Funds Managed by:

# AKD Investment Management Ltd.

## 3rd Quarter Report
## March 31, 2018
## (Un-audited)

# quarterly report

AKD OPPORTUNITY FUND

AKD INDEX TRACKER FUND

AKD CASH FUND

AKD AGGRESSIVE INCOME FUND

AKD ISLAMIC INCOME FUND

AKD ISLAMIC STOCK FUND

**Partner with AKD Profit from the Experience**

AKD Investment Management Ltd.

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## MANAGEMENT COMPANY

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

## BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

**Chairman**
Mr. Abdul Karim

**Director & Chief Executive Officer**
Mr. Imran Motiwala

**Directors**
Ms. Anum Dhedhi
Mr. Ali Wahab Siddiqui
Mr. Hasan Ahmed
Mr. Saim Mustafa Zuberi
Ms. Aysha Ahmed

## CHIEF FINANCIAL OFFICER OF THE MANAGEMENT COMPANY

Mr. Muhammad Munir Abdullah

## CHIEF OPERATING OFFICER AND COMPANY SECRETARY OF THE MANAGEMENT COMPANY

Mr. Muhammad Yaqoob Sultan, CFA

## HEAD OF COMPLIANCE OF THE MANAGEMENT COMPANY

Mr. Rashid Ahmed

## AUDIT COMMITTEE

Mr. Ali Wahab Siddiqui (Chairman)
Mr. Hasan Ahmed (Member)
Mr. Saim Mustafa Zuberi (Member)
Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

## HUMAN RESOURCE AND REMUNERATION (HR & R) COMMITTEE

Ms. Aysha Ahmed (Chairman)
Mr. Abdul Karim (Member)
Mr. Imran Motiwala (Member)
Ms. Anum Dhedhi (Member)
Mr. Saim Mustafa Zuberi (Member)
Mr. Muhammad Yaqoob Sultan, CFA (Secretary)

## RATING

AKD Investment Management Ltd. (AMC)
AM3++ (AM Three Plus Plus) issued by PACRA

# CORPORATE INFORMATION

# *Vision*

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

# *Mission Statement*

*AKD Fund shall continuously strive to:*

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

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY

The Board of Directors of AKD Investment Management Limited (AKDIML), the Management Company of AKD Opportunity Fund (AKDOF), AKD Index Tracker Fund (AKDITF), AKD Cash Fund (AKDCF), AKD Aggressive Income Fund (AKDAIF), AKD Islamic Income Fund (AKDISIF) and AKD Islamic Stock Fund (AKDISSF) is pleased to present interim report along with the Funds' accounts for the period ended March 31, 2018.

**FUNDS' FINANCIAL PERFORMANCE**

**AKD Opportunity Fund (AKDOF)**

For the 9MFY18, the return of AKD Opportunity Fund stood at -3.55% compared to the benchmark KSE-100 Index return of -2.16%.

During the period Pakistan Stock Exchange (PSX), in exercise of the power vested in the Exchange under section 19(7) of the securities Act, 2015 and the PSX Regulations, placed the Japan Power Generation Limited in the defaults' Segment and suspended trading in its shares for a period of 60 days w.e.f December 18, 2017. The management in compliance of Regulation 66 (a) and (j) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 valued 4,261,500 Shares of Japan power Generation Limited at Nil which was earlier valued @RS1.90 p.s.

**AKD Index Tracker Fund (AKDITF)**

For the 9MFY18, the return of AKD Index Tracker Fund stood at -3.53% compared to the benchmark KSE-100 Index return of -2.16%.

**AKD Cash Fund (AKDCF)**

For the 9MFY18, the annualized return of AKD Cash Fund stood at 4.62% compared to benchmark return of 5.24%.

**AKD Aggressive Income Fund (AKDAIF)**

For the 9MFY18, the annualized return of AKD Aggressive Income Fund stood at 3.45% as compared to the benchmark return of 6.54%.

**AKD Islamic Income Fund (AKDISIF)**

Since the inception of the Fund, the annualized return of AKD Islamic Income Fund stood at 4.11% compared to benchmark return of 3.48%.

**AKD Islamic Stock Fund (AKDISSF)**

Since the inception of the Fund, the return of AKD Islamic Stock Fund stood at 3.80% compared to the benchmark KMI-30 Index return of 6.38%.

**MACRO PERSPECTIVE**

After achieving growth rate of 5.3% in FY17, Gross Domestic Product (GDP) is on track to record the highest growth level in over a decade in FY18. The revised GDP target is around 5.8%, marginally lower than the annual target of 6% in FY18. This marginal downward revision in GDP target is due to reduction in area under cultivation leading to chances of a below average agricultural output.

GDP continued its growth trajectory in 9MFY18 as several coincident indicators showed improvement: 1) Large Scale Manufacturing (LSM) recorded an impressive growth of 6.24% during July-Mar FY18 as compared to 4.24% during the same period last year, 2) healthy private sector credit growth (10.02% YoY in March'18), 3) Core inflation showed signs of slowing down, clocking in at 3.78% during the 9MFY18 as compared to 4.01% last year.

Challenges mounted on the fiscal front as the budget deficit has ballooned to Rs.796 Bn for 6MFY18 (2.02% of GDP), which is greater than half of the total fiscal deficit provisioned for the year(1.48 trillion). The major reason for the increase in deficit is that the widening budget is majorly contributed by increased current expenditure and outlay for development projects stood at a meager RS.152Bn whereas the current expenditures stand at 2.54 trillion, 62% of the annual budget. On the revenue front tax collection for the period under review is almost on track for the annual target standing at 2.02 trillion(i.e 46.7% of the annual target).

The challenges on the external front have increased to alarming levels in the 9MFY18. The Current Account Deficit (CAD) reached USD 12.3 billion (3.9% of GDP) in 9MFY18 as opposed to USD 7.99 billion (2.6% of GDP) in the corresponding period last year. The primary reason was due to increase in trade deficit (+17.3% YoY). However, Foreign Direct Investment (FDI) provided minor support to Balance of Payment (BOP), reaching USD 2.088bn in 9MFY18. As a result, SBP foreign reserves have fallen to USD 13.4 billion (-25.47 % YoY) for 9MFY18.

The monetary policy was announced in Mar-18 in which the policy rate was maintained at 6%, the main reason being; stable inflation, within target range of 5-6% and currency depreciation leading to improvements in exports.

According to the latest data Large Scale Manufacturing grew by 6.24% cumulatively for 8MFY18, driven by electronics (+38.79%YoY), iron and steel (+30.85%YoY), and automobile (+19.58%YoY) sectors. This performance is expected to continue in upcoming quarter of FY18, due to improved security conditions, better energy supplies, CPEC driven activity and rising consumer demand which is also due to higher purchasing Power and affordable access to credit facilities.

Overall, we believe that economic outlook for FY18 remains uncertain. Real growth is expected to be broad based with all three economic sectors likely to participate in driving the overall growth in GDP. However, current account deficit remains a serious challenge for sustainability of real growth going forward. And needs urgent remedial measures to boost foreign inflow and control unnecessary imports.

Key risks can stem from any increase in international oil prices and unexpected currency depreciation in future. Moreover, fiscal deficit is expected to exceed its target as political parties continue their bid to finish development projects in election year. Rising political turmoil as elections draw nearer will also be a matter of concern in our view.

**EQUITY MARKET REVIEW**

During the period under review, KSE 100 index declined by 2.16%. This decline can be largely attributed to faltering investor confidence stemming from political noise and growing macro-economic concerns. Consequently, the trading volumes also dropped during the period under review. Relationship with USA remained strained, resulting in stricter policies of aid towards Pakistan. This led to uncertainty in the market.

Sector specific events also played a significant role in the equity market performance. While steel and cement sector remained in the limelight due to buoyant demand and rising product prices, banking sector dragged performance due to compliance issue and pensioner case in Court. Chemical sector performance remained strong on the back of growing demand and higher product margins. Furthermore, Oil Production Sector remained resilient to the downward trend, mainly due to upward trend in international crude prices and in-built currency hedge provided by the sector. Moreover, much awaited currency depreciation provided trigger to the market, implying higher exports and greater foreign participation, however, Autos and Pharmaceuticals were negatively affected.

We expect situation to remain uncertain based on:

1. Announcement of Federal Budget in April 2018 will determine the growth of the sectors going forward particularly for equity market. Curtailment of PSDP and looming concerns regarding imposition of new taxes remain a source of concern.

2. Amnesty scheme has been announced by PM to bring back wealth from off-shore accounts at minimum penalty rates. Successful execution of this scheme is expected to bring back 2-3 billion USD in economy.

3. Rising political noise emanating from upcoming General Elections 2018 is expected to keep the performance of equity market in check.

**FUTURE OUTLOOK**

Going forward, we believe that this year will be of transition, with expectations of a coalition government at the center, tight relations with USA and serious macro-economic concerns to continue to put pressure on performance. However, clarity on political front with upcoming election (market has historically returned between 13%-27% in 6M and 8%-17% in 3M preceding elections), along with improved economic management will act as a trigger for the market. Moreover, the recent downtrend in market has opened up attractive valuations. A cash rich corporate sector with healthy profits, operating in an economy with a domestic market of approximately 207 million consumers, trading at a Price-to-earnings (PE) and Dividend Yield (DY) of 9x and 6% (compared to last year high PE and DY of 12.5x and 7.5% respectively)offers a great investment opportunity with substantial upside.

**MONEY MARKET REVIEW**

During 9MFY18, The State Bank of Pakistan (SBP) carried out 20 T-bills auctions where the government managed to raise PKR 12.03 trillion. During this period, weighted average yield on 3, 6, and 12 months T-bills were at 6.05%, 6.01% and 6.04%

SBP also accepted bids in 1 auction of PIBs and managed to raise PKR 52.40 billion during 9MFY18. The PIB auction maintained upward trend where weighted average maturities yield on 3, 5 and 10 years' PIB increased to 6.40%, 6.89% and 7.93% respectively from 6.17%, 6.67% and 7.76% in the corresponding period of last year.

The Government announced Monetary Policy Statement on March28, 2018, where the committee decided to keep the policy rate unchanged at 6.00%. State Bank of Pakistan conducted 59 open market operations (OMOs) of different maturities and injected average amount of PKR 54 trillion as per amount accepted in the OMOs at an average cut off yield of 5.84 %.

For and on behalf of the Board

**Imran Motiwala**
Chief Executive Officer

Karachi: April 27, 2018

# AKD Aggressive Income Fund
## Financial Information - Third Quarter FY18

## Contents

# AKD Aggressive Income Fund

AKD AGGRESSIVE INCOME FUND

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

**TRUSTEE**
Central Depository Company
of Pakistan Limited
CDC House 99-B, Block-B
S.M.C.H.S.,
Main Shahra-e-Faisal,
Karachi.

**BANKERS**
Apna Microfinance Bank Limited
Askari Bank Limited
Bank Alfalah Limited
BankIslami Pakistan Limited
Dubai Islamic Bank Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited
Moblink Microfinance Bank Limited
NRSP Microfinance Bank Limited
Summit Bank Limited
Tameer Microfinance Bank Limited
U Microfinance Bank Limited

**AUDITORS**
A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I. Chundrigar Road, P.O. Box 4716
Karachi-74000

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

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

**DISTRIBUTORS**
AKD Investment Management Limited
AKD Securities Limited
BIPL Securities Limited
BMA Capital Management Limited
Finox (Pvt.) Limited
First Street Capital (Pvt.) Limited
IGI Investment Bank Limited
Savings Lounge (Pvt.) Limited
4 Sight Investments

**RATING**
AKD Aggressive Income Fund
PACRA: BBB+(f) [Triple B Plus (f)]

# FUND MANAGER'S REPORT

**i) Description of the Collective Investment Scheme Category and type:**

Open - end Aggressive Fixed Income Scheme

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

AKDAIF is a dedicated fund that focuses primarily on fixed income securities and instruments. The objective of AKDAIF is to offer investors a convenient vehicle to invest in a diversified portfolio of fixed income securities / instruments that provide consistent returns with concern for preservation of capital over the longer term.

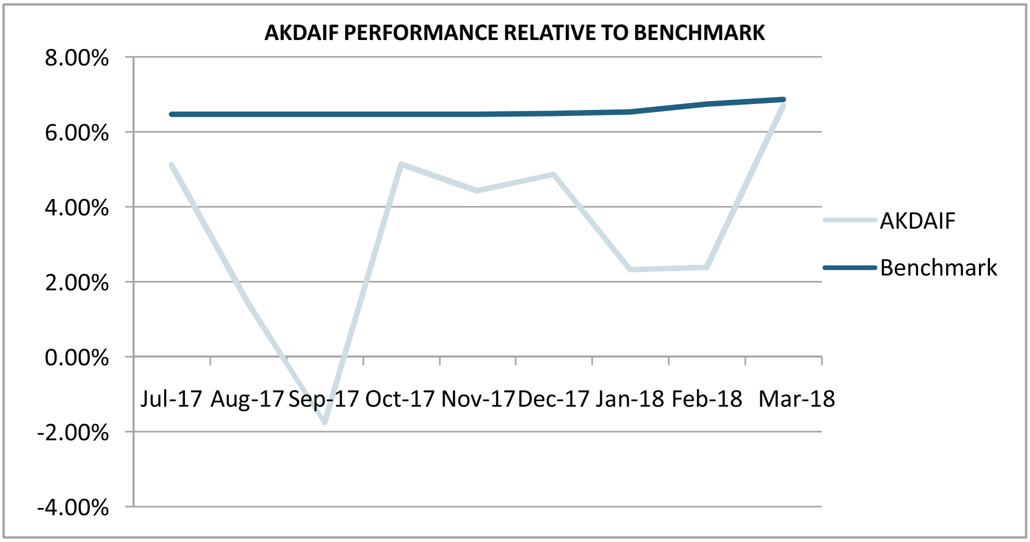
**iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:**

For the 9MFY18, the annualized return of AKD Aggressive Income Fund stood at 3.45% as compared to the benchmark return of 6.54%.

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

1 Year KIBOR

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




| Monthly yield (annualized) | Jul-17 | Aug-17 | Sep-17 | Oct-17 | Nov-17 | Dec-17 | Jan-18 | Feb-18 | Mar-18 |
|---|---|---|---|---|---|---|---|---|---|
| **AKDAIF** | 5.11% | 1.43% | -1.76% | 5.13% | 4.42% | 4.87% | 2.33% | 2.38% | 6.70% |
| **Benchmark** | 6.46% | 6.46% | 6.47% | 6.47% | 6.47% | 6.49% | 6.53% | 6.74% | 6.87% |

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

AKD Aggressive Income Fund is an open end aggressive fixed income schemes, the return of the funds are generated through investment in T-bills, Margin Trading System, Spread transaction and corporate debt instruments. AKDAIF is fully complied with the relevant policies and procedures as per fund's regulatory requirement.

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

| Asset Allocation (% of Total Asset) | 31-Mar-2018 | 31-Dec-2017 |
|---|---|---|
| Cash and Cash Equivalent | 43.29% | 46.39% |
| Commercial Papers | 6.40% | 5.89% |
| Placement with Banks | 11.01% | 10.14% |
| Preference Shares | 0.25% | 0.46% |
| TFCs / SUKUK | 37.51% | 34.57% |
| Other assets including receivables | 1.54% | 2.55% |

**viii) Non-Compliant Investment**

| Name of Non Compliant Investment | Type of Investment | Value of Investment after Provision Rs. In '000 | Percentage of Net Assets | Percentage of Gross Assets |
|---|---|---|---|---|
| Security Leasing Corporation Limited | Preference Shares | 1,818 | 0.25% | 0.25% |

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

| | |
|---|---|
| 9MFY18 Return (annualized) | 3.45% |
| Benchmark (annualized) | 6.54% |

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

| Net Asset Value | | | NAV per Unit | |
|---|---|---|---|---|
| 31-Mar-2018 | 31-Dec-2017 | Change | 31-Mar-2018 | 31-Dec-2017 |
| (Rupees in '000) | | | (Rupees) | |
| 717,457 | 780,336 | -8.06% | 53.0289 | 52.5324 |

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

After achieving growth rate of 5.3% in FY17, Gross Domestic Product (GDP) is on track to record the highest growth level in over a decade in FY18. The revised GDP target is around 5.8%, marginally lower than the annual target of 6% in FY18. This marginal downward revision in GDP target is due to reduction in area under cultivation leading to chances of a below average agricultural output.

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The Government announced Monetary Policy Statement on March28, 2018, where the committee decided to keep the policy rate unchanged at 6.00%. State Bank of Pakistan conducted 59 open market operations (OMOs) of different maturities and injected average amount of PKR 54 trillion as per amount accepted in the OMOs at an average cut off yield of 5.84 %.

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

There were no significant changes in the state of affairs during the period under review.

**xiii) Disclosure on unit split (if any), comprising:**

There were no unit splits during the period.

**xiv) Breakup of unit holding by size:**

| Range (Units) | No. of Investors |
|---|---|
| 0.1 - 9,999 | 60 |
| 10,000 - 49,999 | 17 |
| 50,000 - 99,999 | 7 |
| 100,000 - 499,999 | 6 |
| 500,000 and above | 5 |
| | **95** |

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

Investments are subject to credit and market risk.

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

No soft commissions have been received by the AMC from its brokers or dealers by virtue of transactions conducted by the Collective Investment Scheme.

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
## AS AT MARCH 31, 2018

| | Note | (Un-audited) March 31, 2018 | (Audited) June 30, 2017 |
|---|---|---|---|
| | | ----- (Rupees in '000) ----- | |
| **ASSETS** | | | |
| Bank balances | 4 | **297,604** | 193,275 |
| Investments | 5 | **417,751** | 589,351 |
| Profit receivable | 6 | **8,281** | 9,578 |
| Other receivables | | **28** | 66 |
| Receivable from the Management Company - net | | **-** | 224 |
| Deposits and prepayments | 7 | **2,857** | 22,345 |
| Receivable against sale of securities | | **-** | 165,559 |
| **Total assets** | | **726,521** | 980,398 |
| **LIABILITIES** | | | |
| Payable to AKD Investment Management Limited - Management Company | 8 | **5,396** | 5,540 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9 | **127** | 153 |
| Payable to the Securities and Exchange Commission of Pakistan | 10 | **477** | 771 |
| Payable against purchase of securities | | **-** | 2,422 |
| Accrued expenses and other liabilities | 11 | **3,064** | 12,113 |
| Payable against redemption of units | | **-** | 24,750 |
| **Total liabilities** | | **9,064** | 45,749 |
| **NET ASSETS** | | **717,457** | 934,649 |
| **UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)** | | **717,457** | 934,649 |
| **CONTINGENCIES AND COMMITMENTS** | 12 | | |
| | | ------- (Number of units) ------- | |
| **NUMBER OF UNITS IN ISSUE** | | **13,529,539** | 18,081,760 |
| | | ------------ (Rupees)------------ | |
| **NET ASSET VALUE PER UNIT** | | **53.0289** | 51.6902 |
| **FACE VALUE PER UNIT** | | **50** | 50 |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

**For AKD Investment Management Limited**
**(Management Company)**

| Imran Motiwala | Muhammad Munir Abdullah | Anum Dhedhi |
|---|---|---|
| Chief Executive Officer | Chief Financial Officer | Director |

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

## FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2018

| | Note | Nine Months Period Ended March 31, 2018 | Nine Months Period Ended March 31, 2017 | Quarter ended March 31, 2018 | Quarter ended March 31, 2017 |
|---|---|---|---|---|---|
| | | (Rupees in '000) | | | |
| **INCOME** | | | | | |
| Income from spread transactions | | **1,009** | 10,619 | **-** | 7,135 |
| Capital loss on sale of investments - net | | **(1,345)** | 144 | **(1)** | 182 |
| Income from Government securities | | **4,151** | 7,675 | **1,214** | 2,668 |
| Income from Term Finance Certificates and Sukuk bonds | | **16,675** | 11,315 | **5,405** | 4,928 |
| Income from Term Deposit Receipts | | **7,105** | 18,353 | **1,466** | 4,766 |
| Income from Margin Trading System | | **-** | 1,504 | **-** | - |
| Income from Commercial Paper | | **2,189** | - | **861** | - |
| Profit on bank deposits | | **15,524** | 6,453 | **5,418** | 1,317 |
| Income from Security Margin Deposit | | **19** | - | **2** | - |
| Dividend income | | **-** | 5,702 | **-** | - |
| | | **45,327** | 61,765 | **14,365** | 20,996 |
| Unrealised appreciation / (diminution) on re-measurement of invesments classified as 'financial assets at fair value through profit or loss' - net | 5.5 | **(6,338)** | 3,787 | **(171)** | 2,819 |
| Unrealised appreciation / (diminution) in the fair value of future contracts | | **-** | 483 | **-** | (1,744) |
| **Total Income** | | **38,989** | 66,035 | **14,194** | 22,071 |
| **EXPENSES** | | | | | |
| Remuneration of the Management Company | | **9,545** | 11,456 | **2,987** | 3,731 |
| Sindh sales tax on remuneration of the Management Company | | **1,241** | 1,489 | **389** | 485 |
| Expense ratio capping @ 2% | | **(493)** | (1,388) | **65** | (527) |
| Remuneration of the Trustee | | **1,082** | 1,268 | **339** | 420 |
| Sindh sales tax on remuneration of the Trustee | | **141** | 193 | **44** | 83 |
| Annual fee to the Securities and Exchange Commission of Pakistan | | **477** | 573 | **149** | 187 |
| Securities transaction cost | | **306** | 1,910 | **27** | 751 |
| Provision against Sindh Workers' Welfare Fund | | **433** | 2,390 | **157** | 2,390 |
| Reversal of provision of Workers' Welfare Fund | | **-** | (4,847) | **-** | (4,847) |
| Impairment loss on investments | 5.6 | **2,592** | - | **1,800** | - |
| Auditors' remuneration | | **313** | 274 | **93** | 94 |
| Settlement and bank charges | | **34** | 266 | **(14)** | 63 |
| Fees and subscription | | **418** | 729 | **202** | 178 |
| Legal and professional | | **934** | 279 | **37** | 101 |
| Allocated expenses | 8.4 | **636** | 764 | **199** | 249 |
| Printing and related cost | | **130** | 130 | **46** | 43 |
| **Total Expenses** | | **17,789** | 15,486 | **6,520** | 3,401 |
| **Net income from operating activities** | | **21,200** | 50,549 | **7,674** | 18,670 |
| Element of loss and capital losses included in prices of units issued less those in units redeemed - net | | **-** | 5,511 | **-** | 8,268 |
| **Net income for the period before taxation** | | **21,200** | 56,060 | **7,674** | 26,938 |
| Taxation | 13 | **-** | - | **-** | - |
| **Net income for the period after taxation** | | **21,200** | 56,060 | **7,674** | 26,938 |
| **Allocation of net income for the period** | | | | | |
| Net income for the period after taxation | | **21,200** | 56,060 | **7,674** | 26,938 |
| Income already paid on units redeemed | | **(5,653)** | - | **(3,970)** | - |
| | | **15,547** | 56,060 | **3,704** | 26,938 |
| **Accounting income available for distribution** | | | | | |
| - Relating to capital gains | | **-** | | **-** | |
| - Excluding capital gains | | **15,547** | | **3,704** | |
| | | **15,547** | | **3,704** | |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

**For AKD Investment Management Limited**
**(Management Company)**

| Imran Motiwala | Muhammad Munir Abdullah | Anum Dhedhi |
|---|---|---|
| Chief Executive Officer | Chief Financial Officer | Director |

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)

## FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2018

| | For the nine months period ended March 31 | | For the quarter ended March 31 | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | ---------------------- (Rupees in '000) ---------------------- | | | |
| **Net income for the period after taxation** | **21,200** | 56,060 | **7,674** | 26,938 |
| Other comprehensive income | **-** | - | **-** | - |
| **Total comprehensive income for the period** | **21,200** | 56,060 | **7,674** | 26,938 |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

**For AKD Investment Management Limited**
**(Management Company)**

| | | |
|---|---|---|
| **Imran Motiwala** | **Muhammad Munir Abdullah** | **Anum Dhedhi** |
| Chief Executive Officer | Chief Financial Officer | Director |

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)

## FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2018

| | For the nine months period ended March 31, 2018 | | | | For the nine months period ended March 31, 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | (Rupees in '000) | | | | (Rupees in '000) | | | |
| | Capital Value | Undistributed income / (loss) | Unrealised (losses) / gains on investment | Total | Capital Value | Undistributed income / (loss) | Unrealised (losses) / gains on investment | Total |
| Net assets at beginning of the period | 901,942 | 32,707 | - | 934,649 | 809,289 | 32,031 | - | 841,320 |
| Issue of 29,949,089 units (2017: 28,498,386 units) | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the period) | 1,548,074 | - | - | 1,548,074 | | | | |
| - Element of income | 14,883 | - | - | 14,883 | | | | |
| Total proceeds on issuance of units | 1,562,957 | - | - | 1,562,957 | 1,472,019 | 38,678 | - | 1,510,697 |
| Redemption of 34,501,310 units (2017: 23,612,886 units) | | | | | | | | |
| - Capital value (at net asset value per unit at the beginning of the period) | 1,783,380 | - | - | 1,783,380 | | | | |
| - Element of income | 12,316 | 5,653 | - | 17,969 | | | | |
| Total payments on redemption of units | 1,795,696 | 5,653 | - | 1,801,349 | 1,219,669 | 33,167 | - | 1,252,836 |
| Element of loss and capital losses included in prices of units issued less those in units redeemed - net | - | - | - | - | - | (5,511) | - | (5,511) |
| Total comprehensive income for the period | - | 21,200 | - | 21,200 | - | 56,060 | - | 56,060 |
| Distribution during the period | - | - | - | - | - | - | - | - |
| Net income / (loss) for the period less distribution | - | 21,200 | - | 21,200 | - | 56,060 | - | 56,060 |
| **Net assets at end of the period** | **669,203** | **48,254** | **-** | **717,457** | **1,061,639** | **88,091** | **-** | **1,149,730** |
| Undistributed (loss) / income brought forward | | | | | | | | |
| - Realised income | | 28,842 | | | | 68,356 | | |
| - Unrealised income / (loss) | | 3,865 | | | | (36,325) | | |
| | | 32,707 | | | | 32,031 | | |
| Accounting income available for distribution | | | | | | | | |
| - Relating to capital gains | | - | | | | - | | |
| - Excluding capital gains | | 15,547 | | | | - | | |
| | | 15,547 | | | | - | | |
| Net income for the period after taxation | | - | | | | 56.060 | | |
| Distribution during the period | | - | | | | - | | |
| Undistributed loss carried forward | | 48,254 | | | | 88,091 | | |
| Undistributed loss carried forward | | | | | | | | |
| - Realised (loss) / income | | 54,592 | | | | 83,821 | | |
| - Unrealised income / (loss) | | (6,338) | | | | 4,270 | | |
| | | 48,254 | | | | 88,091 | | |
| | | | | (Rupees) | | | | (Rupees) |
| Net assets value per unit at beginning of the period | | | | 51.6902 | | | | 51.6527 |
| Net assets value per unit at end of the period | | | | 53.0289 | | | | 54.3004 |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

**For AKD Investment Management Limited**
**(Management Company)**

| Imran Motiwala | Muhammad Munir Abdullah | Anum Dhedhi |
|---|---|---|
| Chief Executive Officer | Chief Financial Officer | Director |

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
## FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2018

| | Note | Nine Months Period Ended March 31, 2018 | Nine Months Period Ended March 31, 2017 | Quarter ended March 31, 2018 | Quarter ended March 31, 2017 |
|---|---|---|---|---|---|
| | | ---------------------- (Rupees | in '000) ---------------------- | | |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | | | |
| Net income for the period before taxation | | **21,200** | 56,060 | **7,674** | 26,938 |
| **Adjustments for non-cash and other items** | | | | | |
| Unrealised (appreciation) / diminution in fair value of investments classified as 'financial assets at fair value through profit or loss' - net | | **6,338** | (3,787) | **171** | (2,819) |
| Unrealised appreciation on re-measurement of future contracts | | **-** | (483) | **-** | 1,744 |
| Capital (gain)/loss on sale of investments | | **1,345** | (144) | **1** | (182) |
| Impairment loss | | **2,592** | - | **1,800** | - |
| Element of loss and capital losses included in proces of units issued less those in units redeemed | | **-** | (5,511) | **-** | (8,268) |
| | | **31,475** | 46,135 | **9,646** | 17,413 |
| **(Increase) / decrease in assets** | | | | | |
| Investments | | **4,786** | 114,333 | **13** | 107,886 |
| Receivable against Margin Trading System | | **-** | 64,602 | **-** | - |
| Profit and other receivables | | **1,296** | (248,857) | **325** | (277) |
| Deposits and prepayments | | **19,488** | (27,506) | **1,929** | 17,000 |
| Future contract receivable | | **39** | 1,358 | **-** | 1,744 |
| Receivable against sale of securities | | **165,559** | - | **6,688** | - |
| Receivable from the Management Company - net | | **224** | - | **-** | - |
| Receivable on conversion of units | | **-** | 18,191 | **-** | (10,214) |
| | | **191,392** | (77,879) | **8,955** | 116,139 |
| **Increase / (decrease) in liabilities** | | | | | |
| Payable to Management Company | | **(144)** | 1,066 | **220** | 161 |
| Payable to Trustee | | **(26)** | (22) | **(5)** | (2) |
| Payable to Securities and Exchange Commission of Pakistan | | **(294)** | 31 | **149** | 187 |
| Payable on redemption of units | | **(24,750)** | 2,388 | **-** | 1,338 |
| Accrued expenses and other liabilities | | **(9,049)** | 93,475 | **126** | (84,541) |
| Payable against purchase of securities | | **(2,422)** | - | **-** | - |
| | | **(36,685)** | 96,938 | **490** | (82,857) |
| **Net cash generated from operating activities** | | **186,182** | 65,194 | **19,091** | 50,695 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | | | |
| Net receipts / (payments) against issuance / redemptions of units | | **(238,392)** | 257,861 | **(70,553)** | 189,821 |
| **Net cash generated from / (used in) financing activities** | | **(238,392)** | 257,861 | **(70,553)** | 189,821 |
| **Net increase/(decrease) in cash and cash equivalents during the period** | | **(52,210)** | 323,055 | **(51,462)** | 240,516 |
| Cash and cash equivalents at beginning of the period | | **446,701** | 302,099 | **445,953** | 384,638 |
| **Cash and cash equivalents at end of the period** | 15 | **394,491** | 625,154 | **394,491** | 625,154 |

The annexed notes from 1 to 19 form an integral part of this condensed interim financial information.

**For AKD Investment Management Limited**
**(Management Company)**

| Imran Motiwala | Muhammad Munir Abdullah | Anum Dhedhi |
|---|---|---|
| Chief Executive Officer | Chief Financial Officer | Director |

# NOTES TO AND FORMING PART OF CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

## FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2018

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

AKD Aggressive Income Fund (the Fund) was established under a Trust Deed executed between AKD Investment Management Limited (AKDIML - Management Company) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The Securities and Exchange Commission of Pakistan (SECP) authorised constitution of the trust deed on September 11, 2006 and it was executed on October 2, 2006 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Fund commenced operations from March 23, 2007.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 216-217, Continental Trade Centre, Block 8, Clifton, Karachi, in the province of Sindh.

The Fund is an open ended mutual fund and is listed on the Pakistan Stock Exchange Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering them to the Fund.

The Fund is classified as 'Aggressive Fixed Income Scheme'. The principal activity of the Fund is to make investments in government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD), certificate of mushrakas (COM), TDRs, commercial paper, reverse repo, TFC/Sukuk, spread transactions and transactions under Margin Trading System. Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned Asset Manager rating of "AM3++" to the Management Company dated December 22, 2017. PACRA has also assigned fund stability rating of "BBB+(f)" to the Fund dated July 12, 2017.

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund.

**2. STATEMENT OF COMPLIANCE**

**2.1** This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

**2.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2017.

**2.3** This condensed interim financial information is unaudited.

**3. SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGMENTS AND CHANGES THEREIN**

**3.1** The accounting policies adopted and the methods of computation of balances used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for changes in accounting policies as explained in note 3.2.

**3.2** The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from

July 1, 2017 based on the clarification issued by the SECP . Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 3.02 million net off charge for SWWF in respect of element of income with no effect on the NAV per unit of the Fund. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

**3.3** The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that were applied in the audited annual financial statements as at and for the year ended June 30, 2017.

The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Fund for the year ended June 30, 2017.

**3.4 Amendments to published approved accounting standards that are effective in the current period**

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on or after July 1, 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

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

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from January 1, 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

| | Note | (Unaudited) March 31, 2018 | (Audited) June 30, 2017 |
|---|---|---|---|
| **4 BANK BALANCES** | | --------(Rupees | in '000)-------- |
| In savings accounts | 4.1 | **297,539** | 193,210 |
| In current accounts | | **65** | 65 |
| | | **297,604** | 193,275 |

**4.1** These accounts carry markup at rates ranging from 4.00% to 7.75% (June 30, 2017 : 3.75% to 6.20%) per annum.

## 5 INVESTMENTS

| | Note | (Unaudited) March 31, 2018 | (Audited) June 30, 2017 |
|---|---|---|---|
| **Financial assets 'at fair value through profit or loss' - held for trading** | | | |
| - Debt securities | 5.1 | **289,421** | 323,362 |
| - Listed equity securities | 5.2 | **-** | 2,387 |
| | | **289,421** | 325,749 |
| **Available for sale investments** | | | |
| - Debt securities | 5.3 | **-** | - |
| **Loans and receivables** | | | |
| - Term deposit receipts (TDR) | 5.4.1 | **80,000** | 258,503 |
| - Preference shares | 5.4.2 | **1,818** | 5,099 |
| - Commercial Papers | 5.4.3 | **46,512** | - |
| | | **128,330** | 263,602 |
| | | **417,751** | 589,351 |

### 5.1 Financial assets 'at fair value through profit or loss' - held for trading - Debt Securities

| | Note | (Unaudited) March 31, 2018 | (Audited) June 30, 2017 |
|---|---|---|---|
| Term finance certificates | 5.1.1 | **272,534** | 235,352 |
| Sukuk cerfificates | 5.1.2 | **-** | 63,087 |
| Government securities - Market Treasury Bills | 5.1.3 | **16,887** | 24,923 |
| | | **289,421** | 323,362 |

### 5.1.1 Debt securities - Term Finance Certificates

| Name of Investee Company | Face value per certificate | Number of certificates | | | | Balance as at March 31, 2018 | | Unrealised appreciation / (diminution) as at March 31, 2018 | Market value as a percentage of total investments | Market value as a percentage of Net Assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2017 | Purchased during the period | Sold / redeemed during the period | As at March 31, 2018 | Carrying value | Market value | | | |
| | Rupees | | | | | ----------------Rupees in '000'------------ | | | ----------- % ------------ | |
| **Term finance certificates - listed** | | | | | | | | | | |
| Summit Bank Limited | 5,000 | 5,000 | - | - | 5,000 | 25,049 | 25,098 | 49 | 6.01% | 3.50% |
| Soneri Bank Limited | 5,000 | 6,700 | - | 6,700 | - | - | - | - | - | - |
| Dewan Cement Limited - (note 5.1.1.3) | 5,000 | 20,000 | - | - | 20,000 | - | - | - | - | - |
| Pace Pakistan Limited | 5,000 | 115 | - | - | 115 | - | - | - | - | - |
| Worldcall Telecom Limited | 5,000 | 20,000 | - | - | 20,000 | - | - | - | - | - |
| **Term finance certificates - unlisted** | | | | | | | | | | |
| The Bank of Punjab | 100,000 | 750 | - | - | 750 | 75,831 | 75,968 | 137 | 18.18% | 10.59% |
| TPL Corporation Limited (formerly TPL Trakker Limited ) | 100,000 | - | 780 | - | 780 | 78,000 | 78,000 | - | 18.67% | 10.87% |
| Silk Bank Limited | 5,000 | 20,000 | - | - | 20,000 | 99,990 | 93,468 | (6,522) | 22.37% | 13.03% |
| | | | | | | 278,870 | 272,534 | (6,336) | | |
| **Total - March 31, 2018** | | | | | | **278,870** | **272,534** | **(6,336)** | | |
| Total - June 30, 2017 | | | | | | 234,578 | 235,352 | 774 | | |

5.1.1.1 Significant terms and conditions of term finance certificates outstanding as at March 31, 2018 are as follows:

| Name of the Issuer | Mark-up rate (per annum) | Issue date | Maturity date | Rating |
|---|---|---|---|---|
| Summit Bank Limited | 6 months KIBOR + 3.25% | 27-Oct-2011 | 27-Oct-2018 | A- |
| TPL Corporation Limited (formerly TPL Trakker Limited ) | 3 months KIBOR + 1.50% | 19-Dec-2017 | 19-Dec-2019 | AA- |
| The Bank of Punjab | 6 months KIBOR + 1.00% | 23-Dec-2016 | 23-Dec-2026 | AA- |
| Silk Bank Limited | 6 months KIBOR + 1.85% | 10-Aug-2017 | 10-Aug-2025 | A- |

**5.1.1.3** The Fund had advanced an amount of Rs 100 million in respect of Pre-IPO placement of Dewan Cement Limited (DCL) under an agreement, which required public offering to be completed within 270 days of the date of agreement (which was January 9, 2008). Dewan Cement Limited (DCL) failed to complete the public offering within the said time period and has also defaulted in payment of principal and profit for the said period. As a matter of prudence, the Fund has made provision for the amount of the investment in accordance with the provisioning criteria specified in circular no. 1 of 2009 dated January 6, 2009 issued by the SECP.

### 5.1.2 Debt securities - Sukuk Certificates

| Name of Investee Company | Face value per certificate | Number of certificates | | | | Balance as at March 31, 2018 | | Unrealised appreciation / (diminution) as at March 31, 2018 | Market value as a percentage of total investments | Market value as a percentage of Net Assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2017 | Purchased during the period | Sold / redeemed during the period | As at March 31, 2018 | Carrying value | Market value | | | |
| | Rupees | | | | | ---------------Rupees in '000'----------- | | | ----------- % ------------ | |
| **Sukuk certificates - unlisted** | | | | | | | | | | |
| TPL Corporation Limited (formerly TPL Trakker Limited ) | 1,000,000 | 60 | - | 60 | - | - | - | - | - | - |
| **Total - March 31, 2018** | | | | | | - | - | - | | |
| Total - June 30, 2017 | | | | | | 60,000 | 63,087 | 3,087 | | |

### 5.1.3 Government securities - Market Treasury Bills

| Tenor | Face Value | | | | Balance as at March 31, 2018 | | | Market value as a percentage of investments | Market value as a percentage of net assets |
|---|---|---|---|---|---|---|---|---|---|
| | At July 1, 2017 | Purchased during the period | Sold / matured during the period | As at March 31, 2018 | Carrying Value | Market value | Unrealised appreciation / (diminution) as at March 31, 2018 | | |
| | ------------------ Rupees in '000 ' ------------------ | | | | | | | ---------- % ---------- | |
| 6 months | - | 100,000 | 100,000 | - | - | - | - | - | - |
| 3 months | 25,000 | 462,000 | 470,000 | 17,000 | 16,889 | 16,887 | (2) | 4.04% | 2.35% |
| | 25,000 | 562,000 | 570,000 | 17,000 | 16,889 | 16,887 | (2) | | |
| **Total - March 31, 2018** | | | | | **16,889** | **16,887** | **(2)** | | |
| Total - June 30, 2017 | | | | | 24,923 | 24,923 | - | | |

### 5.2 Listed equity securities (spread transactions)

Ordinary shares have a face value of Rs. 10 each unless stated otherwise

| Name of Investee Company | Number of Shares | | | | | Balance as at March 31, 2018 | | | Market value as a percentage of total investments | Market value as a percentage of net assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | As at July 1, 2017 | Purchased during the period | Bonus / right issue during the period | Sold during the period | As at March 31, 2018 | Carrying value | Market value | Appreciation /(Diminution) | | |
| | | | | | | ----------------Rupees in '000'------------ | | | ------------ % ------------ | |
| The Bank of Punjab | - | 1,443,000 | - | 1,443,000 | - | - | - | - | - | - |
| Engro Fertilizers Limited | - | 106,500 | - | 106,500 | - | - | - | - | - | - |
| Fauji Fertilizer Company Limited | 15,500 | - | - | 15,500 | - | - | - | - | - | - |
| National Bank Of Pakistan | - | 25,000 | - | 25,000 | - | - | - | - | - | - |
| Pak Elektron Limited | - | 10,000 | - | 10,000 | - | - | - | - | - | - |
| TPL Corporation Limited | | | | | | - | - | | - | - |
| (formerly TPL Trakker Limited ) | 112,000 | - | - | 112,000 | - | - | - | - | - | - |
| Treet Corporation Limited | - | 34,000 | - | 34,000 | - | - | - | - | - | - |
| TRG Pakistan Limited | - | 2,820,000 | - | 2,820,000 | - | - | - | - | - | - |
| **Total - March 31, 2018** | | | | | | - | - | - | | |
| Total - June 30, 2017 | | | | | | 2,422 | 2,387 | (35) | | |

**5.2.1** The cost of investment in listed equity securities amounted to Nil (June 30, 2017: Rs 2.422 million).

**5.2.2** The above equity securities were purchased in the ready market and simultaneously sold in the future market, resulting in spread income due to difference in ready and future stock prices.

## 5.3 Available for sale investments

### 5.3.1 Debt securities

| Name of Investee Company | Face value per certificate | Number of Certificates | | | | Balance as at March 31, 2018 | | | Market value as a percentage of total investments | Market value as a percentage of net assets |
|---|---|---|---|---|---|---|---|---|---|---|
| | | As at July 1, 2017 | Purchased during the period | Sold / redeemed during the period | As at March 31, 2018 | Carrying value | Market value | Appreciation / (diminution) | | |
| | Rupees | | | | | ----------- (Rupees in '000) ----------- | | | | |
| **Sukuk certificates - unlisted** | | | | | | | | | | |
| New Allied Electronics Industries (Private) Limited | | | | | | | | | | |
| (25-07-07) | 312.50 | 96,000 | - | - | 96,000 | 30,000 | - | (30,000) | - | - |
| | | | | | | 30,000 | - | (30,000) | | |
| Less: Impairment recognised in the income statement in prior years | | | | | | 30,000 | - | 30,000 | | |
| **Total - March 31, 2018** | | | | | | - | - | - | | |
| Total - June 30, 2017 | | | | | | - | - | - | | |

**5.3.1.1** New Allied Electronics Industries (Private) Limited defaulted on the amount of principal and mark-up due on the scheduled redemption dates i.e. October 25, 2008, January 25, 2009, April 25, 2009, July 25, 2009, October 25, 2009, January 25, 2010 and April 25, 2010. Hence, the Fund has provided for the amount of the Investment by 100% in accordance with the requirements of circular no. 1 of 2009 dated January 6, 2009.

**5.4 Loans and receivables**

**5.4.1 Term deposit receipts (TDR)**

Term deposit receipts carry profit at the rate of 7.30% (June 30, 2017: 6.30% to 9.51%) per annum and are due to mature by May 28, 2018. At March 31, 2018, TDRs represented 11.15% (June 30, 2017: 27.66%) of the total net assets of the Fund.

| | Note | (Unaudited) March 31, 2018 | (Audited) June 30, 2017 |
|---|---|---|---|
| **5.4.2 Preference shares** | | ---- (Rupees in '000) ---- | |
| Security Leasing Corporation Limited | 5.4.2.1 | **1,818** | 5,099 |

**5.4.2.1** In view of its adverse financial position, Security Leasing Corporation Limited had deferred the payment of 3rd redemption pertaining to 1,722,625 shares (face value of Rs. 10 each) due in November 2009 and 4th redemption pertaining to 1,722,625 shares (face value of Rs. 10 each) due in November 2010. As per the terms of the preference shares, the preference shareholders have preference over ordinary shareholders in the event of liquidation of the Company. Based on this, the management recorded a provision of Rs 6.25 million in the year 2015 as per the break up value of the share of the Company as at March 31, 2015 and during the period ended March 31, 2018, the management has further recorded a provision of Rs 2.59 million.

**5.4.3** This Commercial paper issued by Crescent Steel and Allied Products Limited has been purchased during the period carrying yield of 7.50% per annum maturing on August 15, 2018. At March 31, 2018, Commercial paper represented 6.48% (June 30, 2017: Nil) of the total net assets of the Fund.

### 5.4.4 Non compliant investments

| Name of non compliant investment | Note | Type of investment | Value of Investment before provision | Provision balance as on July 01, 2017 | Provision during the period | Provision held, if any | Value of investment after provision | Market value as a percentage of total investments | Market value as a percentage of net assets |
|---|---|---|---|---|---|---|---|---|---|
| | | | ---------------------- (Rupees in '000) | | | | ---------------------- | | |
| Security Leasing Corporation Limited | 5.4.4.1 | Preference shares | 10,663 | (6,253) | (2,592) | (8,845) | 1,818 | 0.44% | 0.25% |

**5.4.4.1 Status of non-compliance as per circular 7 of 2009 issued by the Securities and Exchange Commission of Pakistan**

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorization criteria laid down in the circular. AKD Investment Management Limited (Management Company) classified AKD Aggressive Income Fund (the Fund) as 'Aggressive Fixed Income Scheme' in accordance with the said circular. As at March 31, 2018, the Fund is compliant with all the requirements of the said circular except for investment in preference shares of Security Leasing Corporation Limited.

| | | Note | (Unaudited) March 31, 2018 | (Audited) June 30, 2017 |
|---|---|---|---|---|
| **5.5** | **Unrealised appreciation/ (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net** | | ---- (Rupees in '000) ---- | |
| | Market value of securities | 5.1.1 & 5.1.2 & 5.1.3 & 5.2 | **289,421** | 325,749 |
| | Less: carrying value of securities | 5.1.1 & 5.1.2 & 5.1.3 & 5.2 | **(295,759)** | (321,923) |
| | | | **(6,338)** | 3,826 |
| **5.6** | **Movement of impairment loss** | | | |
| | Opening balance | | **130,000** | 130,000 |
| | Charge for the period | | **2,592** | - |
| | Closing Balance | | **132,592** | 130,000 |
| **6** | **PROFIT RECEIVABLE** | | | |
| | Profit / income receivable on: | | | |
| | - Term Finance and Sukuk Certificates | | **3,829** | 5,669 |
| | - Commercial Papers | | **2,188** | - |
| | - Term Deposit Receipts | | **512** | 1,592 |
| | - Bank deposits | | **1,752** | 2,317 |
| | | | **8,281** | 9,578 |
| **7** | **DEPOSITS AND PREPAYMENTS** | | | |
| | Security deposit with National Clearing Company of Pakistan Limited - (NCCPL) | | **2,750** | 22,245 |
| | Security deposit with Central Depository Company of Pakistan Limited - (CDC) | | **100** | 100 |
| | | | **2,850** | 22,345 |
| | Prepayment - PSX Annual fee | | **7** | - |
| | | | **2,857** | 22,345 |
| **8** | **PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED - MANAGEMENT COMPANY** | | | |
| | Federal Excise Duty on management remuneration | 8.1 | **4,141** | 4,141 |
| | Management remuneration payable - net | 8.2 & 8.2.1 | **488** | - |
| | Sindh sales tax payable on management remuneration | 8.3 | **128** | 159 |
| | Payable against allocated expenses | 8.4 | **638** | 1,099 |
| | Sales load payable | | **1** | 3 |
| | Others | | **-** | 138 |
| | | | **5,396** | 5,540 |

**8.1** As per the requirement of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company and sales load was applied effective from June 13, 2013. The Management Company was of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED results in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Funds Association of Pakistan with the Sindh High Court (SHC) on September 4, 2013.

The SHC while disposing of the Constitutional Petition No. D-3184 of 2014 relating to levy of FED on Mutual Funds had declared the said provisions to be ultra vires and as a result no FED was payable with effect from July 1, 2011, (i.e., the date on which Sindh Sales Tax on Services Act, 2011 came into force). However, the tax authorities subsequently filed an appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for decision.

Effective July 1, 2016 mutual funds have been excluded from levy of FED vide Finance Act, 2016, hence no provision for FED has been recognised in the financial statements of the Fund since July 1, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 4.14 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at March 31, 2018 would have been higher by Re 0.3061 per unit (June 30, 2017: Re 0.2290 per unit).

**8.2** The Management Company has charged remuneration at the rate of 1.5 % per annum based on the daily net assets of the Fund. The amount of remuneration is being paid monthly in arrears.

| | Note | **(Unaudited) March 31, 2018** | (Audited) June 30, 2017 |
|---|---|---|---|
| **8.2.1 Management remuneration payable - net** | | --------(Rupees | in '000)-------- |
| Management remuneration payable | | **981** | 1,221 |
| Less: reimbursement from the management company | 14 | **(493)** | 1,445 |
| Payable to / (Receivable) from the Management Company - net | | **488** | (224) |

**8.3** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (June 30, 2017:13%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

**8.4** In accordance with Regulation 60 of the NBFC Regulations the Management Company has charged expenses at the rate of 0.1% of the average net assets of the Fund being lower than actual expenses chargeable to the Fund for the period.

| | | Note | (Unaudited) March 31, 2018 | (Audited) June 30, 2017 |
|---|---|---|---|---|
| **9** | **PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE** | | --------(Rupees in '000)-------- | |
| | Trustee remuneration payable | 9.1 | **111** | 133 |
| | Settlement charges payable to the trustee | | **1** | 2 |
| | Sindh Sales Tax payable on trustee remuneration and CDS charges | 9.2 | **15** | 18 |
| | | | **127** | 153 |

**9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the average annual net assets of the Fund. In the current year the Management Company has charged trustee fee at the rate of 0.17 percent per annum, of the average annual net assets of the Fund.

**9.2** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% (June 30, 2017: 13%) on the trustee fee through the Sindh Sales Tax on Services Act, 2011.

## 10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the Fund.

## 11 ACCRUED EXPENSES AND OTHER LIABILITIES

| | Note | March 31, 2018 | June 30, 2017 |
|---|---|---|---|
| Auditors' remuneration | | **174** | 297 |
| NCCPL clearing charges payable | | **30** | 21 |
| Withholding tax payable | | **37** | 8,610 |
| Provision against Sindh Workers Welfare Fund | 11.1 | **2,545** | 2,112 |
| Others | | **278** | 1,073 |
| | | **3,064** | 12,113 |

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

Had the provision for SWWF not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at March 31, 2018 would have been higher by Re 0.188 per unit (June 30, 2017: Re 0.117 per unit).

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at March 31, 2018 and June 30, 2017 except as disclosed below.

| | **(Unaudited) March 31, 2018** | (Audited) June 30, 2017 |
|---|---|---|
| **12.1 Commitments** | **-------(Rupees in '000)---------** | |
| Sale of listed equity securities in future (for spread transactions) | - | 2,444 |

## 13 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders, no provision in respect of taxation has been made in this condensed interim financial information.

## 14 TOTAL EXPENSE RATIO

In accordance with regulation 60 (5) of the amended NBFC regulations 2008 the Total Expense Ratio (excluding government levies) of an aggressive fixed income fund is to be capped at 2% of the daily average net assets of the fund during the period. The total expense ratio of the Fund for the period ended March 31, 2018 is 2.47% which includes 0.37% representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc. This has been capped at 2.37%. The total expense ratio (excluding government levies and SECP fee) exceeds the 2% capping by Rs. 0.493 million which has been recorded as a receivable from the management company.

| | Note | (Unaudited) March 31, 2018 | (Audited) June 30, 2017 |
|---|---|---|---|
| **15 CASH AND CASH EQUIVALENTS** | | --------(Rupees | in '000)-------- |
| Bank balances | 4 | **297,604** | 193,275 |
| Market Treasury Bills (having original maturity upto 3 months) | 5.1.3 | **16,887** | 24,923 |
| Term deposit receipts (having original maturity upto 3 months) | | **80,000** | 228,503 |
| | | **394,491** | 446,701 |

## 16 TRANSACTIONS WITH CONNECTED PERSONS

Related parties / connected persons of the Fund include AKD Investment Management Limited (being the Management Company) and its related entities, Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other collective investment schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund, directors and their close relatives and key management personnel of the Management Company.

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

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

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

| | Unaudited Nine Months Period Ended March 31, 2018 | March 31, 2017 |
|---|---|---|
| | --------(Rupees in '000)-------- | |
| **16.1 Transactions during the period** | | |
| **AKD Investment Management Limited - Management Company** | | |
| Purchase of units (2018: Nil ; 2017: 1,247,008) | - | 66,683 |
| Redemption of units (2018: Nil ; 2017: 855,114) | - | 45,676 |
| Management fee | 9,545 | 11,456 |
| Sindh sales tax on management fee | 1,241 | 1,489 |
| Allocated expenses | 636 | 764 |
| Expenses in excess of TE ratio | 493 | - |
| Sales load | 3 | - |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Trustee remuneration | 1,082 | 1,268 |
| Sindh sales tax on trustee remuneration | 141 | 165 |
| **AKD Investment Management Limited - Staff Provident Fund** | | |
| Purchase of units (2018: 16,402 ; 2017: 39,583) | 857 | 2,100 |
| Redemption of units (2018: 24,812; 2017: 95,142) | 1,290 | 5,146 |
| **AKD Securities Limited** | | |
| Brokerage on purchase of listed equity securities for spread transactions | - | 282 |
| **Key Management Personnel and others** | | |
| **Director of the Management Company** | | |
| **Hasan Ahmed** | | |
| Purchase of units (2018: Nil; 2017: 41,181) | - | 2,230 |
| Redemption of units (2018: Nil ; 2017: 41,181) | - | 2,235 |
| **Spouse- Chief Executive Officer** | | |
| Purchase of units (2018: Nil; 2017: 563,947) | - | 29,890 |
| Redemption of units (2018: Nil ; 2017: 563,947) | - | 30,030 |
| **Chief Financial Officer** | | |
| Purchase of units (2018: Nil ; 2017: 6,953 ) | - | 370 |
| **Unit holder holding 10% or more of the units in issue** | | |
| **Askari General Insurance Company Limited*** | | |
| Purchase of units (2018: Nil ; 2017: 3,834,422) | - | 204,065 |
| Redemption of units (2018: Nil ; 2017: 283,675) | - | 15,000 |

* Current period figure has not been shown as the company was not a connected person as at March 31, 2018

| | (Un-audited) March 31, 2018 | (Audited) June 30, 2017 |
|---|---|---|
| **16.2 Amounts outstanding as at the period / year end** | --------(Rupees in '000)-------- | |
| **AKD Investment Management Limited - Management Company** | | |
| Payable to / Receivable from the Management Company - net | **488** | 224 |
| Sales load payable | **1** | 3 |
| Sindh Sales tax payable on management remuneration | **128** | 159 |
| Federal excise duty payable on management remuneration | **4,141** | 4,141 |
| Payable against allocated expenses | **638** | 1,099 |
| Others | **-** | 138 |
| **AKD Investment Management Limited - Staff Provident Fund** | | |
| Outstanding 85,950 units (June 30, 2017: 94,360 units) | **4,558** | 4,877 |
| **Central Depository Company of Pakistan Limited - Trustee** | | |
| Trustee remuneration payable | **111** | 133 |
| Settlement charges payable | **1** | 2 |
| Sindh Sales Tax payable on trustee remuneration and CDS charges | **15** | 18 |
| Security deposit | **100** | 100 |
| **Chief Financial Officer** | | |
| Outstanding 12,283 units (June 30, 2017: 12,283 units) | **651** | 635 |
| **Unit holder holding 10% or more of the units in issue** | | |
| **National Bank of Pakistan Employees Pension Fund** | | |
| Outstanding 7,783,338 units (June 30, 2017: 7,783,338 units) | **412,742** | 402,322 |
| **TPL Insurance Limited*** | | |
| Outstanding Nil (June 30, 2017: 1,959,120 units) | **-** | 101,267 |
| **Askari General Insurance Company Limited*** | | |
| Outstanding Nil (June 30, 2017: 2,799,270 units) | **-** | 144,695 |

* Current period figure has not been shown as the company was not a connected person as at March 31, 2018.

## 17 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.

- Investments in government securities are valued on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan.

- Listed and unlisted debt securities, other than government securities, are valued on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP), as per the method of valuation agreed with the Trustees of the Fund under the Rules. The MUFAP calculates these prices in accordance with the SECP's Circular 1 of 2009. The said circular prescribes a valuation methodology which, in case of currently traded securities, is based on weighted average prices during the 15 days preceding the valuation date and in case of thinly or non-traded securities, on the basis of discount coupon method which takes into consideration credit risk and maturities of the instruments.

- Fair value of future contracts are determined on the basis of closing market prices quoted on the respective stock exchange.

- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

**17.1 Fair value hierarchy**

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

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.

- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

As at March 31, 2018 and June 30, 2017 the Fund held the following financial instruments measured at fair value:

| | March 31, 2018 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **ASSETS** | --------------------------(Rupees in '000)---------------------- | | | |
| Investment - 'at fair value through profit or loss' | | | | |
| - Debt securities - Term Finance Certificates | - | 272,534 | - | 272,534 |
| - Government securities - Market Treasury Bills | - | 16,887 | - | 16,887 |
| | - | 289,421 | - | 289,421 |

| | June 30, 2017 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **ASSETS** | --------------------------(Rupees in '000)---------------------- | | | |
| Investment - 'at fair value through profit or loss' | | | | |
| - Debt securities - Term Finance Certificates | - | 235,352 | - | 235,352 |
| - Debt securities - Sukuk Certificate | - | 63,087 | - | 63,087 |
| - Government securities - Market Treasury Bills | - | 24,923 | - | 24,923 |
| - Listed equity securities | 2,387 | - | - | 2,387 |
| | 2,387 | 323,362 | - | 325,749 |

## 18 GENERAL

Figures have been rounded off to the nearest thousand Rupees.

## 19 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 27, 2018 by the Board of Directors of the Management Company.

**For AKD Investment Management Limited**
**(Management Company)**

| **Imran Motiwala** | **Muhammad Munir Abdullah** | **Anum Dhedhi** |
|---|---|---|
| Chief Executive Officer | Chief Financial Officer | Director |

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AKD Investment
Management Ltd.

**Head Office:**
216-217, Continental Trade Centre, Block-8, Clifton, Karachi-74000
U.A.N : 92-21-111 AKDIML (111-253-465) | Fax : 92-21-35303125

**Gulshan-e-Iqbal Branch:**
Bungalow No. FL-3/12,
Ground Floor Block No. 5, KDA,
Scheme No. 24, Gulshan-e-Iqbal,
Karachi-75300.
Contact # 92-21-34823003-7

**Abbottabad Branch:**
1st Floor, Al-Fateh Shopping Centre,
Sarmayakari Markaz,Main Mansehra Road,
Abbottabad-22010.
Contact # 099-2408187

**Lahore Branch:**
Plaza # 250, 2nd Floor,Phase IV,
Block-FF, D.H.A.,Lahore Cantt.
Lahore-54810
Contact # 0333-0342762-4

E-mail : info@akdinvestment.com
Website : www.akdinvestment.com