

LAKSON ISLAMIC TACTICAL FUND

Annual Report 2023



LAKSON INVESTMENTS
WE MANAGE YOUR MONEY, AS WE MANAGE OUR OWN

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Vision

To be a top quartile provider of investment solutions to both individuals and institutions. Through the success of our clients and employees we seek to build sustainable and long-term shareholder value, and to be an employer of choice in the asset management industry.



Mission

To deliver superior performance as measured by market share parameters, high-quality service and a portfolio of innovative yet tailored products across a range of investment disciplines and distribution channels.

To provide a fulfilling, stimulating and supportive environment for our employees that fosters their personal growth and facilitates our productivity as a team.

Fund's Information

Management Company	Lakson Investments Limited Head Office Lakson Square, Building No.2, Sarwar Shaheed Road, Karachi-74200, Pakistan. Phone: (9221) 3840.0000 Fax: (9221) 3568.1653 Web site: www.li.com.pk E-mail: info@li.com.pk
Board of Directors of the Management Company	Mr. Iqbal Ali Lakhani - Chairman Mr. Babar Ali Lakhani - Chief Executive Officer Mr. Jamil Ahmed Mughal Mr. Amin Mohammed Lakhani
Chief Financial Officer & Company Secretary of the Management Company	Mr. Junaid Arshad
Audit Committee	Mr. Amin Mohammed Lakhani Mr. Iqbal Ali Lakhani Mr. Jamil Ahmed Mughal
Human Resource and Remuneration Committee	Mr. Babar Ali Lakhani Mr. Iqbal Ali Lakhani
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block-B, S.M.C.H.S., Main Shakra-e-Faisal, Karachi, Pakistan.
Auditors	BDO Ebrahim & Co. Chartered Accountants 2nd Floor, Block C, Lakson Square, Building No. 1, Sarwar Shaheed Road, Karachi - 74200.
Bankers to the Fund	Habib Bank AG Zurich Habib Metropolitan Islamic Bank Limited Bank Islami Pakistan Limited Al Baraka Bank (Pakistan) Limited Dubai Islamic Bank Pakistan Limited
Legal Adviser	Fazleghani Advocates F-72/I, Block 8, KDA-5, Kehkashan, Clifton, Karachi, Pakistan.

Shari'ah Advisor

Al Hilal Shariah Advisors

Registrar

Lakson Investments Limited
Lakson Square Building No.2,
Sarwar Shaheed Road,
Karachi-74200, Pakistan

Distributor

Rabia Fida
BMA Capital Management Limited

Rating

1 Year ranking : 3-Star
3 Year ranking : 3-Star
5 Year ranking : 3-Star
AM2+ : Asset Manager Rating by PACRA



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

The Board of Directors of Lakson Investments Limited, the Management Company of the Lakson Islamic Tactical Fund ('LITF' or 'Fund') is pleased to submit its report together with Audited Financial Statements for the year ended June 30, 2023.

Fund Objective

The investment objective of the LITF is to provide long-term capital appreciation by exclusively investing in Shariah Compliant avenues including equities, fixed income instruments and emerging market securities.

Principal activities

LITF is an open-end asset allocation fund and is listed on Pakistan Stock Exchange Limited. The Fund is managed using an active investment management style which focuses on an analysis of the macro factors such as government policies, global economic data, commodities prices and supply/demand dynamics. The Fund switches exposure between equities and fixed income based on the outlook of the investments team. Exposure of the Scheme in fixed income securities is managed through duration and yield curve management.

Fund Performance

Lakson Islamic Tactical Fund provided a return of -0.17% for FY23 against the Benchmark return of 2%. The fund has underperformed the benchmark by -2.17% during the period. As of June 30, 2023 the Fund had 31.6% exposure in equities, 64.1% in cash, 4.0% in Sukuk and 0.3% in others on a total asset basis. The fund size of the LITF as of June 30, 2023 is PKR 290.15mn

Principal Risk and Uncertainties

The economic instability, rising current account deficit, declining FX reserves, higher than expected inflation, PKR devaluation, lower than expected financial aid by both unilateral/bilateral donor agencies, further monetary tightening and worsening of external relations remains a risk for all business sectors in Pakistan.

Earnings Per Unit (EPU)

EPU is not being disclosed as we feel determination of weighted average units for calculating EPU is not practicable for open end funds.

Income Distribution

The Chief Executive Officer under the authority from Board of Directors of the Management Company declared the interim payout of PKR 8.9656 per unit (8.9656% of face value of PKR 100/-) amounting to PKR 25.0637 million in cash during the year ended June 30, 2023.

Asset Manager and Fund Rating

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM2+". The VIS Credit Rating Company Limited has given the one-year, three-year & five-year performance ranking of "3-Star" to the LITF Fund.

Additional Matters:

1. The detail of Directors of the Management Company is disclosed in this Annual Report.
2. The financial statements prepared by the Management Company present fairly the state of affairs of the Fund, the results of its operations, cash flows and movement in unit holders' fund.
3. Proper books of accounts of the Fund have been maintained.
4. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
5. Relevant International Financial Reporting Standards, as applicable in Pakistan, provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008 ('NBFC Regulations'), directives issued

by the Securities & Exchange Commission of Pakistan and requirements of the constitutive documents of the Fund have been followed in the preparation of financial statements and any departure there from has been adequately disclosed.

6. The system of internal control is adequate and sound in design and has been effectively implemented and monitored.
7. There are no significant doubts upon the Fund's ability to continue as a going concern.
8. Key financial data has been summarized in this Annual Report.
9. Outstanding statutory payments on account of taxes, duties, levies and charges have been fully disclosed in these financial statements.
10. The statement as to the value of investments of provident fund is not applicable in the case of the Fund as such expenses are borne by the Management Company.
11. The pattern of unit holding as at June 30, 2023 is given in this Annual Report.
12. A performance table / key financial data is annexed to this annual report.

External Auditor

The existing auditors M/s. BDO Ebrahim & Co., Chartered Accountants being eligible, have given their consent for reappointment as auditors for the year ending June 30, 2024. The Board of Directors, on the recommendations of the Audit Committee, has reappointed M/s. BDO Ebrahim & Co., Chartered Accountants for the year ending June 30, 2024.

Economy Review

The June'23 quarter brought about a significant positive stride, marked by the attainment of a staff-level agreement between the International Monetary Fund (IMF) and Pakistan. This accord entails the provision of a substantial USD 3 billion as part of a stand-by arrangement (SBA) spanning nine months. This highly welcomed development is poised to act as a catalyst, enabling Pakistan to unlock critical funding from both bilateral and multilateral sources. The infusion of these funds will play a pivotal role in the augmentation of foreign exchange reserves, effectively contributing to the process of reconstruction. This milestone achievement effectively averts the looming specter of near-term default, as vividly underscored by the remarkable resurgence of Pakistan International Eurobonds. The government, in its pursuit of stabilizing the economic landscape, has undertaken a series of astute measures. These include recalibrating fuel and energy prices, instituting judicious tax policies, securing commitments from amicable nations, and implementing prudent adjustments exchange rate and interest rates.

On the 26th of June 2023, during an urgent Monetary Policy Committee (MPC) meeting, the State Bank of Pakistan (SBP) implemented a further 1% increase in the Policy Rate, propelling it to a historic pinnacle of 22%. This decision was a calculated response aimed at firmly anchoring inflation and concurrently driving real interest rates into positive terrain.

Throughout the June quarter, foreign exchange reserves exhibited a relatively stagnant trend, settling at USD 9.1 billion. Nonetheless, the reduction in these reserves was mitigated to some extent by inflows stemming from China.

The persistently elevated inflationary environment persisted during the fourth quarter of the fiscal year 2023, culminating in an average inflation rate of 34.56% for the quarter. This elevated inflation was underpinned by an interplay of factors, including the ongoing devaluation of PKR, ascending energy costs, the imposition of new taxes amounting to PKR 170 billion, disruptions in supply chains due to import limitations, and the cascading second-round effects stemming from these determinants. We foresee the average inflation rate for fiscal year 2024 will exhibit a gradual descent, potentially converging towards the range of 21-22%. Further optimism is directed towards June 2024, wherein the inflation rate might inch down to approximately 14-15%, contingent upon the absence of unforeseen variables.

During the fourth quarter of the fiscal year 2023 (4QFY23), imports underwent a significant 9.3% QoQ contraction, aggregating to a sum of USD 11.5 billion. Resultantly, exports experienced a marginal 1.7% QoQ dip, settling at USD 6.6 billion. This dynamic interplay precipitated an 18% reduction in the trade

deficit on a QoQ basis, leading to its contraction to USD 4.8 billion. As a result, the country's current account balance showed a surplus of USD 632 million. This achievement is indicative of the efficacy of administrative measures enacted to curb the import bill, compounded by the prevailing sluggishness in economic demand.

On fiscal front, FMR tax collection observed an 11.7% decline in tax collection, amounting to PKR 1.5 trillion, during the June quarter. This figure notably fell short of the quarterly target by a margin exceeding PKR 60 billion. The forthcoming months, however, hold promise for an improvement in tax collection, attributed to the relaxation of import restrictions. Yet, considering the persistent underwhelming economic demand, the FBR may encounter challenges in meeting the ambitious annual tax collection target of over PKR 9 trillion for the FY24.

Fixed Income Market Review

During 4QFY23, the State Bank of Pakistan raised the policy rate by 1% to an all-time high of 22% to push the real interest rate in positive territory on a forward-looking basis and anchor inflation expectations. By June end, cut-off yields for 3months, 6months and 12months reached 22%, 21.97% and 22%, respectively. Similarly, PIB yield was also adjusted upwards as 3-year bond yield reached 19.35%. To sustain market stability, the central bank infused ample liquidity into the system through robust Open Market Operations (OMO). This infusion of liquidity created an opportunity for market participants to support the cash-strapped government.

Emerging Market Review

The MSCI Emerging market index rose by 2.64% QoQ during 4QFY23. The performance was mainly led by improvement in investor's sentiment given reopening of China.

Future Outlook

The trajectory of the market is contingent upon several pivotal factors. Firstly, the positive trajectory of the external account, bolstered by the IMF's Stand-By Arrangement (SBA), is poised to exert a favorable influence. Secondly, the potential for a reduction in CPI, attributed to the impact of elevated base effects driving down inflation, might pave the way for monetary easing. Such a move would serve as a catalyst for fortifying economic growth. Thirdly, the nation's political climate and stability remain influential determinants in nurturing investor trust. At present, the market boasts an appealing Price-to-Earnings (P/E) ratio of 3.9x, underscoring promising growth prospects. With such compelling dynamics, investors are presented with an immensely attractive opportunity to capitalize on the market's promising upward trajectory in the foreseeable future.

The revival of the IMF program stands poised to usher in enhanced accessibility to funds from international lenders, subsequently furnishing crucial external financing support. These inflows will culminate in the augmentation of foreign exchange reserves, thereby mitigating external pressures and paving the way for sustained economic equilibrium.

The caretaker government should find it easier to comply with the requirements of the ongoing SBA program, especially if it is adequately staffed with technocrats. In this regard, recent legislation has empowered the coming caretaker government to take decisions on existing bilateral & multilateral agreements. That said, Pakistan needs to quickly negotiate a successor IMF program when the SBA facility ends in March 2024. We believe that a timely and peaceful election is important for carrying out structural reforms, remaining in the IMF program, and restoring investor confidence in the economy.

Acknowledgment

The Board is thankful to its valued investors, the Securities & Exchange Commission of Pakistan, the State Bank of Pakistan, the Trustee of the Fund - Central Depository Company of Pakistan Limited and the management of the Pakistan Stock Exchange Limited for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the prudent management of the Fund.

For and on Behalf of the Board

Chief Executive Officer

Director

Dated: September 04, 2023

لیکسن اسلامک ٹیکٹیکل فنڈ 30 جون 2023 کو ختم ہونے والے سال کے لیے منہجنت کمپنی کے ڈائریکٹرز کی رپورٹ

لیکسن اسلامک ٹیکٹیکل فنڈ ("LITF" یا "فنڈ") کی منہجنت کمپنی، لیکسن انویسٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز کے لیے 30 جون 2023 کو ختم ہونے والے سال کے لیے اپنی رپورٹ مع آڈٹ شدہ مالیاتی گوشوارے پیش کرنا باعث مسرت ہے۔

فنڈ کا مقصد

لیکسن اسلامک ٹیکٹیکل فنڈ کی سرمایہ کاری کا مقصد، خاص طور پر شرعیہ سے مطابقت رکھنے والے ذرائع بشمول ایکویٹیز، فکسڈ انکم انسٹرومنٹس اور ایمر بینک مارکیٹس سیکورٹیز میں سرمایہ کاری کرتے ہوئے سرمائے کی قدر میں طویل مدتی اضافہ کرنا ہے۔

نمایاں سرگرمیاں

LITF ایک اوپن اینڈ لیسٹ ایلیمنٹیشن فنڈ ہے اور پاکستان اسٹاک ایکسچینج لمیٹڈ میں لسٹڈ ہے۔ اس اسکیم کا انتظام وانصرام ایک ایکٹیو انویسٹمنٹ منہجنت اسٹائل استعمال کرتے ہوئے کیا جاتا ہے جو اقتصادی ماحول کے تجربے پر توجہ مرکوز رکھتا ہے مثلاً حکومتی پالیسیز، عالمی اقتصادی ڈیٹا، کموڈٹیز کی قیمتیں اور رسد/طلب کا تحریک۔ یہ فنڈ، انویسٹمنٹ ٹیم کی توقعات کی بنیاد پر ایکویٹیز اور فکسڈ انکم میں سرمایہ کاری کا تبادلہ کرتی ہے۔ فکسڈ انکم سیکورٹیز میں اسکیم کی سرمایہ کاری کا انتظام وانصرام دورانیے اور yield curve منہجنت کو مد نظر رکھ کر کیا جاتا ہے۔

فنڈ کی کارکردگی

لیکسن اسلامک ٹیکٹیکل فنڈ نے مالی سال 2023 میں بیچ مارک منافع 2% کے مقابلے میں 0.17% منافع مہیا کیا۔ اس مدت کے دوران فنڈ نے بیچ مارک کے مقابلے میں 2.17% کمتر کارکردگی کا مظاہرہ کیا۔ 30 جون 2023 کے مطابق فنڈ نے مجموعی اثاثہ جات کی بنیاد پر ایکویٹیز میں 31.6%، کیش میں 64.1%، ہسکوک میں 4.0% اور دیگر میں 0.3% سرمایہ کاری کی۔ 30 جون 2023 کے مطابق LITF کا فنڈ جیم 290.15 ملین روپے ہے۔

اہم خطرات و خدشات

اقتصادی عدم استحکام، بڑھتا ہوا کرنٹ اکاؤنٹ خسارہ، زرمبادلہ کے کم ہوتے ذخائر، توقع سے زیادہ افراط زر، روپے کی قدر میں کمی، یک طرفہ اور دو طرفہ قرض فراہم کنندہ ایجنسیز کی طرف سے توقع سے کم مالی امداد، مزید مالیاتی سختی اور بگڑتے ہوئے خارجہ تعلقات پاکستان میں تمام کاروباری شعبوں کے لیے خطرہ بنے ہوئے ہیں۔

فی شیئر آمدنی (EPU)

فی شیئر آمدنی (EPU) ظاہر نہیں کی گئی، کیوں کہ ہم محسوس کرتے ہیں کہ EPU شمار کرنے کے لیے موزوں اوسط پونٹس کا تعین اوپن اینڈ فنڈز کے لیے قابل عمل نہیں ہے۔

آمدنی کی تقسیم

چیف ایگزیکٹو آفیسر نے منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز کی طرف سے دیئے گئے اختیار کے تحت 30 جون 2023 کو ختم ہونے والے سال کے لیے فی یونٹ 8.9656 روپے (100 روپے کی فیس ویلیو کا 8.9656%) کی عبوری کیش ادائیگی کا اعلان کیا ہے، جس کی مالیت 25.0637 ملین روپے بنتی ہے۔

السیٹ منیجر اینڈ فنڈ رینٹنگ

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے منجمنٹ کمپنی کی السیٹ منیجر رینٹنگ "AM2+" پر برقرار رکھی ہے۔ VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے LITF کو ایک سال، تین سال اور پانچ سال کی "3 اسٹار" پر فارمنس رینٹنگ دی ہے۔

اضافی معاملات

- 1- منجمنٹ کمپنی کے ڈائریکٹرز کی تفصیل اس سالانہ رپورٹ میں ظاہر کی گئی ہے۔
- 2- منجمنٹ کمپنی کی طرف سے تیار کردہ مالیاتی گوشوارے فنڈ کے معاملات کی کیفیت، اس کی کاروباری سرگرمیوں کے نتائج، کیش فلو اور یونٹ ہولڈرز کے فنڈ میں نقل و حرکت کی منصفانہ عکاسی کرتے ہیں۔
- 3- فنڈ کے اکاؤنٹس کے کھاتے درست انداز میں رکھے ہوئے ہیں۔
- 4- مالیاتی گوشواروں کی تیاری میں اکاؤنٹنگ کی مناسب پالیسیوں کی مسلسل پیروی کی گئی ہے اور شریاتی تحجینے مناسب اور معقول نظریات پر مبنی ہیں۔
- 5- ان مالیاتی گوشواروں کی تیاری میں مالیاتی رپورٹنگ کے بین الاقوامی معیاروں، جہاں تک پاکستان میں قابل اطلاق ہیں، نان بینکنگ فنانس کمپنیز (انسٹیبلشمنٹ اینڈ ریگولیشن) رولز 2003 کے تقاضوں، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹی پیڈ رگولیشنز، 2008 (NBFC ریگولیشنز)، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ ڈائریکٹوز اور فنڈ کی دستوری دستاویزات کے تقاضوں کی پیروی کی گئی ہے اور ان سے کسی بھی انحراف کی مناسب انداز میں نشان دہی کی گئی ہے۔
- 6- انٹرئل کنٹرول کا نظام مستحکم اور مؤثر طریقے سے نافذ ہے اور اس کی مسلسل نگرانی کی جاتی ہے۔
- 7- فنڈ کی رواں دواں رہنے کی صلاحیت کے بارے میں کوئی شکوک و شبہات نہیں ہیں۔
- 8- اہم مالیاتی ڈیٹا کا خلاصہ اس سالانہ رپورٹ میں شامل ہے۔
- 9- میکسز، ڈیویڈنڈ، محصولات اور چارجز کی مدد میں واجب الادا سرکاری ادائیگیاں مالیاتی گوشواروں میں پوری طرح ظاہر کر دی گئی ہیں۔
- 10- پروڈیٹ فنڈ کی سرمایہ کاری کی مالیت سے متعلق گوشوارہ فنڈ پر قابل اطلاق نہیں ہے جیسا کہ ایسے اخراجات منجمنٹ کمپنی کی طرف سے برداشت کیے جاتے ہیں۔

11-30 جون 2023 کے مطابق یونٹ ہولڈنگ کا پیٹرن اس سالانہ رپورٹ میں دیا گیا ہے۔

12- کارکردگی کی جدول/اہم مالیاتی ڈیٹا اس سالانہ رپورٹ کے ساتھ منسلک ہے۔

بیرونی آڈیٹر

موجودہ آڈیٹر میسرز BDO ابراہیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس نے اہل ہونے کی بنیاد پر 30 جون 2024 کو ختم ہونے والے سال کے لیے دوبارہ تقرر کی گئی ہے۔ آڈٹ کمیٹی کی سفارش پر بورڈ آف ڈائریکٹرز نے 30 جون 2024 کو ختم ہونے والے سال کے لیے میسرز BDO ابراہیم اینڈ کو، چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرر کی کر دی ہے۔

معاشی جائزہ

جون 2023 کی سہ ماہی میں ایک اہم مثبت پیش رفت ہوئی، بین الاقوامی مالیاتی فنڈ (IMF) اور پاکستان کے درمیان اسٹاف لیول معاہدہ طے پا گیا۔ اس معاہدے میں 9 مہینوں پر محیط اسٹینڈ بائی انتظام (SBA) کے ایک حصے کے طور پر 3 بلین امریکی ڈالر کی فراہمی شامل ہے۔ اس معاہدے میں 9 ماہ پر محیط اسٹینڈ بائی بندوبست (SBA) کے ایک حصے کے طور پر 3 بلین امریکی ڈالر کی خطیر رقم فراہم کرنا شامل ہے۔ یہ انتہائی خوش آئند پیش رفت ایک محرک کے طور پر کام کرے گی، جس سے پاکستان کو دو طرفہ اور کثیر الجہتی، دونوں ذرائع سے اہم فنڈنگ حاصل کرنے میں مدد ملے گی۔ ان فنڈز کا استعمال غیر ملکی زرمبادلہ کے ذخائر کو بڑھانے میں اہم کردار ادا کرے گا اور تعمیر نو کے عمل میں مؤثر طریقے سے اپنا حصہ ڈالے گا۔ اس سنگ میل کے حصول نے مستقبل قریب میں ڈیفالٹ کے بڑھتے ہوئے خطرے کو مؤثر طریقے سے ٹال دیا ہے، جیسا کہ پاکستان انٹرنیشنل یورو بانڈز کی نمایاں بحالی سے واضح طور پر ظاہر ہوتا ہے۔ حکومت نے معاشی منظر نامے کو مستحکم کرنے کی کوشش میں متعدد دانشمندانہ اقدامات کئے ہیں، جن میں ایندھن اور توانائی کی قیمتوں میں ردوبدل، منصفاً نگینس پالیسیوں کا نفاذ، دوست ممالک سے یقین دہانیوں کا حصول، شرح تبادلہ اور شرح سود میں منطقی ایڈجسٹمنٹس شامل ہیں۔

26 جون 2023 کو مانیٹری پالیسی کمیٹی (MPC) کے ہنگامی اجلاس کے دوران اسٹیٹ بینک آف پاکستان (SBP) نے پالیسی ریٹ میں مزید ایک فیصد اضافہ کر دیا، جس سے یہ 22 فیصد کی تاریخی بلند ترین سطح پر پہنچ گیا۔ یہ فیصلہ ایک سوچا سمجھا ردعمل تھا، جس کا مقصد افراط زر کو بڑھنے سے روکنا اور حقیقی شرح سود کو مثبت سمت میں لے جانا تھا۔

جون کی پوری سہ ماہی کے دوران زرمبادلہ کے ذخائر میں نسبتاً جمود کا رجحان رہا، جو 9.1 بلین ڈالر پر مستحکم رہے۔ بہر حال، زرمبادلہ کے ذخائر میں کمی کو چھین کی جانب سے سرمائے کے بہاؤ کی مدد سے کسی حد تک کم کیا گیا۔

مالی سال 2023 کی چوتھی سہ ماہی کے دوران افراط زر میں مسلسل اضافے کا ماحول برقرار رہا، جس کے نتیجے میں سہ ماہی کے دوران افراط زر کی اوسط شرح 34.56 فیصد رہی۔ بڑھتی ہوئی افراط زر کی وجوہات میں روپے کی قدر میں مسلسل کمی، توانائی کی بڑھتی ہوئی قیمتیں، 170 بلین روپے کے نئے ٹیکسوں کا نفاذ، درآمدی پابندیوں کی وجہ سے سلائی چین میں غفل اور ان عوامل سے پیدا ہونے والے دوسرے مرحلے کے اثرات شامل ہیں۔ ہمیں توقع ہے کہ مالی سال 2024 میں افراط زر کی اوسط شرح میں بتدریج کمی آئے گی، جو ممکنہ طور پر 21-22 فیصد کی حدود میں رہے گی۔ مزید توقعات جون 2024 سے وابستہ ہیں، جب افراط زر کی شرح کرکٹر تقریباً 14-15 تک آسکتی ہے، تاہم اس کا انحصار غیر متوقع تغیرات کی عدم موجودگی پر ہوگا۔

مالی سال 2023، مکی چوتھی سہ ماہی کے دوران درآمدات میں 9.3 فیصد کمی نمایاں کی واقع ہوئی جو مجموعی طور پر 11.5 ارب ڈالر رہی۔ اس کے نتیجے میں برآمدات میں 1.7 فیصد کمی معمولی کی واقع ہوئی اور یہ 6.6 ارب ڈالر رہی۔ اس کے نتیجے میں تجارتی خسارے میں سہ ماہی بنیاد پر 18 فیصد کمی واقع ہوئی

جس کے سبب یہ سیکڑ کر 4.8 ارب ڈالر رہ گیا۔ اس کے نتیجے میں ملک کے کرنٹ اکاؤنٹ بیلنس میں 632 ملین ڈالر کا سرپلس ظاہر ہوا۔ یہ کامیابی درآمدی بل میں کمی لانے کے لئے نافذ کردہ انتظامی اقدامات کی افادیت کی نشاندہی کرتی ہے، جو معاشی طلب میں موجودہ سست روی کی وجوہات میں شامل ہیں۔ مالی محاذ پر جون کی سہ ماہی کے دوران FMR ٹیکس وصولی میں 11.7 فیصد کمی دیکھی گئی جو 1.5 ٹریلین روپے بنتی ہے۔ یہ اعداد و شمار سہ ماہی ہدف سے نمایاں طور پر 60 ارب روپے کم ہیں۔ تاہم آنے والے مہینوں میں ٹیکس وصولی میں بہتری کا وعدہ کیا گیا ہے، جس کی وجہ درآمدی پابندیوں میں نرمی ہے۔ اس کے باوجود مسلسل کم ہوتی ہوئی معاشی طلب کو مد نظر رکھتے ہوئے FBR کو مالی سال 2024 کے لیے 9 ٹریلین روپے سے زائد کے سالانہ ٹیکس وصولی کے ہدف کو پورا کرنے میں مشکلات کا سامنا کرنا پڑ سکتا ہے۔

فلسفہ انکم مارکیٹ کا جائزہ

مالی سال 2023 کی چوتھی سہ ماہی کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ کو ایک فیصد بڑھا کر 22 فیصد کی تاریخ کی بلند ترین سطح پر پہنچا دیا تاکہ حقیقی شرح سود کو مثبت سمت میں آگے بڑھایا جاسکے اور افراط زر کے خدشات کو کم کیا جاسکے۔ جون کے اختتام تک 6 ماہ 12 ماہ کی میعاد کے لیے Kibor کی شرح بالترتیب 22 فیصد، 21.97 فیصد اور 22 فیصد تک پہنچ گئی، اسی طرح PIB کا منافع بھی اوپر کی طرف ایڈجسٹ کیا گیا اور 3 سالہ بانڈ کے منافع جات 19.35 فیصد تک پہنچ گئے۔ مارکیٹ کے استحکام کو برقرار رکھنے کے لئے مرکزی بینک نے اوپن مارکیٹ آپریشنز (اواٹیم او) کے ذریعے نظام میں وافر لیکویڈیٹی شامل کی۔ لیکویڈیٹی کی اس سرمایہ کاری نے مارکیٹ کے شرکاء کے لئے نقد رقم کی کمی سے دوچار حکومت کی مدد کرنے کا موقع فراہم کیا۔

ایمرجنگ مارکیٹ کا جائزہ

مالی سال 2023 کی چوتھی سہ ماہی کے دوران IMSCI ایمرجنگ مارکیٹ انڈیکس میں سہ ماہی بنیادوں پر 2.64% اضافہ دیکھنے میں آیا، جس کی بنیادی وجہ چین میں پابندیوں کے خاتمے کے نتیجے میں سرمایہ کاروں کے جذبات میں آنے والی بہتری تھی۔

مستقبل کا منظر نامہ

مارکیٹ کا راستہ کئی اہم عوامل پر انحصار کرتا ہے۔ اول یہ کہ آئی ایم ایف کے اسٹینڈ بائی انتظامات (SBA) کی مدد سے ایکسٹرنل اکاؤنٹ کا مثبت رخ سازگار انداز میں اثر انداز ہونے کے لیے تیار ہے۔ دوم یہ کہ CPI میں کمی کا امکان ہے، جس کی وجہ افراط زر میں کمی لانے والے بلند Base Effects ہیں، جو مالیاتی نرمی کی راہ ہموار کر سکتے ہیں۔ اس طرح کا اقدام معاشی ترقی کو مستحکم بنانے کے لئے محرک کے طور پر کام کرے گا۔ سوم یہ کہ ملک کا سیاسی ماحول اور استحکام سرمایہ کاروں کے اعتماد کو پروان چڑھانے میں اہم کردار ادا کرتے ہیں۔ فی الحال مارکیٹ میں قیمت سے آمدنی (P/E) کا تناسب 3.9 گنا ہے، جو امید افزا ترقی کے امکانات کی نشاندہی کرتا ہے، اس طرح کی زبردست حرکیات (ڈائنامکس) کے ساتھ سرمایہ کاروں کے لیے مستقبل قریب میں مارکیٹ کے ترقی کے راستے پر گامزن ہو جانے سے فائدہ اٹھانے کے لئے انتہائی پرکشش مواقع موجود ہیں۔

آئی ایم ایف پروگرام کی بحالی سے بین الاقوامی قرض دہندگان کے فنڈز تک رسائی میں اضافہ ہوگا، جس کے نتیجے میں اہم بیرونی مالی معاونت مل جائے گی۔ یہ بہاؤ غیر ملکی زرمبادلہ کے ذخائر میں اضافے کے نتیجے میں آئے گا، جس سے بیرونی دباؤ کم ہوگا اور پانڈیا معاشی توازن کی راہ ہموار ہوگی۔

عمران حکومت کے لیے جاری SBA پروگرام کے تقاضوں پر عمل کرنا آسان ہوگا، خاص طور پر اگر اس کو ٹیکو کریڈٹس کی مناسب خدمات حاصل ہوں۔ اس

سلسلے میں حالیہ قانون سازی نے نگران حکومت کو موجودہ دو طرفہ اور کثیرالجہتی معاہدوں پر فیصلے کرنے کا اختیار دے دیا ہے۔ اس کے باوجود مارچ 2024 میں SBA کی سہولت ختم ہونے پر پاکستان کو آئی ایم ایف کے اگلے پروگرام کے لیے فوری مذاکرات کرنے کی ضرورت ہے۔ ہم سمجھتے ہیں کہ انفراسٹرکچرل اصلاحات، آئی ایم ایف پروگرام کے ساتھ منسلک رہنے اور معیشت میں سرمایہ کاروں کے اعتماد کی بحالی کے لیے بروقت اور پرامن انتخابات کا انعقاد ضروری ہے۔

اظہار تشکر

یہ بورڈ اپنے قابل قدر انویسٹرز، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اسٹیٹ بینک آف پاکستان، فنڈ کے ٹرسٹی سینٹرل ڈیپازٹری کمپنی آف پاکستان لمیٹڈ اور پاکستان اسٹاک ایکسچینج لمیٹڈ کا، ان کے مسلسل تعاون اور مدد پر شکریہ ادا ہے۔ منجمنٹ کمپنی کے ڈائریکٹرز فنڈ کی ترقی اور دانش مندانہ انتظام و انصرام کے لیے منجمنٹ کمپنی کی ٹیم کی محنت اور کاوشوں کا بھی اعتراف کرتے ہیں۔

برائے و منجانب بورڈ

ڈائریکٹر

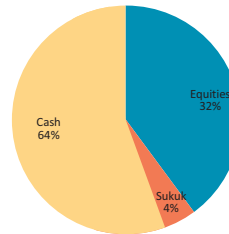
چیف ایگزیکٹو آفیسر

تاریخ: 04 ستمبر 2023

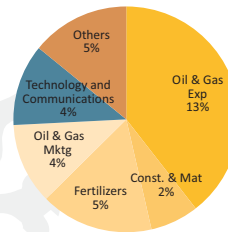
REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2023

Fund Facts	
Fund Type	Open-End
Category	Shariah Compliant Asset Allocation Fund
Net Assets (PKR Mil.)	290.15
NAV (30.06.2023)	85.7275
Pricing Mechanism	Forward Day
Trustee	CDC Pakistan Limited
Auditor	BDO Ebrahim & Co
Management Fee	Upto 2% effective from Dec 20,2021. (Current 2.00%)
Front End Load	2.50%
Back End Load	None
Launch Date	October 11, 2011
Benchmark	Weighted average daily return of KMI- 30 Index, 6M deposit rates of three A rated Islamic Banks or Islamic windows of Conventional Banks and MSCI Emerging Markets Islamic Index based on the Scheme's actual proportion in the equity, debt and emerging market securities
Dealing Days	Mon - Fri
Cut-Off Time	04:00 PM
Asset Manager Rating	AM2+ by PACRA (26.Aug.2022)

Asset Allocation



Sectorwise Exposure



Fund Performance	LITF	Benchmark
FY23 - YTD	-0.17%	2.00%
June-23	-9.36%	-0.44%
2 Months	-8.51%	-1.00%
3 Months	-6.44%	0.97%
6 Months	-3.57%	1.60%
12 Months	-0.17%	2.00%
CY23- YTD	-3.78%	1.60%
3 Years	6.62%	20.12%
5 Years	0.42%	13.63%
Since Inception	27.40%	56.74%

the benchmark of the fund was changed in September 2016

Investment Committee

Babar Ali Lakhani	Chief Executive Officer
Kashif Mustafa	Executive Director & COO
Mustafa O. Pasha, CFA	Chief Investment Officer
Hassan Bin Nasir	
Moazzam Akhtar	
Aisha Mohammad	
Mirza Danial Baig	

Investment Objective

The investment objective of the Lakson Islamic Tactical Fund ("LITF") is to provide long-term capital appreciation by investing in a mix of shariah compliant avenues. The LITF achieved its investment objective by investing in a mix of risk-free government securities, corporate bonds, emerging market securities and equity market.

Investment Strategy

The asset allocation of LITF portfolio was constructed by investing in liquid and risk-free instruments like Shariah Government securities, Shariah compliant equities and high yielding Shariah bonds. The exposure of LITF in risk free options and bonds was managed based on the relative yield analysis of these instruments and our yield curve expectations. Exposure in cash enabled the LITF to benefit from adverse movements in secondary yields, while maintaining liquidity and meeting all its obligations in a timely manner. Equity exposure of the Fund will be determined by carrying out an analysis of the prevalent price to earnings (PE) ratio or multiple of the KSE-30 Index. An increase in the PE ratio will lead to a reduction in equity exposure and vice versa. The balance will remain invested in high quality Shariah compliant fixed income instruments of varying duration.

Economic Review

The June'23 quarter brought about a significant positive stride, marked by the attainment of a staff-level agreement between the International Monetary Fund (IMF) and Pakistan. This accord entails the provision of a substantial USD 3 billion as part of a stand-by arrangement (SBA) spanning nine months. This highly welcomed development is poised to act as a catalyst, enabling Pakistan to unlock critical funding from both bilateral and multilateral sources. The infusion of these funds will play a pivotal role in the augmentation of foreign exchange reserves, effectively contributing to the process of reconstruction. This milestone achievement effectively averts the looming specter of near-term default, as vividly underscored by the remarkable resurgence of Pakistan International Eurobonds. The government, in its pursuit of stabilizing the economic landscape, has undertaken a series of astute measures. These include recalibrating fuel and energy prices, instituting judicious tax policies, securing commitments from amicable nations, and implementing prudent adjustments exchange rate and interest rates.

On the 26th of June 2023, during an urgent Monetary Policy Committee (MPC) meeting, the State Bank of Pakistan (SBP) implemented a further 1% increase in the Policy Rate, propelling it to a historic pinnacle of 22%. This decision was a calculated response aimed at firmly anchoring inflation and concurrently driving real interest rates into positive terrain.

Throughout the June quarter, foreign exchange reserves exhibited a relatively stagnant trend, settling at USD 9.1 billion. Nonetheless, the reduction in these reserves was mitigated to some extent by inflows stemming from China.

The persistently elevated inflationary environment persisted during the fourth quarter of the fiscal year 2023, culminating in an average inflation rate of 34.56% for the quarter. This elevated inflation was underpinned by an interplay of factors, including the ongoing devaluation of PKR, ascending energy costs, the imposition of new taxes amounting to PKR 170 billion, disruptions in supply chains due to import limitations, and the cascading second-round effects stemming from these determinants. We foresee the average inflation rate for fiscal year 2024 will exhibit a gradual descent, potentially converging towards the range of 21-22%. Further optimism is directed towards June 2024, wherein the inflation rate might inch down to approximately 14-15%, contingent upon the absence of unforeseen variables.

During the fourth quarter of the fiscal year 2023 (4QFY23), imports underwent a significant 9.3% QoQ contraction, aggregating to a sum of USD 11.5 billion. Resultantly, exports experienced a marginal 1.7% QoQ dip, settling at USD 6.6 billion. This dynamic interplay precipitated an 18% reduction in the trade deficit on a QoQ basis, leading to its contraction to USD 4.8 billion. As a result, the country's current account balance showed a surplus of USD 632 million. This achievement is indicative of the efficacy of administrative measures enacted to curb the import bill, compounded by the prevailing sluggishness in economic demand.

On the fiscal front, FMR tax collection observed an 11.7% decline in tax collection, amounting to PKR 1.5 trillion, during the June quarter. This figure notably fell short of the quarterly target by a margin exceeding PKR 60 billion. The forthcoming months, however, hold promise for an improvement in tax collection, attributed to the relaxation of import restrictions. Yet, considering the persistent underwhelming economic demand, the FBR may encounter challenges in meeting the ambitious annual tax collection target of over PKR 9 trillion for the FY24.

Fixed Income Market Review

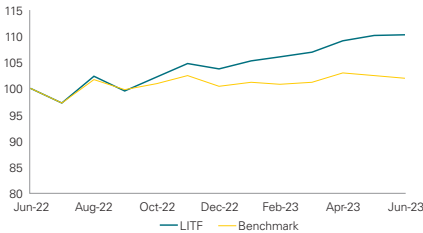
During 4QFY23, the State Bank of Pakistan raised the policy rate by 1% to an all-time high of 22% to push the real interest rate in positive territory on a forward-looking basis and anchor inflation expectations. By June end, cut-off yields for 3months, 6months and 12months reached 22%, 21.97% and 22%, respectively. Similarly, PIB yield was also adjusted upwards as 3-year bond yield reached 19.35%. To sustain market stability, the central bank infused ample liquidity into the system through robust Open Market Operations (OMO). This infusion of liquidity created an opportunity for market participants to support the cash-strapped government.

Emerging Markets Review

The MSCI Emerging market index rose by 2.64% QoQ during 4QFY23. The performance was mainly led by improvement in investor's sentiment given reopening of China.

Fund Performance

Lakson Islamic Tactical Fund provided a return of -0.17% for FY23 against the Benchmark return of 2%. The fund has underperformed the benchmark by -2.17% during the period. As of June 30, 2023 the Fund had 31.6% exposure in equities, 64.1% in cash, 4.0% in Sukuk and 0.3% in others on a total asset basis. The fund size of the LITF as of June 30, 2023 is PKR 290.15mn

Performance Table	FY23	FY22	LITF vs. Benchmark
Net Assets - Beginning (PKR Mil.)	330.21	489.1000	
Net Assets - Ending (PKR Mil.)	290.15	330.2100	
Highest Offer Price (PKR)	98.1092	101.2319	
Lowest Offer Price (PKR)	85.0483	86.4325	
Highest Redemption Price (PKR)	95.4091	98.7628	
Lowest Redemption Price (PKR)	82.9739	84.3243	
Beginning NAV - Ex-Div. (PKR)	85.9367	97.1407	
Interim Distributions (PKR)	8.9656	-	
Final Distribution (PKR)	-	-	
Ending NAV - Ex-Div. (PKR)	85.9367	85.8709	
Return	-0.17%	-11.60%	
Net Income / (Loss) (PKR Mil.)	25.96	(48.00)	
Distributions	FY23	FY22	
Interim Distributions (PKR)	8.9656	-	
Final Distribution	-	-	
NAV before Distribution	85.9367	-	
NAV after Distribution	85.9367	-	
Distribution Date	26-Jun-23	-	

Future Outlook

The trajectory of the market is contingent upon several pivotal factors. Firstly, the positive trajectory of the external account, bolstered by the IMF's Stand-By Arrangement (SBA), is poised to exert a favorable influence. Secondly, the potential for a reduction in CPI, attributed to the impact of elevated base effects driving down inflation, might pave the way for monetary easing. Such a move would serve as a catalyst for fortifying economic growth. Thirdly, the nation's political climate and stability remain influential determinants in nurturing investor trust. At present, the market boasts an appealing Price-to-Earnings (P/E) ratio of 3.9x, underscoring promising growth prospects. With such compelling dynamics, investors are presented with an immensely attractive opportunity to capitalize on the market's promising upward trajectory in the foreseeable future.

The revival of the IMF program stands poised to usher in enhanced accessibility to funds from international lenders, subsequently furnishing crucial external financing support. These inflows will culminate in the augmentation of foreign exchange reserves, thereby mitigating external pressures and paving the way for sustained economic equilibrium.

The caretaker government should find it easier to comply with the requirements of the ongoing SBA program, especially if it is adequately staffed with technocrats. In this regard, recent legislation has empowered the coming caretaker government to take decisions on existing bilateral & multilateral agreements. That said, Pakistan needs to quickly negotiate a successor IMF program when the SBA facility ends in March 2024. We believe that a timely and peaceful election is important for carrying out structural reforms, remaining in the IMF program, and restoring investor confidence in the economy.

Circumstances Materially Affecting Interests of Unit Holders

The Pakistan Credit Rating Agency Limited ('PACRA') has maintained the asset manager rating of the Management Company at "AM2+". The VIS Credit Rating Company Limited has given the one-year, three-year & five-year performance ranking of "3-Star" to the LITF Fund.

Other Disclosures

Lakson Investments Limited or any of its delegates did not receive any soft commission from its broker(s) or dealer(s).

There was no unit split undertaken during the year.

As of June 30, 2023 the LITF does not employ any leverage.

Breakdown of Unit Holding by Size

Units Range	No. of Clients	Units Held
Holding upto 100	3	132
101 - 500	-	-
501 - 1,000	-	-
1,001 - 5,000	2	2,681
5,001 - 10,000	2	14,152
10,001 - 50,000	3	98,665
50,001 - 100,000	5	326,605
100,001 - 500,000	2	608,428
500,001 - 1,000,000	4	2,333,900
1,000,001 - 5,000,000	-	-
5,000,001 - above	-	-
	21	3,384,563

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

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

LAKSON ISLAMIC TACTICAL 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 Lakson Islamic Tactical Fund (the Fund) are of the opinion that Lakson 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





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 Pakistan

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

Key audit matters

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

Following are the key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<p>Investments - Valuation of investments</p> <p>Refer notes 4.1 and 6 to the financial statements for accounting policies and details of investments.</p> <p>As at June 30 2023, the Fund has investments classified as "Fair value through profit or loss" amounting to Rs.103.195 million in aggregate representing 35.57% of the net assets value of the Fund.</p> <p>We identified valuation of investments as a key audit matter because of its significance in relation to the net asset value of the Fund</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • Obtained an understanding of and testing the design and operating effectiveness of the key controls for the valuation of investments; and • We have performed substantive audit procedures on the year – end balances of investment portfolio including review of custodian's statement and re-performance of investment valuations on the basis of quoted market prices as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.

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BDO Ebrahim & Co. Chartered Accountants

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



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

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

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

Responsibilities of the Management Company and its Board of Directors

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Zulfikar Ali Causer.

KARACHI 12 SEP 2023
DATED:
UDIN: AR202310067NHA2evaUw


BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS



September 8, 2023



الحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، وعلى آله وصحبه أجمعين، وبعد

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

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

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

Keeping in view the above; we certify that:

We have reviewed all the investment and operational activities of the fund including all transactions and found them to comply with the Shariah guidelines. On the basis of information provided by the management company, all operations of the fund for the year ended June 30, 2023 comply with the provided Shariah guidelines. Therefore, it is resolved that investments in Lakson Islamic Tactical Fund managed by Lakson Investment Limited are halal and in accordance with Shariah principles.

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

والله أعلم بالصواب، وصلى الله على نبينا محمد وعلى آله وصحبه وبارك وسلم

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

Mufti Irshad Ahmad Aijaz
Member Shariah Council



Faraz Younus Bandukda, CFA
Chief Executive

**Statement of Assets and Liabilities
As at June 30, 2023**

	Note	2023 (Rupees)	2022
ASSETS			
Bank balances	5	185,960,674	63,571,229
Investments	6	103,195,494	267,634,800
Markup accrued	7	3,287,545	1,405,548
Deposits and other receivables	8	2,684,676	2,673,535
TOTAL ASSETS		295,128,389	335,285,112
LIABILITIES			
Payable to the Management Company	9	1,815,628	1,735,652
Payable to the Trustee	10	80,538	152,395
Payable to Securities and Exchange			
Commission of Pakistan	11	57,526	85,479
Accrued expenses and other liabilities	12	1,369,099	2,358,762
Payable against purchase of investments		1,655,213	744,600
TOTAL LIABILITIES		4,978,004	5,076,888
NET ASSETS		290,150,384	330,208,224
UNIT HOLDERS' FUND (AS PER THE STATEMENT ATTACHED)			
		290,150,384	330,208,224
CONTINGENCIES AND COMMITMENTS			
	14		
		-----Number of units-----	
Number of units in issue	15	3,384,564	3,845,401
		-----Rupees-----	
Net assets value per unit		85.7275	85.8709

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Income Statement
For the year ended June 30, 2023

		2023	2022
	Note	(Rupees)	
Income			
Loss on sale of investment at fair value through profit or loss - net		(2,485,889)	(48,499,873)
Unrealised loss on revaluation of investment at fair value through profit or loss - net	6.1	(1,258,507)	(18,846,869)
Dividend income		13,148,207	16,229,543
Profit on:			
Bank balances		22,201,911	7,693,951
Sukuk and musharaka certificate		3,111,825	3,780,646
Commercial papers		826,419	1,425,171
		26,140,155	12,899,768
Exchange loss on foreign currency deposits		214,332.00	-
		35,758,299	(38,217,431)
Expenses			
Remuneration of the Management Company	9.1	4,968,701	5,783,851
Sindh Sales Tax on remuneration of the Management Company	9.2	645,931	751,901
Remuneration of the Trustee	10	650,331	1,026,214
Annual fee to Securities and Exchange Commission of Pakistan	11	57,552	88,004
SECP supervisory fee		2,500	2,553
Auditors' remuneration	16	681,319	376,585
Legal and professional fees		322,837	500,048
Printing charges		17,290	13,560
PSX listing fee		25,000	25,000
Brokerage, custody, settlement and bank charges		1,045,114	1,703,679
Shariah advisor fees		594,873	509,338
Charity expense		782,841	728,356
		9,794,289	11,509,089
Net income / (loss) for the year before taxation		25,964,009	(49,726,520)
Reversal of provision for Sindh workers' welfare fund	12.1	-	1,458,203
Net income / (loss) for the year before tax		25,964,009	(48,268,316)
Taxation	17	-	-
Net income / (loss) for the year		25,964,009	(48,268,316)
Allocation of net income for the year			
Net income / (loss) for the year after taxation		25,964,009	(48,268,316)
Income already paid on units redeemed		(1,616,888)	-
		24,347,122	(48,268,316)
Accounting income available for distribution			
Relating to capital gains		-	-
Excluding capital gains		24,347,122	-
		24,347,122	(48,268,316)

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**Statement of Comprehensive Income
For the year ended June 30, 2023**

	2023	2022
	(Rupees)	
Net income / (loss) for the year	25,964,009	(48,268,316)
Other comprehensive income for the year	-	-
Total comprehensive income / (loss) for the year	<u>25,964,009</u>	<u>(48,268,316)</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.



**For Lakson Investments Limited
(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

**Statement Of Movement in Unit Holders' Fund
 For the year ended June 30, 2023**

	Capital value	Year ended 2023 Undistributed Income	Total	Capital value	Year ended 2022 Undistributed Income	Total
Net assets at beginning of the year	371,494,463	(41,286,239)	330,208,224	482,122,276	6,982,078	489,104,354
Issuance of 512,115 units (2022: 187,137)						
Capital value	41,561,386	-	41,561,386	18,178,585	-	18,178,585
Element of Income	15,905,021	-	15,905,021	(1,279,939)	-	(1,279,939)
Total proceeds on issuance of units	57,466,407	-	57,466,407	16,898,646	-	16,898,646
Redemption of units 972,953 (2022: 1,376,743)						
Capital value	(83,548,337)	-	(83,548,337)	(133,737,870)	-	(133,737,870)
Element of (loss) / Income	(13,259,260)	(1,616,888)	(14,876,148)	6,211,411	-	6,211,411
Total payments on redemption of units	(96,807,597)	(1,616,888)	(98,424,485)	(127,526,459)	-	(127,526,459)
Interim cash distribution during the year per unit						
8.9656 on June 30, 2023 (2022: Nil)	-	(25,063,770)	(25,063,770)	-	-	-
Total comprehensive income / (loss) for the year	-	25,964,009	25,964,009	(48,268,317)	(48,268,317)	(48,268,317)
Net assets as at end of the year	332,153,273	(42,002,887)	290,150,384	371,494,463	(41,286,239)	330,208,224
Undistributed loss brought forward:						
- Realized loss at the beginning of the year	(22,439,370)			(7,246,268)		
- Unrealized (loss) / Income at the beginning of the year	(18,846,869)			14,228,346		
	(41,286,239)			6,982,078		
Accounting income available for distribution:						
Relating to capital gains	-			-		
Excluding capital gains	24,347,122			(48,268,317)		
Total comprehensive income / (loss) for the year	24,347,122			(48,268,317)		
Interim cash distribution during the year is 8.9656 per unit on June 30 2023 (2022: Nil)						
	(25,063,770)			-		
Undistributed loss at end of the year	(42,002,887)			(41,286,239)		
Undistributed loss brought forward:						
Realized loss	(40,744,380)			(22,439,370)		
Unrealized loss	(1,288,507)			(18,846,869)		
Undistributed loss at end of the year	(42,002,887)			(41,286,239)		
Net assets value per unit at beginning of the year			85.8709			97.1407
Net assets value per unit at end of the year			85.7275			85.8709

The annexed notes from 1 to 22 form an integral part of these financial statements.

**For Lakson Investments Limited
 (Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

Statement of Cash Flow
For the year ended June 30, 2023

	2023	2022
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the year	25,964,009	(48,268,316)
Adjustments for:		
Unrealised (gain) / loss on revaluation of investment at fair value through profit or loss - net	(1,258,507)	18,846,869
Dividend income	(13,148,207)	(16,229,543)
Mark-up on bank balances	(22,201,911)	(7,693,951)
Profit on investments	(3,938,244)	(5,205,817)
	(14,582,860)	(58,550,758)
Decrease / (increase) in assets		
Investments	165,697,813	45,041,696
Deposits and other receivables	(11,141)	1,199,846
	165,686,672	46,241,542
(Decrease) / increase in liabilities		
Payable to the Management Company	79,976	(139,550)
Payable to the Trustee	(71,857)	52,287
Payable to Securities and Exchange Commission of Pakistan	(27,953)	12,991
Payable against purchase of investments	910,613	(791,015)
Accrued expenses and other liabilities	(989,664)	(1,491,334)
	(98,885)	(2,356,621)
Dividend income	13,148,207	16,578,069
Profit received on bank balances	24,258,158	12,185,279
Net cash flows from operating activities	188,411,292	14,097,511
CASH FLOW FROM FINANCING ACTIVITIES		
Total proceeds on issuance of units	32,402,637	16,898,646
Total payments on redemption of units	(98,424,485)	(127,526,459)
Net cash used in financing activities	(66,021,848)	(110,627,813)
Net increase / (decrease) in cash and cash equivalents	122,389,444	(96,530,302)
Cash and cash equivalents at beginning of the year	63,571,230	160,101,532
Cash and cash equivalents at end of the year	185,960,674	63,571,230

The annexed notes from 1 to 22 form an integral part of these financial statements.

For Lakson Investments Limited
(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 The Lakson Islamic Tactical Fund was established under the Trust Deed executed on May 30, 2011 between the Lakson Investments Limited as its Management Company and the Central Depository Company of Pakistan Limited (CDC) as its Trustee. The Fund has been registered as a Notified Entity by the Securities and Exchange Commission of Pakistan (SECP) on July 7, 2011 in accordance with the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2 The Management Company of the Fund has been licensed by SECP to undertake Asset Management and Investment Advisory Services as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is located at 14 - Ali Block, New Garden Town, Lahore, while the head office is in the Lakson Square Building No. 2, Karachi.
- 1.3 The Fund is an open end mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund is categorised as "Shariah Compliant/Islamic Asset Allocation Scheme" as per the Circular 07 of 2009 issued by Securities and Exchange Commission of Pakistan (SECP) and is authorised to invest in Shariah compliant investments within the limits prescribed in the offering document so as to ensure a riba-free return on investments. All investments of the Fund are as per the guidelines of the Shariah principles provided by the Shariah Advisor of the Fund and comprise of the investments permissible as 'Authorised Investments' under the Trust Deed.

Further, as allowed by SECP and the State Bank of Pakistan, the Fund can invest abroad up to 30% of the aggregated funds mobilized (including foreign currency funds) subject to a maximum limit of USD 15 million. The investments authorized outside Pakistan include exchange traded funds based on equities / debt with exposure in the commodities, index tracker funds tracking different commodities indices, actively managed commodities based funds, equities and debt securities of companies with exposure in commodities, future contracts of different commodities and foreign currency deposits etc.

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

- 1.4 The Pakistan Credit Rating Company Limited (PACRA) has maintained asset manager rating of the Management Company of the Fund to the scale 'AM2+' (stable outlook) dated August 26, 2022 (AM2+ as on August 27, 2021).

On April 19, 2023, VIS credit rating company limited assigned following rankings to the Fund based on the performance review:

1 Year ranking : MFR 3-Star
 3 Year ranking : MFR 3-Star
 5 Year ranking : MFR 3-Star

- 1.5 Due to the enactment of the Sindh Trusts Act, 2020 (as amended vide Sindh Trusts (Amended) Act, 2021), the Trusts including Collective Investment Scheme, private Funds etc, being Specialized Trusts are required to be registered with the Assistant Director of Industries and Commerce (Trust Wing), Government of Sindh under Section 12A of the Sindh Trusts

Act, 2020. For this purpose, re-stated Trust Deeds of all Funds have been executed between the Management Company and the Trustees and all the relevant Trust Deeds alongwith necessary documents have been submitted with Assistant Director of Industries and Commerce (Trust Wing), Government of Sindh."

2. BASIS OF PREPARATION

The transactions undertaken by the Fund are in accordance with the Shariah guidelines issued by the Shariah advisor and are accounted for on substance rather than the form. This practice is being followed to comply with the requirements of accounting and reporting standards as applicable in Pakistan.

2.1 Statement of compliance

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

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

These financial statements are presented in Pakistan rupees ('Rupees' or 'Rs.'), which is the Fund's functional and presentation currency. All amounts have been rounded off to the nearest of rupees, unless otherwise indicated.

2.4 Critical accounting estimates and judgments

In preparing these financial statements, management has made judgement, estimates and assumptions that affect the application of the Fund's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to estimates are recognized prospectively. Information about judgements made in applying accounting policies that have the most significant effects on the amount recognized in the financial statements to the carrying amount of the assets and liabilities and assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the subsequent year relates to;

- (a) classification of financial assets (note 4.1.1)
- (b) impairment of financial assets (note 4.1.5)
- (c) provisions (note 4.7)
- (d) element of income (note 4.9)

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

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

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

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
Certain annual improvements have also been made to a number of IFRSs.	

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

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

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024

	Effective date (annual periods beginning on or after)
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Financial assets

4.1.1 Classification

On initial recognition, a financial asset is classified as measured at: amortised cost or fair value through profit or loss (FVTPL).

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

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

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income (OCI). This election is made on an investment by investment basis.

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

Business model assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Fund's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

The Fund has determined that it has two business models.

- Held-to-collect business model: this includes cash and cash equivalents and debt securities. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities. These financial assets are managed and their performances is evaluated, on a fair value basis, with frequent sales taking place.

4.1.2 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

4.1.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

4.1.4 Subsequent measurement

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

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in income statement.

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

The fair value of financial assets are determined as follows:

a) Equity securities

Equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

b) Debt securities

Debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012.

4.1.5 Impairment of financial assets

Financial assets at amortised cost

The Fund assesses at each reporting date whether there is an objective evidence that the financial asset or a group of financial assets is impaired. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model.

The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of impairment requirements of IFRS 9 in relation to debt securities for mutual funds and have instructed to continue to follow the requirements of Circular No. 33 of 2012 dated October 24, 2012.

The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company. Provision against non-performing debt securities is made in accordance with the provisioning criteria for non-performing debt securities specified by the SECP. As allowed by the SECP, the management may also make provision against debt securities over and above the minimum provision requirement prescribed in Circular No. 33 of 2012 dated October 24, 2012, in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

4.1.6 Derecognition

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

4.1.7 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

4.1.8 Trade date accounting

All regular way purchases and sales of investments are recognised on the trade date, i.e. the date on which commitment to purchase / sale is made by the Fund. Regular way purchases or sales of investment require delivery of securities within two days after transaction date as required by stock exchange regulations.

4.2 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

4.3 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.

4.4 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 / Management Company during business hours on that day. The offer price represents the net assets value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company.

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

4.5 Net assets value per unit

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

4.6 Revenue recognition

- Realised gains / (losses) arising on sale of investments are included in the Income Statement on the date at which transactions take place.

- Unrealised appreciation / (diminution) arising on re-measurement of investments classified as financial assets 'at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profit on bank deposits, term deposit receipts, mark-up / return on investments in debt securities is recognised using the effective yield method.
- Dividend income is recognised on an accrual basis when right to receive the same is established

4.7 Element of income / loss and capital gains / losses in prices of units sold less those in units redeemed

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on the issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per the guidelines provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in the statement of movement in unitholders' fund.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

4.8 Taxation

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realized or unrealized is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

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

4.9 Provisions

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

4.10 Dividend distribution

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted for the effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

4.11 Other assets

Other assets are stated at cost less impairment losses, if any.

4.12 Foreign currency transactions

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

4.13 Earnings per unit (EPU)

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

4.14 Expenses

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

4.15 Transactions with related parties / connected persons

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

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

5	BANK BALANCES	Note	2023	2022
			(Rupees)	
	Local currency			
	In profit and loss sharing accounts	5.1	185,470,125	63,569,218
	Foreign currency			
	In current account	5.2	490,549	2,011
			<u>185,960,674</u>	<u>63,571,229</u>
5.1	This includes balance carry profit rates ranging from 3.85% to 19.5% (2022: 5.1% to 8.5%) per annum.			
5.2	This represents USD denominated current account maintained in a foreign country amounting to USD 365 (2022: USD 13).			
6	INVESTMENTS			
	At fair value through profit or loss			
	Listed equity securities	6.1	91,683,077	207,444,046
	GOP Ijara Sukuk	6.4	11,512,417	-
			<u>103,195,494</u>	<u>207,444,046</u>
	At amortized cost			
	Commercial paper	6.2	-	14,928,047
	Musharakah Certificate	6.3	-	45,262,707
			<u>103,195,494</u>	<u>267,634,800</u>

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

Name of the investee company	Holding as at July 01, 2022	Purchased during the year	Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2023	Number of Shares					Carrying value before revaluation as of June 30, 2023	Market value as of 30 June 2023 (after revaluation)	Unrealised gain / (loss) net	Market value as percentage of total investments	Market value as percentage of net assets	% of holding in investee company
Commercial Banks	130,357	-	11,575	94,150	47,782						4,907,673	4,126,931	(780,742)	4.00%	1.42%	0.04%
	-	152,100	-	-	152,100						2,072,580	2,701,296	628,716	6.62%	0.93%	0.08%
BankIslami Pakistan Limited											6,980,253	6,828,227	(152,026)	6.62%	2.35%	0.13%
Chemicals																
Enagro Polymer and Chemical	125,999	-	-	125,999	-						-	-	-	0.00%	0.00%	0.00%
Descon Oxychem Limited	86,900	-	-	86,900	-						-	-	-	0.00%	0.00%	0.00%
Fertilizers																
Enagro Corporation Limited (6.1.1)	32,422	16,900	-	25,343	23,979						6,020,223	6,231,902	211,679	6.04%	2.15%	0.12%
Enagro Fertilizers Limited	180,200	155,025	-	241,293	93,932						8,043,145	7,752,208	(290,937)	7.51%	2.67%	0.06%
Pharma and Bio Tech											14,063,368	13,984,110	(79,258)	7.51%	2.67%	0.18%
The Searl Company (6.1.2)	2595	-	2	2,587	10						872	383	(489)	0.00%	0.00%	0.00%
Ferzsons Laboratories Limited	11,210	-	-	11,210	-						931,100	831,012	(100,088)	0.81%	0.29%	0.00%
Hinnoo Laboratories Limited	-	2,150	-	-	2,150						931,972	831,395	(100,577)	0.81%	0.29%	0.00%
Textile Composite																
Nishat Mills Limited (6.1.1)	10,099	-	-	10,099	-						-	-	-	0.00%	0.00%	0.00%
Kohinoor Textile Mills Limited	500	-	-	500	-						-	-	-	0.00%	0.00%	0.00%
Interloop Limited	2,729	-	-	2,729	-						-	-	-	0.00%	0.00%	0.00%
Cement																
Cherat Cement Company Limited	24,975	-	-	24,975	-						-	-	-	0.00%	0.00%	0.00%
Kohat Cement Company Limited	5,800	-	-	5,800	-						-	-	-	0.00%	0.00%	0.00%
D.G. Khan Cement	-	63,200	-	63,200	-						-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Company Limited	-	48,500	-	48,500	-						-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Limited	227,722	-	-	227,722	-						-	-	-	0.00%	0.00%	0.00%
Lucky Cement Company Limited	39,281	1,660	-	28,590	12,391						5,762,291	6,469,217	706,926	6.27%	2.23%	0.20%
Fauji Cement Company Limited	36,500	130,500	-	167,000	-						-	-	-	0.00%	0.00%	0.00%
Power Generation and Distribution																
Hub Power Company Limited	117,861	64,250	-	91,562	90,549						5,762,291	6,469,217	706,926	6.27%	2.23%	0.20%
Oil and Gas Exploration Companies																
Mari Petroleum Company Limited	8,826	4,145	-	5,455	7,516						6,120,905	6,300,399	179,494	6.11%	2.17%	0.05%
Pakistan Oilfield Limited	55,934	16,350	-	30,442	41,842						6,120,905	6,300,399	179,494	6.11%	2.17%	0.05%
Pakistan Petroleum Limited (6.1.1)	149,597	84,224	-	177,176	56,645						12,972,067	11,384,034	(1,588,033)	11.03%	3.92%	1.03%
Oil & Gas Development Company Limited (6.1.1)	131,292	1,200	-	88,807	43,685						16,917,612	16,810,860	(106,752)	16.29%	5.79%	0.71%
											3,939,821	3,349,985	(589,836)	3.25%	1.15%	0.02%
											3,446,923	3,407,430	(39,493)	3.30%	1.17%	0.01%
											37,276,423	34,952,309	(2,324,114)	33.87%	12.05%	1.77%

Name of the investee company	Holding as at July 01, 2022	Purchased during the year	Bonus shares / letter of right received during the year	Disposed during the year	Holding as at June 30, 2023	----- (Rupees) -----				----- (%) -----			
						Carrying value before revaluation as of June 30, 2023	Market value as of 30 June 2023 (after revaluation)	Unrealised gain / (loss) - net	Market value as percentage of total investments	Market value as percentage of net assets	% of holding in investee company		
Oil and Gas Marketing Companies													
Attock Petroleum Limited	-	14,650	2,200	2,550	14,300	4,365,633	4,293,575	(72,058)	4.16%	1.48%	0.52%		
Sui Northern Gas Pipelines Limited	-	129,400	-	21,900	107,500	3,673,426	4,232,318	558,892	4.10%	1.46%	0.07%		
Pakistan State Oil Company Limited (6.1.2)	94,071	3,850	-	71,391	26,530	4,508,452	2,945,095	(1,563,357)	2.85%	1.02%	0.11%		
						12,547,511	11,470,988	(1,076,523)	11.12%	3.95%	0.69%		
Engineering													
International Steels Limited	117,000	-	-	117,000	-	-	-	-	0.00%	0.00%	0.00%		
Food And Personal Care Products													
Unity Foods Limited	87,000	24,500	-	111,500	-	3,490	-	-	0.00%	0.00%	0.00%		
At-Tahir Limited PREMA	63,240	-	18	63,057	201	3,490	3,308	(182)	0.00%	0.00%	0.00%		
								(182)	0.00%	0.00%	0.00%		
Glass and Ceramics													
Shabbir Tiles & Ceramics Limited	97,000	-	-	97,000	-	-	-	-	0.00%	0.00%	0.00%		
Refinery													
Attock Refinery Limited	18,000	-	-	18,000	-	-	-	-	0.00%	0.00%	0.00%		
Cynergizco Pakistan Limited	275,000	-	-	275,000	-	-	-	-	0.00%	0.00%	0.00%		
National Refinery Limited	12,000	-	-	12,000	-	-	-	-	0.00%	0.00%	0.00%		
Technology and Communication													
System Limited	62,645	4,350	-	40,110	26,885	9,267,785	10,843,124	1,575,339	10.51%	3.74%	0.98%		
Avanceon Limited	33,307	-	-	33,307	-	9,267,785	10,843,124	1,575,339	10.51%	3.74%	0.98%		
Total as at June 30, 2023	2,240,062	-	13,795	2,422,814	747,997	92,953,999	91,683,077	(1,270,922)	88.84%	29.45%	4.00%		
Total as at June 30, 2022						226,290,874	207,444,046	(18,846,828)	90.48%	52.33%			

6.1.1 Following shares have been pledged with National Clearing Company of Pakistan Limited:

	2023 ----- (Number of shares) -----	2022	2023 ----- (Rupees) -----	2022
Oil and Gas Development Company Limited	5,000	5,000	390,000	393,350
Engro Fertilizers Limited	20,000	20,000	1,650,600	925,125
Engro Corporation Limited	22,300	22,300	5,795,547	1,775,749
Lucky Cement Company Limited	10,000	10,000	5,220,900	4,590,400
Pakistan Petroleum Limited	300	300	17,742	20,253
	<u>57,600</u>	<u>47,600</u>	<u>13,074,789</u>	<u>16,638,402</u>

6.1.2 Finance act, 2014 had introduced tax on bonus shares issued by the companies. Most of the equity funds including the Fund have challenged the applicability of withholding tax provision on bonus shares before Honourable High Court of Sindh ("the Court") on various legal grounds and have sought relief from the Court. In the Fund's case, tax in the shape of 147 shares of Pakistan State Oils Limited (June 30 2022: 147 shares) and 10 shares of The Searle Company Limited (June 30 2022: 8 shares) have been withheld by CDC. Market value of these shares as at June 30 2023 amounted to Rs. 16,768 (June 30 2022: Rs. 26,133) and are included in the Fund's investments in these financial statements.

6.2 Commercial papers - at amortized cost

At fair value through profit or loss	Date of Issue	Date of Maturity	Total Face Value (maturity value)	Term	Mark-up rate	Holding as at 30 June 2022	Purchases during the period	Disposed / matured during the period	Holding as at 30 June 2023	Carrying value before revaluation as at 30 June 2023	Carrying value as a percentage of total investments	Carrying value as a percentage of net assets	Face value as % of size of the issue
Mughal ICP 1	July 28, 21	July 27, 22	15,000,000	1 year	9.44%	15	-	15	-	-	0.00%	0.00%	0.00%
Face value of these commercial papers are Rs.1,000,000 per certificate. Above are unsecured.													

6.3 Musharaka Certificate - at amortized cost

At fair value through profit or loss	Date of Issue	Date of Maturity	Total Face Value (maturity value)	Term	Mark-up rate	Holding as at 30 June 2022	Purchases during the period	Disposed / matured during the period	Holding as at 30 June 2023	Carrying value before revaluation as at 30 June 2023	Carrying value as a percentage of total investments	Carrying value as a percentage of net assets
Orix Modaraba	31-Dec-20	30-Dec-22	45,863,956	3 years	15.21%	40,000	-	40,000	-	-	0.00%	0.00%
This Musharaka Certificate is unsecured.												

6.4 Ijara Sukuk

At fair value through profit or loss	Date of Issue	Date of Maturity	Number of holdings at the beginning of the period	Acquired during the period	Disposed / matured during the period	Number of holdings at the end of the period	Carrying value during the period	Market value	Unrealised (diminution) / appreciation	Market value as a percentage of net assets	Market value as a percentage of total investments
Ijara Sukuk	17-Apr-23	17-Apr-24	0	115,000	0	115,000	11,500,000	11,512,455	12,455	3.97%	11.16%

7	2023 Note	2022 (Rupees)
Profit receivable on		
Profit and loss sharing accounts	3,287,545	1,405,548
	<u>3,287,545</u>	<u>1,405,548</u>

		2023	2022
	Note	(Rupees)	
8	DEPOSITS AND OTHER RECEIVABLES		
	Security deposit to:		
	Central Depository Company of Pakistan Limited	8.1 100,000	100,000
	National Clearing Company of Pakistan Limited	8.2 2,500,000	2,500,000
	Advance tax	8.3 72,476	61,335
	Dividend receivable	12,200	12,200
		<u>2,684,676</u>	<u>2,673,535</u>
8.1	This represents deposit with CDC on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.		
8.2	This represents deposit with NCCPL in respect of trading of the listed securities.		
8.3	As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. The amount of withholding tax deducted on markup on bank deposits has been shown as advance tax as at June 30, 2023, in the opinion of the management, the amount of tax deducted at source will be refunded.		
9	PAYABLE TO THE MANAGEMENT COMPANY		
	Remuneration payable to the Management Company	9.1 473,707	386,042
	Sindh Sales Tax on Management Company's remuneration	9.2 61,582	217,046
	Federal Excise Duty on: Management Company's remuneration	9.3 1,280,339	1,132,564
		<u>1,815,628</u>	<u>1,735,652</u>
9.1	The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, of an amount not exceeding 2% per annum of the average annual net assets of the Fund. The fee is subject to a minimum of 1% and a maximum of 2% of the average annual net assets of the Fund. Currently the effective rate of Management Company remuneration for the year ended June 30, 2023 is 1.73 % (2022: 1.314%) of the average net assets. Remuneration is paid to the Management company in arrears on a monthly basis.		
9.2	The Sindh Provincial Government has levied Sindh Sales Tax (SST) at the rate of 13% (June 30, 2022: 13%) on the remuneration of management company through Sindh Sales Tax on Services Act, 2011.		
9.3	As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from June 13, 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on September 4, 2013.		
	While disposing the above petition through order dated July 16, 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from July 01, 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.		

Furthermore, the Finance Act, 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provisional sales tax.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period up to June 30, 2016 aggregating to Rs. 1.280 million. Had the provision not been made, NAV per unit of the Fund as at June 30, 2023 would have been higher by Re. 0.38 (2022: Re. 0.29) per unit. The amount is payable to the management company for onwards payment, if any, to the Government.

10 REMUNERATION PAYABLE TO THE TRUSTEE

The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provision of Trust Deed as follows:

Net assets up to 1 billion	0.20% per annum of the daily average net assets of the Fund.
Net assets exceeding Rs 1 billion	Rs 2 million plus 0.10% per annum of the daily average net assets of the Fund exceeding Rs 1 billion.

The remuneration is paid to the Trustee in arrears on monthly basis.

11 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee payable to SECP in accordance with the NBFC Regulations, whereby the Management Company is required to pay SECP an amount at the rate of 0.02% per annum of the average daily net assets of the Fund in accordance with the regulation 62 of the NBFC Regulation 2008.

	Note	2023 (Rupees)	2022
12 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	12.1	-	-
Charity payable	12.2	353,651	1,492,017
Auditors' remuneration	12.2	385,677	248,656
Payable for professional services		-	297,307
Fee payable to shariah advisor		420,360	268,959
Custodian fee payable		49,057	-
Fee payable to National Clearing Company of Pakistan		137,385	45,310
Other liabilities		22,450	4,745
Fee payable to Central Depository Company		519	1,768
		1,369,099	2,358,762

- 12.1 The Government of Sindh introduced levy of the Sindh Workers' Welfare Fund (SWWF) through the Sindh Workers' Welfare Act, 2014. The Mutual Fund Association of Pakistan (MUFAP), in the previous years based on opinion obtained from the tax consultants, concluded that SWWF is not applicable on mutual funds. MUFAP also wrote to the Sindh Revenue Board (SRB) that mutual funds are not establishments and are pass through vehicles; therefore, they do not have any worker and, as a result, no SWWF is payable by them. SRB responded back that as mutual funds are included in definition of financial institutions in the Financial Institutions (Recovery of Finance) Ordinance, 2001, and thus SWWF is payable by them. MUFAP has taken up the matter with the concerned ministry [Sindh Finance Ministry] for appropriate resolution of the matter.

During the current year, SRB through its letter dated August 12, 2021 (received on August 13, 2021) to Mutual Funds Association of Pakistan (MUFAP) has clarified that Asset Management Companies (AMCs) are covered under the term “financial institutions” as per the Sindh WWF Act 2014 and are therefore subject to SWWF charge whereas as the Mutual Funds / Pension Funds managed by those AMCs do not qualify as “financial institutions” as per SWWF Act 2014.

In the wake of the aforesaid clarification of SRB, the MUFAP called its Extraordinary General Meeting (EOGM) on August 13, 2021, wherein the MUFAP recommended to its members that effective from August 13, 2021, SWWF recognised earlier should be reversed in light of the clarification issued by SRB. Subsequently, MUFAP approached SECP and obtained the clarification with respect to this matter as well.

On August 13, 2021 the Fund ceased to charge further provision for SWWF and has reversed full provision for SWWF amounting to Rs. 1.458 million for the period from July 1, 2014 till August 12, 2021.

12.2 This relates to the amount taken out from dividend income for purification.

13. TOTAL EXPENSE RATIO

Securities and Exchange Commission of Pakistan (SECP) vide its directive no. SCD/PRDD/Direction/ 18/2016 dated 20 July 2016, require that Collective Investment Scheme (CIS) shall disclose Total Expense Ratio (TER) in the periodic financial statements of CIS / the Fund. TER of the Fund for the year ended 30 June 2023 is 3.5% which includes 0.31% representing government levies (comprising of Workers Welfare Fund and SECP fee, etc). As per NBFC Regulation the total expense ratio of the Asset Allocation Scheme shall be capped up to 4.5% (excluding government levies).

14 CONTINGENCIES AND COMMITMENTS

The Fund had no contingency or commitment at the year end.

	Note	2023	2022
		(Number)	
15. NUMBER OF UNITS IN ISSUE			
Total outstanding as of 1 July		3,845,400	5,035,007
Issued during the year		512,115	187,137
Redemptions during the year		(972,953)	(1,376,743)
Total units in issue as of 30 June		<u>3,384,562</u>	<u>3,845,400</u>
16 AUDITORS' REMUNERATION			
Annual audit fee		268,926	268,926
Fee for the review of half yearly financial statements		108,925	50,000
Investments abroad upon procedures report		60,000	25,766
Out of pocket and sales tax expenses		243,468	31,893
		<u>681,319</u>	<u>376,585</u>

17 TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded a tax liability in the current year as a result of loss incurred during the year.

18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include Lakson Investments Limited being the Management Company, Central Depository Company of Pakistan Limited (CDC) being the trustee, Habib Bank AG Zurich Switzerland being the Custodian, Siza Services (Private) Limited being holding company of the Management Company, associated companies of the Management Company and the holding company, key management personnel, other funds being managed by the Management Company and entities having holding 10% or more in the units of the Fund as at 30 June 2023. It also includes staff retirement funds of the above related parties / connected persons.

Remuneration to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively. Other transactions are in normal course of business, at contracted rates and terms determined in accordance with the market rates.

Transactions and balances with related parties other than those disclosed elsewhere are as follows:

	2023	2022
	(Rupees)	
Lakson Investments Limited - Management Company of the Fund		
Remuneration payable	473,707	386,042
Sindh Sales Tax on Management Company's remuneration	61,582	217,046
Federal Excise Duty on Management Company's remuneration	1,280,339	1,132,564
Sales tax is paid / payable to the management company for onwards payment to the Government.		
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration payable (including Sindh Sales Tax of Rs. 32,687 (2022: Rs. 24,734))	80,538	152,395
Security deposit	100,000	100,000
Settlement charges payable	519	1,768
Habib Bank AG Zurich - Custodian		
Bank Deposits	136,898	2,011
Custodian fee payable	49,057	-

	2023	2022
	(Rupees)	
Details of transaction with related parties / connected persons during the year		
Lakson Investments Limited - Management Company of the Fund		
Remuneration for the year	<u>4,968,701</u>	<u>5,783,851</u>
Sindh sales tax on remuneration of Management Company *	<u>645,931</u>	<u>751,901</u>
Central Depository Company of Pakistan Limited - Trustee of the Fund		
Remuneration for the year (including Sindh Sales Tax of Rs. 74,816 (2022: Rs. 751,901))*	<u>650,331</u>	<u>1,026,214</u>
CDS charges for the year	<u>39,586</u>	<u>-</u>
Habib Bank AG Zurich - Custodian		
Custodian Charges	<u>128,502</u>	<u>-</u>

* Sales tax is paid / payable to the management company / Trustee for onwards payment to the Government.



18.3 Details of units held, issued and redeemed by the related parties / connected persons:

	Year ended June 30, 2023					Rupees			
	Number of Units					Balance as at July 01, 2022	Units issued during the year	Units redeemed during the year	Gross Dividend
	Number of units as at 01 July 2022	Units issued during the year	Refund / Adjustment of units as element of income	Units redeemed during the year	Number of units as at 30 June 2023				Balance as at 30 June 2023
Lakson Investments Limited	560,827	-	-	560,827	-	48,054,061	-	48,054,061	-
Directors, Chief Executive, their spouse and minors	109,263	113	-	107,720	1,655	9,382,507	9,681	9,564,051	13,830
Associated companies / undertakings of the Management Company									
Accuracy Surgicals Limited Employees Contribution Provident Fund Trust	41,318	18,969	1,456	5,039	56,704	3,547,975	1,755,230	446,000	-
Century Insurance Company Limited Employees Gratuity Fund	41,968	3,953	-	4,081	41,839	3,603,813	339,678	349,000	339,678
Century Insurance Company Limited Employees Contribution Provident Fund Trust	57,486	16,179	780	4,888	69,556	4,936,346	1,457,362	418,000	497,668
Century Paper & Board Mills Limited Employees Contribution Provident Fund Trust	564,452	111,964	4,233	47,405	633,244	48,469,964	9,985,604	4,054,000	4,777,263
Century Paper & Board Mills Limited Employees Gratuity Fund	505,636	48,153	-	44,084	509,705	43,419,395	4,138,090	3,770,000	4,138,090
Colgate Palmolive (Pakistan) Limited Employees Contribution Provident Fund Trust	534,244	104,350	3,876	43,207	599,263	45,876,001	9,300,590	3,695,000	4,532,108
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund	587,334	55,898	-	51,544	591,688	50,434,906	4,803,679	4,408,000	4,803,679
Cyber Internet Services (Private) Limited Employees Contribution Provident Fund Trust	266,973	25,504	-	22,510	269,968	22,925,193	2,191,759	1,925,000	2,191,759
GAM Corporation (Private) Limited Employees Contribution Provident Fund Trust	169,914	-	-	169,914	-	14,590,655	-	15,646,824	-
Hasanali Karabhai Foundation Employees Contribution Provident Fund Trust	7,872	7,264	758	7,872	8,021	675,950	689,337	741,337	-
Lakson Business Solutions Limited Employees Contribution Provident Fund Trust	5,713	417	-	-	6,130	490,593	35,855	-	51,222
Lakson Investments Limited Employees Contribution Provident Fund Trust	43,124	14,708	1,096	2,841	56,087	3,703,098	1,361,157	243,000	361,157
Merit Packaging Limited Employees Contribution Provident Fund Trust	68,782	20,629	1,545	13,037	77,919	5,906,376	1,909,788	1,147,000	499,788
Merit Packaging Limited Employees Gratuity Fund	36,090	8,651	543	3,017	42,266	3,099,080	791,520	258,000	296,520
SIZA Foods (Private) Limited Employees Contribution Provident Fund Trust	147,447	190,050	13,347	12,383	338,461	12,661,412	17,479,257	1,059,000	1,600,873
Siza Services Pvt Limited Employees Contribution Provident Fund Trust	29,662	1,375	-	16,478	14,559	2,547,083	118,198	1,524,000	118,198
Sybird Private Limited Employees Contribution Provident Fund Trust	58,545	12,222	483	4,911	66,339	5,027,326	1,091,846	420,000	497,035
									5,687,094

Details of units held, issued and redeemed by the related parties / connected persons:

	Number of Units					Year ended June 30, 2022			
	Number of units as at 01 July 2021	Units issued during the year	Refund / Adjustment of units as element of income	Units redeemed during the year	Number of units as at 30 June 2022	Balance as at July 01, 2021	Units issued during the year	Units redeemed during the year	Balance as at 30 June 2022
Lakson Investments Limited	560,827	-	-	-	560,827	54,479,127	-	-	54,479,127
Directors, Chief Executive, their spouse and minors	125,065	-	-	15,802	109,263	12,148,902	-	1,535,023	9,382,507
Associated companies / undertakings of the Management Company									
Accuracy Surgicals Limited Employees Contribution Provident Fund Trust	41,742	1,105	-	1,530	41,318	4,054,847	107,376	138,515	3,547,975
Century Insurance Company Limited Employees Gratuity Fund	41,305	663	-	-	41,968	4,012,397	60,020	-	3,603,813
Century Insurance Company Limited Employees Contribution Provident Fund Trust	47,368	16,366	-	6,248	57,486	4,601,361	1,491,403	575,000	4,936,346
Century Paper & Board Mills Limited Employees Contribution Provident Fund Trust	567,133	1	-	2,682	564,452	55,091,697	118	242,867	48,469,964
Century Paper & Board Mills Limited Employees Gratuity Fund	499,453	6,183	-	-	505,636	48,517,214	559,850	-	43,419,395
Colgate Palmolive (Pakistan) Limited Employees Contribution Provident Fund Trust	592,313	-	-	58,069	534,244	57,537,699	-	5,260,581	45,876,001
Colgate Palmolive (Pakistan) Limited Employees Gratuity Fund	659,715	38,703	-	111,084	587,334	64,085,177	3,504,355	10,470,000	50,434,906
Cyber Internet Services (Private) Limited Employees Contribution Provident Fund Trust	253,975	12,998	-	-	266,973	24,671,309	1,205,556	-	22,925,193
GAM Corporation (Private) Limited Employees Contribution Provident Fund Trust	188,262	5,529	-	23,877	169,914	18,287,902	244,110	2,245,000	14,590,655
Hasanali Karabhai Foundation Employees Contribution Provident Fund Trust	9,375	-	-	1,503	7,872	910,694	-	136,075	675,950
Lakson Business Solutions Limited Employees Contribution Provident Fund Trust	5,711	2	-	-	5,713	554,771	246	-	490,593
Lakson Investments Limited Employees Contribution Provident Fund Trust	34,908	11,758	-	3,542	43,124	3,390,988	1,075,493	326,000	3,703,098
Merit Packaging Limited Employees Contribution Provident Fund Trust	56,459	76,298	-	63,975	68,782	5,484,467	7,045,624	5,902,504	5,906,376
Merit Packaging Limited Employees Gratuity Fund	34,435	15,340	-	13,685	36,090	3,345,040	1,403,413	1,240,000	3,099,080
SIZA Foods (Private) Limited Employees Contribution Provident Fund Trust	148,124	1	-	678	147,447	14,388,869	-	61,360	12,661,412
Siza Services Pvt Limited Employees Contribution Provident Fund Trust	29,669	1,052	-	1,059	29,662	2,882,067	97,550	126,021	2,547,083
Sybird Private Limited Employees Contribution Provident Fund Trust	793	57,752	-	-	58,545	77,033	5,588,312	-	5,027,326

- 18.4 Remuneration payable to the Management Company and the Trustee have been determined in accordance with the provisions of NBFC Regulations and the Trust Deed respectively.
- 18.5 Dividend income is recognized at the amount declared by the investee company. Dividend distributed by the fund is recognized at the amount /rates declared to all the unit holders.
- 18.6 Purchase and redemption of the Fund's unit by related parties / connected persons are recorded at the applicable net asset value per unit. Other transactions are at agreed rates.

19 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

Introduction and overview

The Fund has exposure to the following risks from financial instruments:

- credit risk (refer note 19.1)
- liquidity risk (refer note 19.2)
- market risk (refer note 19.3)
- operational risk (refer note 19.4)

Risk management framework

The Fund's board of directors has overall responsibility for the establishment and oversight of the Fund's risk management framework.

Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily setup based on limits established by the management company, Fund's constitutive documents and the regulations and directives of the SECP. The policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The audit committee oversees how management monitors compliance with the Fund's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Fund. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes regular reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Asset purchases and sales are determined by the Fund's Investment Manager, who has been authorised to manage the distribution of the assets to achieve the Fund's investment objectives. Compliance with the target asset allocations and the composition of the portfolio is monitored by the Investment Committee. In instances where the portfolio has diverged from target asset allocations, the Fund's Investment Manager is obliged to take actions to rebalance the portfolio in line with the established targets, within prescribed time limits.

19.1 Credit risk

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from bank balances, receivable against sale of marketable securities, security deposits and markup receivables and dividend receivable on equity securities.

Management of credit risk

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

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

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

Exposure to credit risk

The maximum exposure to credit risk as at 30 June was as follows:

	June 30, 2023		June 30, 2022	
	Balance as per the Statement of Asset and Liabilities	Maximum exposure	Balance as per the Statement of Asset and Liabilities	Maximum exposure
	----- (Rupees) -----		----- (Rupees) -----	
Bank balances (including profit due)	189,248,219	189,248,219	64,967,777	64,967,777
Investments (including profit due)	103,195,494	103,195,494	267,634,800	267,634,800
Dividend receivable	12,200	12,200	12,200	360,726
Deposit and other receivables	2,672,476	2,600,000	2,661,335	2,600,000
	<u>295,128,389</u>	<u>295,055,913</u>	<u>335,276,113</u>	<u>335,563,303</u>

There is no difference in the balance as per the Statement of Assets and Liabilities and maximum exposure in investments is due to the fact that investment in equity securities of Rs. 101.924 million (2022: Equity securities Rs. 207.444 million) do not carry credit risk.

Bank balances (Including profit due)

The Fund's cash and cash equivalents at 30 June with banks had following credit ratings:

Rating	2023	2022	2023	2022
	(Rupees)		(%)	
AA+	6,900,715	2,874,460	3.71	4.52
AA	13,754	13,750	0.01	0.02
A+	178,555,656	60,681,008	96.02	95.45
Other*	490,549	2,011	0.26	0.00
Total balance	<u>185,960,674</u>	<u>63,571,229</u>	<u>100.00</u>	<u>100.00</u>

Above ratings are on the basis of available ratings assigned by PACRA and VIS Credit Rating Company Limited (Formerly JCR-VIS Credit Rating Company Limited) as of June 30, 2023.

* The reported balance is in Habib Bank AG Zurich Switzerland. Rating of the bank is not available, however, the management consider that this is a reputable bank of good credit standing.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

Details of Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	2023		2022	
	(Rupees)	(%)	(Rupees)	(%)
Commercial banks (including profit due)	189,248,219	98.64	64,976,777	50.86
Leasing Company	-	0.00	45,262,707	35.43
Power generation & distribution commercial papers	-	0.00	14,928,047	11.68
National Clearing Company of Pakistan Limited	2,500,000	1.30	2,500,000	1.96
Central Depository Company of Pakistan Limited - security deposit	100,000	0.05	100,000	0.08
Advance against book building	-	0.00	-	0.00
Oil and Gas sector - Dividend receivable	-	0.00	-	0.00
	<u>191,848,219</u>	<u>100.0</u>	<u>127,767,531</u>	<u>100.0</u>

Past due and impaired assets and collaterals held

None of the financial assets of the Fund are past due or impaired as at June 30, 2023.

Settlement risk

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

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

19.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation.

The Fund aims to maintain the level of cash and cash equivalents and other highly marketable securities at an amount in excess of expected cash outflows on financial liabilities. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the

holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six working days from the date of the redemption request.

In addition, the Fund is entitled to borrow, with prior approval of trustee, for meeting redemptions. No such borrowings were made during the year. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with repayment within 90 days of such borrowings.

In order to manage the Fund's overall liquidity, the Fund can also withhold daily redemption request in excess of ten percent of the units in issue and such requests would be treated as redemption request qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

Maturity analysis for financial liabilities

Following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

		2023	
		Contractual cash flows	
		Carrying amount	Less than 3 month
		----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)			
Payable to the Management Company *		473,707	473,707
Remuneration payable to the Trustee *		15,164	15,164
Accrued expenses and other liabilities *		1,369,099	1,369,099
Payable against purchase of investments		1,655,213	1,655,213
		<u>3,513,183</u>	<u>3,513,183</u>
Unit holders' fund		<u>290,150,384</u>	<u>290,150,384</u>
		2022	
		Contractual cash flows	
		Carrying amount	Less than 3 month
		----- (Rupees) -----	
Non-derivative financial liabilities (excluding unit holders' fund)			
Payable to the Management Company *		386,042	386,042
Remuneration payable to the Trustee *		134,035	134,035
Accrued expenses and other liabilities *		2,358,762	2,358,762
Payable against purchase of investments		744,600	744,600
		<u>3,623,439</u>	<u>3,623,439</u>
Unit holders' fund		<u>330,208,224</u>	<u>330,208,224</u>

*excluding provision for workers' welfare fund, federal excise duty on Management Company's remuneration, annual Fee payable to the Securities and Exchange of Pakistan and Sindh Sales Tax payable on Management Company's remuneration and Trustee fee.

Above financial liabilities do not carry any mark-up.

19.3 Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices - will affect the Fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Fund manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

The Fund is exposed to currency risk, interest rate risk and price risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has a bank balance in foreign currency exposed to foreign exchange risk. The Fund has no foreign currency denominated liability.

As per the approval accorded by the Securities and Exchange Commission of Pakistan and State Bank of Pakistan the Fund's exposure in foreign currency shall not exceed 30% of the aggregate funds mobilised subject to cap of US\$ 15 million. Investment Committee monitors and reviews the investment performance and makes necessary adjustment in light of the current economic scenario and currency valuation outlook to mitigate the risk.

	2023	
	(Rupees)	(USD)
Financial Assets		
Bank balance	136,898	476
On balance sheet gap in foreign currency exposure	136,898	476

	2022	
	(Rupees)	(USD)
Financial Assets		
Bank balance	2,011	13
On balance sheet gap in foreign currency exposure	2,011	13

Fair value sensitivity analysis of foreign currency exposure:

	Average rates		Balance sheet date rate	
	2023	2022	2023	2022
Rupees / US Dollars	286.58	161.22	287.50	204.85

A five percent strengthening of Pakistani Rupee against US dollar would have decreased the net assets of the fund by Rs. 6845 (2022: Rs. 101). This analysis assumes that all other variables in particular interest rate remain constant. Weakening of Pakistani Rupee by the same percentage would have a vice versa impact.

19.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. Risk management procedures are the same as those mentioned in the credit risk management.

Exposure to interest rate risk

The interest rate profile of the Fund's interest-bearing financial instruments is as follows:

	2023	2022
	(Rupees)	
Variable-rate instrument		
Financial assets (bank balances)	185,470,125	63,569,218
	<u>185,470,125</u>	<u>63,569,218</u>

Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased unit holder fund and income statement by Rs. 1.854 (2022: Rs. 0.635 million). The analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

Above bank balances are reprised by the bank after changes in the State Bank of Pakistan's policy rate and do not have any contractual maturity.

None of the other assets and Fund's liabilities are exposed to interest rate risk.

	2023	2022
	(Rupees)	
Fixed rate instruments		
Investment In Commercial Paper	-	14,928,047
Musharakah Certificate	-	45,262,707
	<u>-</u>	<u>60,190,754</u>

Fair value sensitivity analysis for fixed rate instruments

As at June 30, 2021, the Fund holds Pakistan Investment Bonds 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, 2021, the net income for the year and net assets would be lower / higher by Rs.7.4 million (2020: Rs. 10.61 million).

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

----- June 30, 2023 -----					
	Interest rate %	Exposed to interest rate risk		Not exposed to interest rate risk	Total
		No later than one month	More than one year (note 7.2)		
		----- Rupees -----			
Financial assets					
Investments - Listed equity securities		-	-	91,683,077	91,683,077
Investments- Commercial paper		-	-	-	-
Investment- GOP sukuk		-	-	11,512,417	11,512,417
Investments- Musharaka		-	-	-	-
Dividend receivable		-	-	12,200	12,200
Bank balances (including profit due)	3.85 to 19.5	185,470,125	-	3,778,094	189,248,219
Deposit and other receivables		-	-	2,672,476	2,672,476
		<u>185,470,125</u>	<u>-</u>	<u>109,658,264</u>	<u>295,128,389</u>
----- June 30, 2022 -----					
	Interest rate %	Exposed to interest rate risk		Not exposed to interest rate risk	Total
		No later than one month	More than one year (note 7.2)		
		----- Rupees -----			
Financial assets					
Investments - Listed equity securities		-	-	207,444,046	207,444,046
Investments- Commercial paper		-	-	14,928,047	14,928,047
Investments- Musharaka		-	-	45,262,707	45,262,707
Bank balances (including profit due)	3.85 to 7.08	63,569,218	-	1,407,559	64,976,777
Deposit and other receivables		-	-	2,661,335	2,661,335
		<u>63,569,218</u>	<u>-</u>	<u>271,703,694</u>	<u>335,272,912</u>

19.3.2 Price risk

The Fund is exposed to equity price risk i.e. the risk of unfavourable changes in the fair value of equity securities as a result changes in the levels of Pakistan Stock Exchange Index and the value of individual shares, which arises from investments measured at fair value through income statement.

The management of the Fund monitors the proportion of equity securities in its investment portfolio based on market indices. The Fund policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines or the requirements of NBFC regulations. The Fund manages those risk by limiting exposure to any single investee company to the extent of 10% of issued capital of that investee company and the net assets of the Fund with overall limit of 30% or index weight whichever is higher subject to maximum of 35% to a single industry sector of the net assets of the Fund (the limit set by NBFC regulations).

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

Details of the Fund's investment in industrial / economic sector are given in note 6.1.

Sensitivity analysis - Price risk

In respect of the investments classified as at fair value through profit or loss the impact on income statement and unit holders' fund, to a 5% increase or decrease in the fair values of the investments, would have been an increase or decrease of Rs. 4.584 million (2022: Rs. 13.262 million).

19.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Fund's operations either internally within the Fund or externally at the Fund's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behavior. Operational risks arise from all of the Fund's activities.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns for investors.

The primary responsibility for the development and implementation of controls over operational risk rests with the board of directors. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

19.5 Unit holder's fund risk management

The Fund's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to continue as a going concern so that it can continue to provide returns to its unit holders. Management monitors the return on capital as well as the level of dividends to unit holders and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

19.6 Fair value of financial instruments

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

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund 'is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly 'occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

		2023					
		Carrying amount			Fair Value		
		Mandatory at fair value through profit and loss	Amortized cost	Total	Level 1	Level 2	Total
On-balance sheet financial instruments							
Note		(Rupees)					
	Financial assets measured at fair value						
6	Listed equity securities	91,683,077	-	91,683,077	91,683,077	-	91,683,077
6	Sukuk certificates	11,512,417	-	11,512,417	-	11,512,417	11,512,417
		103,195,494		103,195,494	91,683,077	11,512,417	103,195,494
	Financial assets not measured at fair value						
5	Bank balances	-	185,960,674	185,960,674	-	-	-
6	Commercial paper	-	-	-	-	-	-
6	Musharaka certificate	-	-	-	-	-	-
7	Markup accrued	-	3,287,545	3,287,545	-	-	-
8	Deposits and other receivables	-	2,672,476	2,672,476	-	-	-
		-	191,920,695	191,920,695	-	-	-
	Financial liabilities not measured at fair value						
9	Payable to the Management Company	-	473,707	473,707	-	-	-
10	Remuneration payable to the Trustee	-	70,068	70,068	-	-	-
12	Accrued expenses and other liabilities	-	1,369,099	1,369,099	-	-	-
	Payable against purchase of investments	-	1,655,213	1,655,213	-	-	-
		-	3,568,087	3,568,087	-	-	-
		2022					
		Carrying amount			Fair Value		
		Mandatory at fair value through profit and loss	Amortized cost	Total	Level 1	Level 2	Total
On-balance sheet financial instruments							
Note		(Rupees)					
	Financial assets measured at fair value						
6	Listed equity securities	207,444,046	-	207,444,046	207,444,046	-	207,444,046
		207,444,046		207,444,046	207,444,046	-	207,444,046
	Financial assets not measured at fair value						
5	Bank balances	-	63,571,229	63,571,229	-	-	-
6	Commercial paper	-	14,928,047	14,928,047	-	-	-
6	Musharaka certificate	-	45,262,707	45,262,707	-	-	-
7	Markup accrued	-	1,405,548	1,405,548	-	-	-
8	Deposits and other receivables	-	2,661,335	2,661,335	-	-	-
		-	127,828,866	127,828,866	-	-	-
	Financial liabilities not measured at fair value						
9	Payable to the Management Company	-	386,042	386,042	-	-	-
10	Remuneration payable to the Trustee	-	134,035	134,035	-	-	-
12	Accrued expenses and other liabilities	-	2,358,762	2,358,762	-	-	-
	Payable against purchase of investments	-	744,600	744,600	-	-	-
		-	3,623,439	3,623,439	-	-	-

19.6.1 The Fund has not disclosed the fair values for the financial assets and financial liabilities not measured at fair value, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair values.

20 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 1 July 2022	-	-	-
Receivable against issuance of units	(57,466,407)	-	(57,466,407)
Payable against redemption of units	-	96,807,597	96,807,597
	(57,466,407)	96,807,597	39,341,190
Amount received on issuance of units	57,466,407	-	57,466,407
Amount paid on redemption of units	-	(96,807,597)	(96,807,597)
	57,466,407	(96,807,597)	(39,341,190)
Closing balance as at 30 June 2023	-	-	-

21 SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding unit holding pattern, top brokers, members of the Investment Committee, Fund manager, meetings of the Board of Directors of the management company and rating of the Fund and the management company are as follows:

21.1 Unit holding pattern of the Fund

	June 30, 2023		
Category	No. of unit holders	Investment amount	% of total net asset
	----- (Rupees) -----		
Individuals	4	99,237	0.03
Associated Companies and Directors	17	290,051,146	99.97
NBFC's (Management Company)	-	-	-
Retirement Funds	-	-	-
Total	21	290,150,383	100.00

	June 30, 2022		
Category	No. of unit holders	Investment amount	% of total net asset
	----- (Rupees) -----		
Individuals	6	267,705	0.08
Associated Companies and Directors	19	281,297,895	85.19
NBFC's (Management Company)	1	48,158,758	14.58
Retirement Funds	1	483,867	0.15
Total	27	330,208,224	100.00

21.2 List of top 10 brokers by percentage of commission paid

Broker Name	2023	2022
	Commission paid (Percentage)	
Inter Market Securities Ltd.	15.22%	12.75%
Ismail Iqbal Securities (Pvt.) Ltd.	12.67%	10.53%
Al Habib Securities (Pvt.) Ltd.	12.27%	0.00%
Vector Securities (Pvt.) Ltd.	12.22%	8.55%
JS Global Capital Ltd.	8.80%	8.75%
Arif Habib Ltd.	8.77%	0.00%
Topline Securities Ltd.	6.85%	8.51%
EFG Hermes Pakistan	6.33%	8.77%
Alfalah Securities (Pvt.) Ltd.	3.85%	0.00%
Chase Securities (Pvt.) Ltd.	3.75%	0.00%

21.3 Particulars of the Investment Committee and Fund manager

Following are the members of the investment committee of the Fund:

- Mr. Babar Ali Lakhani (Chairman Investment Committee)
- Mr. Kashif Mustafa - (Executive Director & COO)
- Mr. Mustafa O. Pasha - (Chief Investment Officer)
- Mr. Hassan Bin Nasir
- Mr. Moazzam Akhtar
- Mr. Danial Baig
- Ms. Aisha Mohammad

Mr. Babar Ali Lakhani - Chief Executive Officer

Mr. Lakhani has over twenty two years of investment and portfolio management experience in domestic and international equity and fixed income markets. Mr. Lakhani most recently served as the Chief Investment Officer of Century Insurance, a Public Limited Company listed on the Karachi and Lahore Stock Exchanges of Pakistan. He was an Investment Associate at High Street Advisors and a Research Analyst at Credit Suisse Equity Group (formerly Credit Suisse First Boston). Mr. Lakhani brings extensive investment experience, globally practiced portfolio management discipline, and a comprehensive understanding of the global asset management industry to Lakson Investments Limited.

Mr. Lakhani received his BA in Finance from Bentley College, and his MBA from Brandeis University.

Mr. Lakhani is a member of the Global Association of Risk Professionals (GARP), the Society of Financial Service Professionals and the Young Presidents' Organization (YPO). Mr. Lakhani is a member of the Alumni Trustee Committee of Brandeis University and is the school's representative in Pakistan.

Mr. Lakhani was looking after Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund. Subsequently, Mr. Pasha have designated to manage the Lakson Asset Allocation Emerging Market Fund and Lakson Asset Allocation Global Commodities Fund respectively.

Mr. Kashif Mustafa – Executive Director and COO

Mr. Mustafa has more than fourteen years of experience working in the financial markets of Pakistan local & international brokerage houses, and leading Asset Management Companies. Mr. Mustafa's experience includes; Financial Analysis, Equity Research, Investment Advisory and Business Development.

Mr. Mustafa O. Pasha, CFA – Chief Investment Officer

Mr. Pasha has over fourteen years of experience in the asset management and investment advisory industry. He did his Bachelors in Economics from McGill University (Montreal, Canada) in 2006 and obtained his CFA charter in 2012.

He was previously associated with BMA where he initially served as a fixed income analyst and later became the in house economist for the entire BMA group. Between 2009 - 2012 he supervised fixed income/money market investments across all mutual funds and institutional/HNW accounts advised by BMA. He is also managing Lakson Tactical Fund.

Mr. Hassan Bin Nasir

Mr. Hassan Bin Nasir has over twelve years of experience and currently holds positions of Vice President Fixed Income in Lakson Investments Limited. He completed his Masters in Business Administration in Finance major from Bahria University, Pakistan. He has immense experience in managing portfolios across Collective Investment Schemes, Separate Managed Accounts with Strong Fixed Income background, investment strategy and trading experience in instruments including, Government Securities, Corporate Debt Securities, Banking Products and Shariah Compliant Corporate Debt Securities. He is managing the following funds:

- Lakson Income Fund
- Lakson Money Market Fund
- Lakson Asset Allocation Developed Markets Fund
- Lakson Islamic Money Market Fund

Mr. Moazzam Akhtar

Moazzam is a CFA charterholder along with a Bachelor's in Finance, with over six years of experience in Equity Research. He joined Lakson as an Investment Professional in the Research team, and has recently been elevated to Deputy Head of Research.

He is responsible for managing the research team, and works closely with the Investments team.

Mr. Mirza Danial Baig

Mr. Baig has a Master's degree in Business Administration, with over seven (7) years of experience in asset management and banking. He has knowledge base in NBFC Rules & Regulations, AML Regulations, corporate governance, formulation of internal policies/mechanisms, development and execution of multi-faceted compliance programs.

He has been associated with Lakson Investments since September 2022, as Manager Compliance, where he is responsible for overseeing the Compliance Function.

Ms. Aisha Mohammad

Aisha has a Master's in Economics, and has over three years of work experience. Prior to joining Lakson, she was associated with Alfalah GHP, as Assistant Manager Compliance. She joined Lakson in Compliance, and has recently been transferred as Manager Risk.

She is responsible for managing the overall Risk function of the Management Company.

21.4 Directors meeting attendance

2023

Name of directors	Designation	Meeting Attended	22 Sep 22	31 Oct 22	20 Feb 23	28 Apr 23
- Mr. Iqbal Ali Lakhani	Chairman	2	✓	X	X	✓
- Mr. Babar Ali Lakhani	CEO	4	✓	✓	✓	✓
- Mr. Jacques John Vesser	Director	1	X	X	✓	X
- Mr. Amin Mohammed Lakhani	Director	4	✓	✓	✓	✓
- Mr. Jamil Ahmed Mughal	Director	4	✓	✓	✓	✓
- Ms. Roxanne Davies	Director	2	✓	✓	X	X
			5	4	4	4

* Ms. Roxanne Davies resigned in the month of April 2023 and Mr. Jacques John Vesser resigned in the month of March 2023.

21.5 Rating of the Fund and the management company

Details of the ratings of the Fund and the management company are given in note 1.4.

22. GENERAL

These financial statements were authorised for issue on September 04, 2023 by the Board of Directors of the Management Company.

For Lakson Investments Limited
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

Performance Table	FY23	FY22	FY21	FY20	FY19
Net Assets - Beginning (PKR Mil.)	330.21	489.10	150	165	178
Net Assets - Ending (PKR Mil.)	290.15	330.21	489	150	137
Net Asset value per share	85.7275	85.8709	97.1407	83.2873	82.3129
Selling Price for units	88.1536	88.0177	99.5693	85.3695	84.3708
Repurchase Price for units	85.7275	85.8709	97.1407	83.2873	82.3129
Highest Offer Price (PKR)	98.1092	101.2319	105.6522	99.3556	99.6454
Lowest Offer Price (PKR)	85.0483	86.4325	86.787	73.2806	83.3407
Highest Redemption Price (PKR)	95.4091	98.7628	103.0753	96.9322	97.215
Lowest Redemption Price (PKR)	82.9739	84.3243	84.6702	71.4932	81.308
Beginning NAV - Ex-Div. (PKR)	85.9367	97.1407	83.2873	82.3129	93.7663
Interim Distributions (PKR)	8.9656	-	3.5000	5	-
Final Distribution (PKR)	-	-	-	-	-
Ending NAV - Ex-Div. (PKR)	85.9367	85.8709	97.1407	83.2873	82.3129
Return	-0.17%	-11.60%	20.81%	7.26%	-12.19%
Net Income / (loss) (PKR Mil.)	26	(48)	53	10	(21)
Total Distribution (PKR Mil.)	25	-	10	8	-
Accumulated Capital Growth	(34)	(35)	13	(30)	(32)

Average Annual return of the Fund

One Year	-0.17%	-11.60%	20.81%	7.26%	-12.19%
Two year	-5.89%	6.79%	29.58%	-5.84%	-18.96%
Three year	6.62%	14.55%	13.79%	-13.09%	-11.63%
Since inception (October 11, 2011)	27.40%	27.61%	49.53%	23.77%	15.39%

Distributions	FY23	FY22	FY21	FY20	FY19
Interim Distribution	8.9656	-	3.5	5.0000	-
Final Distribution	-	-	-	-	-
NAV before Distribution	85.9367	-	101.2401	88.2405	-
NAV after Distribution	85.9367	-	97.7401	83.2405	-
Distribution Date	26-Jun-23	-	26-Jun-21	29-Jun-20	-

During FY23

Summary of Actual Proxy voted by CIS:

	Resolutions	For	Against	Abstain*
Number	1	1	-	-
(%ages)	100%	100%	-	-

Note: The proxy voting policy of the Lakson Islamic Tactical Fund (LITF) is available on the website of Lakson Investments Limited, the Management Company. A detailed information regarding actual proxies voted by the Management Company in respect of the Lakson Islamic Tactical Fund (LITF) is also available without charge upon request to all unit holders.



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