- 3 months		February 9, 2023	-	1,450,000	1,450,000	-	-	-	-	-	-
- 3 months		March 9, 2023	-	200,000	200,000	-	-	-	-	-	-
- 3 months		April 6, 2023	-	6,361,000	6,361,000	-	-	-	-	-	-
- 3 months		May 18, 2023	-	750,000	750,000	-	-	-	-	-	-
- 3 months		June 1, 2023	-	1,000,000	1,000,000	-	-	-	-	-	-
- 3 months		June 15, 2023	-	500,000	500,000	-	-	-	-	-	-
- 3 months*		June 22, 2023	-	3,660,000	1,990,000	1,670,000	1,592,743	1,592,126	(616)	20.66	22.67
Market Treasury Bills											
- 6 months		February 10, 2022	-	200,000	200,000	-	-	-	-	-	-
- 6 months		April 21, 2022	-	250,000	250,000	-	-	-	-	-	-
- 6 months		June 2, 2022	-	1,000,000	1,000,000	-	-	-	-	-	-
- 6 months		July 14, 2022	-	72,000	72,000	-	-	-	-	-	-
- 6 months		July 28, 2022	-	242,110	242,110	-	-	-	-	-	-
- 6 months		October 6, 2022	-	500,000	500,000	-	-	-	-	-	-
- 6 months		June 15, 2023	-	500,000	500,000	-	-	-	-	-	-
Market Treasury Bills											
-12 months		December 30, 2021	-	11,205	11,205	-	-	-	-	-	-
-12 months		January 27, 2022	-	26,850	26,850	-	-	-	-	-	-
-12 months		February 10, 2022	-	89,000	89,000	-	-	-	-	-	-
-12 months		March 10, 2022	-	125,165	125,165	-	-	-	-	-	-
-12 months		April 21, 2022	-	450	450	-	-	-	-	-	-
-12 months		June 30, 2022	-	126,770	126,770	-	-	-	-	-	-
-12 months		August 25, 2022	-	2,660	2,660	-	-	-	-	-	-
-12 months		October 6, 2022	-	500,000	500,000	-	-	-	-	-	-
-12 months		October 20, 2022	-	1,718,190	1,718,190	-	-	-	-	-	-
-12 months*		June 15, 2023	-	1,600,000	-	1,600,000	1,324,578	1,313,016	(11,562)	17.04	18.70
-12 months*		June 22, 2023	-	600,000	400,000	200,000	163,496	163,197	(299)	2.12	2.32
Total as at June 30, 2023							3,080,817	3,068,339	(12,478)		
Total as at June 30, 2022							-	-	-		

* These will mature latest by September 21, 2023 carrying effective yields ranging from 21.65% to 21.90%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

5.1.1.2 Pakistan Investment Bonds

Name of security	Note	Date of issue	Face Value			As at June 30, 2023			Market value as a percentage of	
			As at July 01, 2022	Purchased during the year	Sold / matured during the year	As at June 30, 2023	Carrying Value	Market value	(Diminution)/ appreciation	Net assets
----- (Rupees in '000) ----- % -----										
Pakistan Investment Bonds										
- 02 years		November 5, 2020	100,000	100,000	200,000	-	-	-	-	-
- 02 years		November 5, 2020	100,000	100,000	200,000	-	-	-	-	-
- 02 years		August 26, 2021	475,000	5,502,400	5,977,400	-	-	-	-	-
- 02 years*		December 30, 2021	-	6,340,000	4,980,000	1,360,000	1,354,888	1,354,152	(736)	17.57%
- 02 years		September 8, 2022	-	3,500,000	3,500,000	-	-	-	-	19.28%
Pakistan Investment Bonds										
- 03 years		June 18, 2020	-	70,000	70,000	-	-	-	-	-
- 03 years		August 5, 2021	-	250,000	250,000	-	-	-	-	-
- 03 years		October 7, 2021	-	2,375,000	2,375,000	-	-	-	-	-
- 03 years*		April 7, 2022	250,000	4,150,800	4,150,800	250,000	246,260	244,450	(1,810)	3.17%
- 03 years		August 4, 2022	-	6,750,000	6,750,000	-	-	-	-	3.48%
- 03 years		September 8, 2022	-	1,000,000	1,000,000	-	-	-	-	-
Pakistan Investment Bonds										
- 05 years*		May 6, 2021	-	650,000	-	650,000	630,000	628,160	(1,840)	8.15%
- 05 years		April 29, 2022	200,000	600,000	800,000	-	-	-	-	8.95%
- 05 years		October 13, 2022	-	2,600,000	2,600,000	-	-	-	-	-
- 05 years		November 17, 2022	-	5,475,000	5,475,000	-	-	-	-	-
Pakistan Investment Bonds										
-10 years*		August 22, 2019	35,000	-	-	35,000	35,000	33,387	(1,614)	0.43%
Total as at June 30, 2023										
						<u>2,266,148</u>	<u>2,260,149</u>	<u>(5,999)</u>		
Total as at June 30, 2022										
						<u>1,014,729</u>	<u>1,012,304</u>	<u>(2,425)</u>		

* These will mature latest by December 30, 2023 and carries effective yield at the rates ranging from 13.06% to 18.75% per annum.

5.1.1.3 Government Debt securities

Particulars	Profit rate	Number of certificates			Balance as at June 30, 2023			Market value as a percentage of		
		As at July 01, 2022	Purchased during the year	Sold during the year	As at June 30, 2023	Carrying value	Market value	Unrealised gain / (loss)	Net assets	Total investments
----- (Rupees in '000) ----- % -----										
GOP Ijara - 1 year (April 17, 2023 - April 17, 2024)	0	50,000	-	-	50,000	50,000	50,055	55	0.65%	0.71%
GOP Ijara - 5 years (May 29, 2020 - May 29, 2025)	-	110,000	-	-	110,000	109,202	109,296	94	1.42%	1.56%
GOP Ijara - 5 years (June 24, 2020 - June 24, 2025)	37,500	425,000	462,500	-	-	-	-	-	0.00%	0.00%
GOP Ijara - 5 years (October 06, 2021 - October 06, 2026)	-	185,000	-	-	185,000	184,108	183,964	(144)	2.39%	2.62%
GOP Ijara - 5 years (December 15, 2021 - December 15, 2026)	-	275,400	275,400	-	-	-	-	-	0.00%	0.00%
GOP Ijara - 5 years (October 26, 2022 - October 26, 2027)	-	200,000	-	-	200,000	199,786	199,460	(326)	2.59%	2.84%
Total as at June 30, 2023										
						<u>543,097</u>	<u>542,775</u>	<u>(322)</u>		
Total as at June 30, 2022										
						<u>37,378</u>	<u>37,380</u>	<u>2</u>		

5.1.2 Listed debt securities - Term Finance Certificates (TFCs) and Sukuks (face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates			Balance as at June 30, 2023			Market value as a percentage of			
	As at July 01, 2022	Purchased during the year	Sold during the year	As at June 30, 2023	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments	
----- (Rupees in '000) ----- % -----										
Financial services										
Saudi Pak Leasing Company Limited (March 13, 2010)	10,000	-	-	10,000	27,548	-	-	-	-	-
Less: Provision for impairment (see note 5.1.7)					(27,548)	-	-	-	-	-
Total as at June 30, 2023										
						<u>-</u>	<u>-</u>	<u>-</u>		
Total as at June 30, 2022										
						<u>-</u>	<u>-</u>	<u>-</u>		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

5.1.3 Unlisted debt securities - Term Finance Certificates (TFCs) and Sukuks (face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates			Balance as at June 30, 2023			Market value as a percentage of		
	As at July 01, 2022	Purchased during the year	Sold during the year	As at June 30, 2023	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
----- (Rupees in '000) ----- % -----									
Commercial banks									
Askari Bank Limited VII - TFC (March 17, 2020)**	50	-	-	50	50,750	49,488	(1,262)	0.64	0.70
Samba bank limited (March 1, 2021)*	850	-	-	850	85,269	84,932	(337)	1.10	1.21
Meezan Bank Limited (December 16, 2021)**	-	145	-	145	145,000	143,550	(1,450)	1.86	2.04
Bank Al Habib Limited - TFC II (September 30, 2021)	35,000	35,000	-	70,000	358,888	345,593	(13,295)	4.48	4.92
					639,907	623,563	(16,344)	8.09	8.88
Chemical									
Ghani Chemical Industries Limited (Formerly Ghani Gases Limited) - Sukuk (February 02, 2017)***	500	-	-	500	5,750	5,750	-	0.07	0.08
Energy									
Pakistan Energy Sukuk (May 21,2020)	-	100,000	-	100,000	500,250	500,100	(150)	6.49	7.12
Investment bank									
Jahangir Siddiqui & Company Limited - TFC (July 18, 2017)***	10,000	-	-	10,000	6,445	6,260	(185)	0.08	0.09
Jahangir Siddiqui & Company Limited - TFC (March 06, 2018)	18,000	-	-	18,000	15,504	15,108	(396)	0.20	0.22
					21,949	21,368	(581)	0.28	0.30
Total as at June 30, 2023					1,167,856	1,150,781	(17,075)		
Total as at June 30, 2022					505,022	514,260	9,238		

* Nominal value of these term finance certificates and sukuk certificate is Rs.100,000 per certificate.

** Nominal value of these term finance certificates is Rs.1,000,000 per certificate.

***These represent nil values due to rounding off

5.1.4 Circular No. 33 of 2012 allows the asset manager to apply a mark up / mark down within available limit for valuation of any specific debt security. Exercising the discretionary power, the above mentioned term finance certificates of Askari Bank Limited has been valued at a discretionary rate of 98.9761 when the reported market rate on MUFAP valuation sheet as at June 30, 2023 was 100.02.

5.1.5 Significant terms and conditions of term finance certificates and sukuk outstanding at the year end are as follows:

Name of security	Number of certificates	Face value per certificate	Face value / redemption value in total	Interest rate per annum	Maturity	Secured / unsecured	Rating
Unlisted debt securities							
Jahangir Siddiqui and Company Limited 6-Mar-18	18,000	5,000	833	6M KIBOR+1.4%	March 6, 2023	Secured	AA+
Jahangir Siddiqui And Company Limited 18-Jul-17	10,000	5,000	625	6M KIBOR+1.4%	July 18, 2023	Secured	AA+
Askari Bank Limited TFC VII 17 March 2020	50	1,000,000	1,000,000	6M KIBOR+1.2%	March 17, 2030	Unsecured	AA
Ghani Chemical Industries Ltd. (Formerly: Ghani Gases Ltd.) 2-Feb -17	500	100,000	12,500	3M KIBOR+1%	February 2, 2023	Secured	A
Samba Bank Limited 1-Mar-21	850	100,000	99,900	6M KIBOR+1.35%	March 1, 2031	Unsecured	AA-
Bank Al Habib Limited TFC	70,000	5,000	4,996	6M KIBOR+0.75%	September 30, 2031	Unsecured	AAA
Meezan bank Limited (16-Dec-21)	145	1,000,000	1,000,000	6M KIBOR+0.35%	December 16, 2031	Unsecured	AAA
Pakistan Energy Sukuk (21-May-20)	100,000	5,000	5,000	6M KIBOR-0.1%	May 21, 2030	Unsecured	N/A

The term finance certificates and sukuk held by the Fund are secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

5.1.6 Details of non-compliant investments with the investment criteria as specified by the SECP

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2023, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by the respective issuer at the time of repayment of coupon due on the respective dates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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 total investments
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----- Rupees in '000 -----

Listed debt securities

Saudi Pak Leasing Company Limited	TFC	27,548	(27,548)	-	-	-
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Unlisted debt securities

New Allied Electronics Industries (Private) Limited	TFC	21,983	(21,983)	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	35,001	(35,001)	-	-	-

		Note	June 30, 2023	June 30, 2022
			----- (Rupees in '000) -----	
5.1.7	Net unrealised appreciation / (diminution) on re-measurement of Investments classified as financial assets 'at fair value through profit or loss'			
	Market value of investments	5.1.1.1, 5.1.1.2, 5.1.1.3, 5.1.2 & 5.1.3	7,022,044	1,563,944
	Less: Carrying value of investments	5.1.1.1, 5.1.1.2, 5.1.1.3, 5.1.2 & 5.1.3	7,057,918	1,557,129
			(35,874)	6,815

6 MARK-UP, DIVIDEND AND OTHER RECEIVABLES

Mark-up on:

- Pakistan investment bonds		40,100	20,649
- GOP Ijara Sukuk		21,816	153
- Term finance certificates		46,047	15,163
- Deposit accounts		33,455	43,709
Other receivables		26,535	25,854
		167,953	105,528
Less: provision for impairment	6.1	(25,843)	(25,843)
		142,110	79,685

6.1 Due to continuous default on repayment of coupon by the issuer, the Fund has classified said investments as non-performing debt securities as mentioned in note 5.1.6. The Fund has suspended further accrual of mark-up there against.

		Note	June 30, 2023	June 30, 2022
			----- (Rupees in '000) -----	
7	ADVANCES, DEPOSITS AND PREPAYMENTS			
	Security deposits / margin with:			
	- National Clearing Company of Pakistan Limited (NCCPL)	7.1	17,750	17,750
	- Central Depository Company of Pakistan Limited		200	200
	Exposure deposit with the National Clearing Company Pakistan Limited against spread transactions		15,540	1,737
	Prepaid stability rating fee - PACRA		271	228
	Advance Against IPO Subscription		50,000	145,000
	Advance tax	7.2	2,343	1,607
			86,104	166,522

7.1 This includes a deposit of Rs. 2.75 million (2022: Rs. 2.75 million) and a margin of Rs. 15 million (2022: Rs. 15 million) with NCCPL in respect of trading in Margin Trading System.

7.2 As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend, profit on bank deposits, profit on markup on margin trading system and profit on debt securities paid to the Fund has been 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, profit on bank deposits and dividends amounts to Rs.2.343 million (2022: Rs.1.607 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

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

	Note	June 30, 2023	June 30, 2022
		----- (Rupees in '000) -----	
8 PAYABLE TO MCB-ARIF HABIB SAVINGS & INVESTMENTS LIMITED - MANAGEMENT COMPANY			
Management remuneration payable	8.1	9,068	5,596
Sindh sales tax payable on remuneration of the Management Company	8.2	1,179	727
Allocated expenses payable	8.3	605	373
Selling and marketing expenses payable	8.4	7,833	4,385
Sales load payable		8,069	1,091
		26,753	12,172

8.1 As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of the management fee as disclosed in the Offering Document subject to the total expense ratio limit. The Management Company has charged its remuneration at the rate of 1.5% per annum (2022: 1.5% per annum) of the average daily net assets of the Fund during the year ended June 30, 2023. The remuneration is payable to the Management Company monthly in arrears.

8.2 During the year, an amount of Rs. 11.441 million (2022: Rs. 8.324 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 10.990 million (2022: Rs. 8.244 million) has been paid to the Management Company which acts as a collecting agent.

8.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense. These expenses have also been approved by the Board of Directors of the Management Company.

8.4 The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) upto a maximum limit approved by the Board of Directors of the Management Company as part of annual plan.

The Management Company has charged selling and marketing expenses to the Fund based on its discretion subject to not being higher than actual expense, which has also been approved by the BOD of the Management Company.

	Note	June 30, 2023	June 30, 2022
		----- (Rupees in '000) -----	
9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Remuneration payable	9.1	453	280
Sindh sales tax on remuneration payable	9.2	59	36
		512	316

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

- 9.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. The Fund has charged Trustee Fee at the rate of 0.075% (June 30, 2022: 0.075%) of average daily net assets of the Fund during the year.
- 9.2** During the year, an amount of Rs.0.575 million (2022: Rs.0.422 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.552 million (2022: Rs. 0.418 million) was paid to the Trustee which acts as a collecting agent.

	Note	June 30, 2023	June 30, 2022
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)		(Rupees in '000)	
Annual fee	10.1	1,180	866

- 10.1** In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

In accordance with the SRO No. 685 (I) / 2019 dated June 28, 2019 issued by SECP, the Fund has charged SECP fee at the rate of 0.02% (June 30, 2022: 0.02%) of average daily net assets of the Fund during the year.

	Note	June 30, 2023	June 30, 2022
11 ACCRUED AND OTHER LIABILITIES		----- (Rupees in '000) -----	
Provision for Federal Excise Duty payable on remuneration of the Management Company	11.1	99,060	99,060
Federal Excise Duty payable on sales load	11.1	27,933	27,933
Auditors' remuneration payable		671	548
Withholding tax payable		7,252	3,666
Brokerage payable		787	35
Dividend payable		9	5
Other payables		194,275	6,935
		329,987	138,182

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

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and FED on sales load with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 126.993 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2023 would have been higher by Rs.1.78 (2022: Rs.2.95) per unit.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

12 CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

On November 03, 2020, DCF Income Fund (DCFIF) received a notice of tax demand for the Tax Year 2018 from the Additional Commissioner (Inland) Revenue (ACIR), whereby the ACIR raised objection on claiming of "income already paid on units redeemed" as part of distribution and thereby challenged the distribution of 90 percent of income and the Fund's eligibility for exemption from tax. The ACIR is of the view that the amount of "Cash Dividend" paid can only be treated as part of distribution and according to his view the amount of "income already paid on units redeemed" is not "Cash Dividend". The ACIR raised tax demand of Rs. 73.376 million on the Fund in respect of the Tax Year 2018. The Management Company on behalf of the Fund filed Appeal and Stay Application in front of Commissioner Appeals (CIRA), Stay Order was duly granted by CIRA. On November 25, 2021, Assessment Order issued by ACIR was remanded back by CIRA. Since then, no notice / Order has yet been issued from FBR.

On December 01, 2021, DCF Income Fund (DCFIF) received a notice of tax demand for the Tax Year 2017 from the Additional Commissioner (Inland) Revenue (ACIR), whereby ACIR raised objections on claiming of "provision against debt securities" amounting to Rs. 7.943 million and adjustment of the "Element of loss and capital losses" amounting to Rs. 151.140 million while arriving at the declared accounting income of the Fund and has challenged the distribution of 90 percent of income and the Fund's eligibility for exemption from tax. The ACIR raised a tax demand of Rs 138.821 million. The Management Company on behalf of the Fund filed Appeal and Stay Application in front of Commissioner Appeals (CIRA).

On March 31, 2022, a favorable Appellate Order was passed by Commissioner Appeals whereby it was directed that the benefit of Element of Loss should be allowed to the Company.

On June 14, 2022, FBR being aggrieved with said Order filed Appeal with Appellate Tribunal Inland Revenue. Management Company, in consultation with its advisor, anticipates a favorable outcome of the case.

12.2 There were no other material contingencies and commitments outstanding as at June 30, 2023 and June 30, 2022

13 AUDITORS' REMUNERATION	Note	June 30, 2023	June 30, 2022
----- (Rupees in '000) -----			
Annual audit fee		400	350
Half yearly review fee		217	189
Other certifications and services		210	100
Out of pocket expenses		147	94
		974	733

14 TAXATION

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

		June 30, 2023	June 30, 2022
		----- (Rupees in '000) -----	
15	CASH AND CASH EQUIVALENTS		
	Balances with banks	3,929,019	3,780,064
	Treasury bills maturing within 3 months	1,592,126	-
		5,521,145	3,780,064

16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2023 is 2.39% (2022: 2.53%) which includes 0.23% (2022: 0.22%) representing government levies on the Fund such as sales taxes, annual fee to SECP etc. The prescribed limit for the ratio is 2.5% (2022: 2.5%) under the NBFC Regulations for a collective investment scheme categorised as a "income scheme". However, collective investment scheme categorised as a "income scheme" which invest in Margin Trading System (MTS) and / or ready future spread transaction, may charge additional MTS and / or ready future spread transaction related expenses upto 0.5% of Net assets to the Scheme. Accordingly, the enhanced prescribed limit for the ratio after incorporating the aforementioned additional expenses is 3% (2022: 3%).

17 TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the Holding Company of the Management Company, the Trustee, directors, key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

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

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

The details of transactions and balances at year end with related parties / connected persons are as follows:

		For the year ended June 30, 2023	For the year ended June 30, 2022
		----- (Rupees in '000) -----	
17.1	Details of transactions with connected persons are as follows:		
	MCB-Arif Habib Savings and Investment Limited - Management Company		
	Remuneration (including indirect taxes)	99,446	72,374
	Selling and marketing expenses	23,937	17,612
	Allocated expenses	5,867	4,330
	Central Depository Company of Pakistan Limited - Trustee		
	Remuneration (including indirect taxes)	4,976	3,669
	Settlement charges	15	652

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

	For the year ended June 30, 2023	For the year ended June 30, 2022
	----- (Rupees in '000) -----	
Group / associated companies		
MCB Bank Limited		
Mark-up on deposit accounts	3	41
Bank charges	32	42
Sale of Securities having Face Value of Rs 250,000,000 (2022: 1,496,000,000)	233,668	1,461,647
D.G. Khan Cement Company Limited		
Purchase of NIL (2022: 684,000) shares	-	75,264
Sale of NIL (2022: 684,000) shares	-	75,851
Nishat Mills Limited		
Purchase of Nil (2022: 57,500) shares	-	5,500
Sale of Nil (2022: 57,500) shares	-	5,548
17.2 Amounts outstanding at year end	June 30, 2023	June 30, 2022
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Management remuneration payable	9,068	5,596
Sindh sales tax payable on remuneration of the management company	1,179	727
Allocated expenses payable	605	373
Selling and marketing expenses payable	7,833	4,385
Sales load payable	7,170	1,091
Back end Load payable	900	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (including indirect taxes)	512	316
Security deposit	200	200
Group / associated companies		
MCB Bank Limited		
Balances with banks	55,042	126
MCB Islamic Bank Limited		
Balances with banks	7	11

17.3 Transactions during the period with connected persons / related parties in units of the Fund:

	June 30, 2023							
	As at July 01, 2022	Issued for cash	Redeemed	As at June 30, 2023	As at July 01, 2022	Issued for cash	Redeemed	As at June 30, 2023
----- Units ----- (Rupees in '000) -----								
Group / associated companies								
MCB Employees' Provident Fund	1,823,176	269,254	-	2,092,430	195,735	28,920	-	225,988
MCB Employees' Pension Fund	1,823,176	269,254	-	2,092,430	195,735	28,920	-	225,988
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	5,483	810	-	6,293	589	87	-	680
Key Management Personell	1	4,754	4,750	5	-	535	539	1
Mandate under discretionary portfolio services*	5	1	4	2	1	-	-	0

*This reflects the position of related party / connected persons status as at June 30, 2023.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

June 30, 2022							
As at July 01, 2021	Issued for cash	Redeemed	As at June 30, 2022	As at July 01, 2021	Issued for cash	Redeemed	As at June 30, 2022
Units				(Rupees in '000)			
Group / associated companies							
MCB Employees' Provident Fund	1,677,093	146,083	-	1,823,176	179,536	15,663	195,735
MCB Employees' Pension Fund	1,677,093	146,083	-	1,823,176	179,536	15,663	195,735
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	5,044	439	-	5,483	540	47	589
Mandate under discretionary portfolio services							
	2	825	822	5	0	90	90

18 FINANCIAL INSTRUMENTS BY CATEGORY

----- As at June 30, 2023 -----		
At amortised cost	At fair value through profit or loss	Total
----- (Rupees in '000) -----		
Financial Assets		
Balances with banks	3,929,019	3,929,019
Investments	-	7,022,044
Mark-up, dividend and other receivables	142,110	-
Deposits and others	33,490	-
	<u>5,218,907</u>	<u>12,240,951</u>

Financial Liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	26,753	-	26,753
Payable to Central Depository Company of Pakistan Limited - Trustee	512	-	512
Payable against purchase of investments	4,228,664	-	4,228,664
Accrued and other liabilities	2,249	-	2,249
	<u>4,258,178</u>	<u>-</u>	<u>4,258,178</u>

----- As at June 30, 2022 -----		
At amortised cost	At fair value through profit or loss	Total
----- (Rupees in '000) -----		
Financial Assets		
Balances with banks	3,780,064	3,780,064
Investments	-	1,563,944
Mark-up, dividend and other receivables	79,685	-
Deposits and others	19,687	-
	<u>3,879,436</u>	<u>5,443,380</u>

Financial Liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	12,172	-	12,172
Payable to Central Depository Company of Pakistan Limited - Trustee	316	-	316
Payable against purchase of investments	821,364	-	821,364
Accrued and other liabilities	1,363	-	1,363
	<u>835,215</u>	<u>-</u>	<u>835,215</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

19.1 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 the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

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

(i) Currency risk

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

(ii) Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2023, the Fund holds KIBOR based interest bearing term finance, Pakistan Investment bonds and sukuk certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date, with all other variables held constant, the net assets value of the Fund and the net income for the year would have been higher / lower by Rs.34.109 million (2022: Rs.13.684 million).

The Fund holds Term Finance Certificates, Pakistan Investment Bonds and Sukuks classified as 'fair value through profit or loss' exposing the Fund to interest rate fair value risk. In case of a 5% increase / decrease in rates determined by MUFAP as on June 30, 2023, the net assets value of the Fund and the net income for the year would increase / decrease by Rs. 170.546 million (2022: Rs.68.24 million), as a result of reduction / increase in unrealised gains / (losses) respectively.

The Fund also holds KIBOR based bank deposits exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets value of the Fund and the net income for the year would be higher / lower by Rs 39.29 million (2022: Rs 37.80 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2023, the Fund holds Market treasury bills, Government of Pakistan Sukuks and Pakistan investment bonds which are classified 'at fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2023, with all other variables held constant, the net assets value of the Fund and the net income for the year would be lower / higher by Rs.36.111 million (2022: Rs.1.991 million).

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2023 and June 30, 2022 can be determined as follows:

----- June 30, 2023 -----						
Yield / effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	12.25% to 21.5%	3,873,999	-	-	55,020	3,929,019
Investments						
- Pakistan Investment Bonds	13.06% to 18.75%	-	-	2,260,149	-	2,260,149
- Government Debt Securities	21.82% to 22.68%	-	-	542,775	-	542,775
- Unlisted debt securities	3M Kibor+1% to 6M Kibor 1.4%	55,238	451,893	-	-	507,131
		55,238	451,893	2,802,924	-	3,310,055
Mark-up, dividend and other receivables		-	-	-	142,110	142,110
Deposits and others		-	-	-	33,490	33,490
		3,929,237	451,893	2,802,924	230,620	7,414,674
Financial Liabilities						
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company		-	-	-	26,753	26,753
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	512	512
Payable against purchase of investments		-	-	-	4,228,664	4,228,664
Accrued and other liabilities		-	-	-	2,249	2,249
		-	-	-	4,258,178	4,258,178
On-balance sheet gap (a)		3,929,237	451,893	2,802,924	(4,027,558)	3,156,496
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		3,929,237	451,893	2,802,924		
Cumulative profit rate sensitivity gap		3,929,237	4,381,130	7,184,054		

----- June 30, 2022 -----						
Yield / effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	8.50% to 17.50%	3,780,059	-	-	5	3,780,064
Investments						
- Pakistan Investment Bonds	7.50% to 11.75%	-	99,850	912,454	-	1,012,304
- Government Debt Securities	14.85%	-	-	37,380	-	37,380
- Unlisted debt securities	3M Kibor+1% to 6M Kibor 1.4%	64,166	450,094	-	-	514,260
		64,166	549,944	949,834	-	1,563,944
Mark-up, dividend and other receivables		-	-	-	79,685	79,685
Deposits and others		-	-	-	19,687	19,687
		3,844,225	549,944	949,834	99,377	5,443,380
Financial Liabilities						
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company		-	-	-	12,172	12,172
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	316	316
Payable against purchase of investments		-	-	-	821,364	821,364
Accrued and other liabilities		-	-	-	1,363	1,363
		-	-	-	835,215	835,215
On-balance sheet gap (a)		3,844,225	549,944	949,834	(735,838)	4,608,165
Off-balance sheet financial instruments		-	-	-	-	-
Off-balance sheet gap (b)		-	-	-	-	-
Total profit rate sensitivity gap (a+b)		3,844,225	549,944	949,834		
Cumulative profit rate sensitivity gap		3,844,225	4,394,169	5,344,003		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

(iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund does not hold any financial instruments that exposes it to price risk.

19.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

The Fund is exposed to counter party credit risks on investments (other than treasury bills and PIBs), balances with banks and other receivables. The credit risk on the Fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Treasury bills and Pakistan Investment Bonds are government backed and hence considered as secured.

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

Credit risk from balances with banks and financial institutions is managed by financial department in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

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

	2023		2022	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
----- (Rupees in '000) -----				
Balances with banks	3,929,019	3,929,019	3,780,064	3,780,064
Investments in government securities	5,871,263	-	1,049,684	-
Investments in debt securities	1,150,781	1,150,781	514,260	514,260
Mark-up, dividend and other receivables	142,110	142,110	79,685	79,685
Receivable against sale of investments	1,114,288	1,114,288	-	-
Deposits and others	33,490	33,490	19,687	19,687
	<u>12,240,951</u>	<u>6,369,688</u>	<u>5,443,380</u>	<u>4,393,696</u>

Difference in the balance as per statement of asset and liabilities and maximum exposure is due to the fact that investments in government securities amounting to Rs. 5,871.26 (2022: Rs 1,049.684) million is not exposed to credit risk.

The analysis below summaries the credit rating quality of the Fund's financial assets.

Bank balances by rating category	June 30, 2023	June 30, 2022
	----- % -----	
AAA	2.26	32.82
AA+	97.70	26.87
AA	0.03	-
AA-	-	22.24
A+	-	18.06
A*	-	0.01
	<u>100.00</u>	<u>100.00</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

* The analysis below summarizes the credit quality of the investment in term finance certificates, sukuks and government securities as at June 30, 2023 and June 30, 2022:

	June 30, 2023	June 30, 2022
Investments by rating category	----- % -----	
Government securities	83.22	75.14
AAA, AA, AA-, AA+	16.63	23.97
A, A-, A+	0.14	0.89
	100.00	100.00

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is 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 counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

19.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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. The Fund did not withhold any redemptions during the year.

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

----- June 30, 2023 -----						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

----- Rupees in '000 -----

Financial liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	26,753	-	-	-	-	-	26,753
Payable to Central Depository Company of Pakistan Limited - Trustee	512	-	-	-	-	-	512
Payable against purchase of investments	4,228,664	-	-	-	-	-	4,228,664
Accrued and other liabilities	2,249	-	-	-	-	-	2,249
	4,258,178	-	-	-	-	-	4,258,178

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

21 UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

22 PATTERN OF UNITHOLDINGS

----- June 30, 2023 -----				
	Number of unit holders	Number of units held	Investment Amount	Percentage of total investments
(Rupees in '000)				
Individuals	2,961	62,651,880	6,766,573	87.80%
Retirement funds	21	2,455,578	265,209	3.44%
Others	36	2,055,788	222,031	2.88%
Associated companies	3	4,191,153	452,656	5.87%
	<u>3,021</u>	<u>71,354,399</u>	<u>7,706,469</u>	<u>100%</u>

----- June 30, 2022 -----				
	Number of unit holders	Number of units held	Investment Amount	Percentage of total investments
(Rupees in '000)				
Individuals	2,443	35,736,803	3,836,689	83.09%
Associated companies	21	2,182,991	234,365	5.08%
Retirement funds	3	3,651,835	392,060	8.49%
Others	37	1,436,306	154,201	3.34%
	<u>2,504</u>	<u>43,007,935</u>	<u>4,617,315</u>	<u>100%</u>

23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Details of commission paid by the fund to top ten brokers by percentage during the year are as follows:

	June 30, 2023 (Percentage)
1 Continental Exchange (Private) Limited	31.57%
2 JS Global Capital Limited	10.45%
3 Optimus Market Private Limited	9.54%
4 Icon Management Private Limited	7.21%
5 Paramount Capital Private Limited	7.17%
6 AKD Securities Limited	4.91%
7 Vector Capital Private Limited	4.49%
8 C & M Management (Private) Limited	3.96%
9 Arif Habib Limited	3.73%
10 Invest One Markets Private Limited	3.18%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

**June 30, 2022
(Percentage)**

1 MRA Securities Limited	22.34%
2 Adam Securities (Private) Limited	22.18%
3 Top Line Securities (Private) Limited	16.51%
4 Taurus Securities Limited	7.07%
5 Multiline Securities (Private) Limited	6.05%
6 Continental Exchange (Private) Limited	4.04%
7 BMA Capital Management Limited	3.39%
8 C & M Management (Private) Limited	2.64%
9 AKD Securities Limited	2.33%
10 EFG Hermes Pakistan Limited	2.17%

24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 177th, 178th, 179th, 180th, 181st, 182nd, 183rd, 184th, 185th, 186th, 187th & 188th meeting of the Board of Directors were held on July 28, 2022, August 02, 2022, August 15, 2022, September 01, 2022, October 18, 2022, October 21, 2022, January 31, 2023, February 03, 2023, March 22, 2023, April 11, 2023, April 14, 2023 and May 02, 2023 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

Name of persons attending the meetings	Designation	Number of meetings held	Number of meetings			Meetings Not Attended
			Attendance required	Attended	Leave granted	
Mr. Haroon Rashid	Chairman	12	12	12	-	-
Mr. Nasim Beg (Resigned on May 2nd, 2023)	Vice Chairman	12	12	12	-	-
Mr. Muhammad Saqib Saleem	Chief Executive Officer	12	12	12	-	-
Mr. Ahmed Jahangir	Director	12	12	12	-	-
Mr. Mirza Qamar Beg (Resigned on May 2nd, 2023)	Director	12	12	12	-	-
Mr. Kashif A. Habib (Resigned on May 2nd, 2023)	Director	12	12	8	4	180, 184, 186 & 187
Syed Savail Meekal Hussain	Director	12	12	10	2	185 & 187
Ms. Mavra Adil Khan	Director	12	12	9	3	178, 181 & 182
Mr. Fahd Kamal Chinoy (Appointed on May 2nd, 2023)	Director	12	1	1	-	-
Mr. Manzar Mushtaq (Appointed on May 2nd, 2023)	Director	12	1	1	-	-
Mr. Shoab Mumtaz (Appointed on May 2nd, 2023)	Director	12	1	1	-	-

25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCCA, FCA	25.5
2	Mr. Muhammad Asim	Chief Investment Officer	MBA, CFA	20
3	Mr. Awais Abdul Sattar	Portfolio Manager Equities	MBA, CFA	12
4	Mr. Jawad Naeem	Head of Islamic Equity	MBA Finance & CFA Level 1	15
5	Mr. Saad Ahmed	Head Of Fixed Income	MBA	17
6	Mr. Syed Abid Ali	Head Of Equities	MBA	15
7	Mr. Usama Iqbal	Fund Manager	Graduate	19

25.1 Mr. Saad Ahmed is the Fund Manager. Details of the other funds being managed by him are as follows:

- Pakistan Income Enhancement Fund
- Pakistan Cash Management Optimizer Fund
- Pakistan Cash Management Fund
- MCB Pakistan Sovereign Fund
- Alhamra Daily Dividend Fund
- Alhamra Cash Management Optimizer

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

26 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

27 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on July 26, 2023 by the Board of Directors of the Management Company.

For MCB-Arif Habib Savings and Investments Limited
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2023**

No. of Unit Holders	Unit holdings	Total units held
850	A. 001-10,000	15,670
361	B. 10,001 – 100,000	117,398
791	C. 100,001 – 1000,000	3,673,937
1019	D. 1000,001 & Above	67,547,394
<u>3,021</u>		<u>71,354,399</u>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2023

Performance Information	2023	2022	2021	2020	2019
Total Net Assets Value – Rs. in million	7706.4694	4,617.3150	3,645.9500	4,032.7759	3,933.4452
Net Assets value per unit – Rupees	108.0027	107.3596	107.0518	106.9649	106.5542
Closing Offer Price	109.8333	109.1793	108.8663	108.7780	108.3603
Closing Repurchase Price	108.0027	104.9333	104.6324	103.3388	106.5542
Highest offer price per unit	125.3632	118.5362	115.9956	121.0894	116.6078
Lowest offer price per unit	109.2204	108.8858	110.9321	108.3913	108.2969
Highest Redemption price per unit	123.2737	116.5605	114.0622	119.0711	114.6642
Lowest Redemption price per unit	107.4000	107.0709	105.3852	106.5847	106.4919
Distribution per unit – Rs. *	15.8624	9.3394	7.0333	12.0476	13.0796
Average Annual Return - %					
One year	15.46	9.02	6.66	11.69	7.80
Two year	12.24	7.84	9.18	9.75	6.21
Three year (inception date Mar 01, 2007)	10.38	9.12	8.72	8.04	6.31
Net Income for the year – Rs. in million	892.9053	382.3485	258.3900	485.9330	292.7500
Distribution made during the year – Rs. in million	861.1570	373.6420	256.1370	471.0610	471.7150
Accumulated Capital Growth – Rs. in million	31.7483	8.7065	2.2530	14.8720	(204.2910)
Weighted average Portfolio Duration (years)	2	3.7	1.5	2.8	1.3

* Date of Distribution

2023	
Date	Rate
June 17, 2023	15.8624

2022	
Date	Rate
June 24, 2022	9.3394

2021	
Date	Rate
June 25, 2021	7.0333

2020	
Date	Rate
June 26, 2020	12.0476

2019	
Date	Rate
July 04, 2019	4.8783
June 28, 2019	8.2013

Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.

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