Funds Managed by:

# AKD Investment Management Ltd.

## 3rd Quarter Report
## March 31, 2012
## (Un-audited)

# Quarterly report

AKD AGGRESSIVE INCOME FUND

AKD CASH FUND

AKD OPPORTUNITY FUND

AKD INDEX TRACKER FUND

**Partner with AKD Profit from the Experience**

AKD Investment Management Ltd.

# TABLE OF CONTENTS

# CORPORATE INFORMATION

**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. Farrukh Shaukat Ansari

**Cheif Executive Officer**
Mr. Imran Motiwala

**Director**
Mr. Ali Qadir Gilani
Mr. M. Ramzan Sheikh
Mr. Muhammad Amin Hussain
Mr. Nadeem Saulat Siddiqui
Mr. Aurangzeb Ali Naqvi

**CHIEF FINANCIAL OFFICER**

Mr. Muhammad Munir Abdullah

**COMPANY SECRETARY OF THE MANAGEMENT COMPANY**

Mr. Muhammad Yaqoob

**AUDIT COMMITTEE**

Mr. Aurangzeb Ali Naqvi (Chairman)
Mr. Ali Qadir Gilani (Member)
Mr. M. Ramzan Sheikh (Member)
Mr. Muhammad Yaqoob (Secretary)

**INTERNAL AUDITORS**
Rafaqat Mansha Mohsin
Dossani Massom & Co.
Chartered Accountants
Suite 113, 3rd Floor,
Hafeez Centre, KCHS,
Block 7 & 8, Shahrah-e-Faisal,
Karachi-75350

**RATING**
AKD Investment Management Ltd. (AMC)
JCR-VIS: AM3- (AM Three Minus)

# ***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 Index Tracker Fund (AKDITF), AKD Cash Fund (AKDCF), AKD Aggressive Income Fund (AKDAIF)** and **AKD Opportunity Fund (AKDOF),** is pleased to present its Quarterly report along with the Fund's accounts for the nine month period ended March 31, 2012.

**AKD Index Tracker Fund (AKDITF)**

The NAV of AKDITF registered a rise of 8% to reach PkR9.31/unit for 9 MFY 2012 period ended March 31, 2012. The Fund ended the period with a profit of PkR8.403 million against a loss of PkR14.839 million subsequent period last year.

**AKD Cash Fund (AKDCF)**

AKD Investment Management Limited the Management Company in the 3QFY-12 launched AKD Cash Fund broadening its product range. A product of low risk and consistent flow of income, the AKD Cash Fund is suited for conservative investors with little tolerance for price volatility while ensuring liquidity, along with a regular return in line with on-going interest rates of AA and Government rated securities / instruments.

The NAV per unit of AKDCF as at March 31, 2012 was PkR50.5866 compared to PkR50.000 as on January 20, 2012. During the period the fund announced bonus units to AKD Cash Fund unit holders on a monthly basis.  Net Assets of AKDCF as of March31, 2012 were PkR103 million. The Management Company in its efforts to encourage fund sales had waived off Management fee from 1.25% to 0% with prior approval of the SECP till 30th June 2012.

**AKD Aggressive Income Fund (AKDAIF)**

AKD Aggressive Income Fund (formerly AKD Income Fund) marked its 9MFY ended March 31, 2012 with an annualized return of 11.98% against KIBOR benchmark of 13.27%, hence underperform by 1.29% at a closing NAV of PkR 51.05504. Net Assets of AKDAIF as at March 31, 2012 were PkR443.015 million versus PkR413.691 million as at June 30, 2011. Net Income of AKDAIF for the nine month period ending March 31, 2012 was PkR34.152 million against 22.406 million in corresponding period last year. Including unrealized appreciation of investments and realized capital gains, total comprehensive income of AKDAIF was PkR36.763 million in 9MFY12 versus PkR24.710 million in 9MFY11. During this period Investment Portfolio showed income of PkR43.576 million versus PkR41.563 million during corresponding period last year. The difference of approximately PkR2.013 million can be attributed to higher income generated from Margin Trading System and income from Government Securities. The total amount of net investment as at March 31, 2012 was PkR264.845 million versus PkR342.348 million as at June 30, 2011.

**AKD Opportunity Fund (AKDOF)**

The Net Asset Value (NAV) of AKDOF was PkR38.37 as at March 31, 2012 versus PkR31.01 as at June 30, 2011. The Fund size in terms of Net Assets rose to PkR522.127 million as at end March 31, 2012 versus PkR458.984 million as at June 30, 2011. For the nine month period ended March 31, 2012 AKDOF had a profit of PkR100.118 million versus a loss of PkR27.443 million in the corresponding period last year. During the period gain from marketable securities increased by 0.73%, dividend income surged by 10.27% and net unrealized appreciation on re measurement of investment at fair value through profit increased by 9.59%. Fund operating expenses decreased by 13.02%. The fund during the quarter posted a return of 38.70% versus the benchmark KSE-100 Index return of 21.27% thus significantly outperforming the benchmark.

**Macro Perspective**

The period July 2011 - Mar 2012 has seen a further entrenchment of economic trends, while inflationary pressures have continued to ease the fiscal position has gradually worsened on the back of unprecedented government borrowing. CPI growth averaged a low 10.65% YoY in the period, which makes it all the more likely that inflation in FY12 will hover at around 11.00% only. However, there are still quite a few inflationary threats on the horizon, amongst which are the government's ever growing appetite for credit, SBP's liquidity injections for the purpose of the system's financial stability and an imminent increase in energy prices.

As the country continues to struggle with a power crisis, which has already frustrated the industrial sector hurting exports in the process and bound to eventually fuel inflation. This will impact prices at home as well as hurt exports, which in turn means dampened foreign exchange earnings. At the same time, it will limit the already limited foreign direct investment which is much needed for the country to create both economic activity and employment.

However, going into election year it is unlikely that the government with its coalition partners be able to implement material reforms while the lingering problem will further antagonize the current crisis. Public sector enterprises continue to receive time to time government bailouts a technical short term solution, which will again be replenished through borrowing and arbitrary taxation measures. In fact, the government has already emphasized that the forthcoming budget would be "people friendly" causing more concern on the future economic outlook.

On the political front, the standoff between the executive and armed forces has somewhat shifted priorities away from the economy to the courts. Political stability is unlikely in the short-term has key decisions regarding the implementation of the NRO verdict including reopening proceedings against the President in a Swiss based case and the Memo-Gate scandal where the former Pakistan Ambassador has been accused of brokering US support on behalf of the President against an imminent coup. Time to time meetings between the President and Prime Minister with the Chief of Army Staff has readily been seen as thawing of relations and probable stability. However, these relations between the government and the army are increasingly based on mistrust – initially created by the discovery of Osama bin Laden in Pakistan and later exacerbated by the Memogate scandal, which led to the prime minister accusing the military leadership of conspiring against his government.

On the external front, while Pakistan's relations with its immediate neighbours, including India, continue to improve, there seems to be a shift in its relationship with the United States, its biggest ally and source of external funds. More importantly improved relations here would come in the form of successfully concluding new rules of engagement with the US and the re-opening of NATO routes.

Overall, the internal security situation in Pakistan will remain uncertain with the military operation continuing in the tribal areas and the insurgency gaining ground in the Balochistan province. While the US seeks to withdraw its troops entirely from Afghanistan, pressure is expected to remain on Pakistan's armed forces and the government to do more against alleged safe havens in the country.

Foreign exchange reserves have already declined by USD 1.74bn in the first nine months of the fiscal year on the back of deficit in the current account and financial account's inability to support it. In the fourth quarter of FY12, the government was hoping to improve the external position through CSF receipts, and one time receipts from privatization of publicly owned listed organizations. One off receipts from mobile (3G) license auction is likely to get postponed till FY13. Nevertheless, reserves are expected to continue declining as the current account deficit is expected to reach 2.1% of GDP by the end of FY12.

On the other hand, the fiscal position is not any better, and the central bank expects it to have already deteriorated to 4.3% of GDP in the first nine months. Given that the government still has to pay around USD 590m to the IMF, fiscal operations are usually worse in the last quarter of the fiscal year, and that general elections are fast approaching, it is more than likely the fiscal deficit slip to 5.8% of GDP.

**Equity Market Dynamics**

The KSE-100 Index started the quarter at 11,348 and ended the quarter at 13,762, showing a positive return of 21.27%. The announcement by the Finance Minister during the quarter approving key proposals by the Securities and Exchange Commission of Pakistan to revamping the process of Capital Gains Tax was welcomed and cheered by stock investors. Better stock prices on much stronger volumes since the financial fiasco of 2008-09 in contrast to a dead beat market for most of the preceding few years was indeed needed to revive investor interest. High for the quarter was 13,762 and low was 10,909 i.e. a range of 2,853 points or about 26% between the high & low.

**Money Market Dynamics**

The money market continues to remain illiquid and the Government continues to borrow from the banking system through treasury bills. We expect that SBP would continue to maintain the discount rate based on the premise that although the CPI supports for a further rate cut, however other deteriorating economic numbers would restrict the SBP from a rate cut.

For and on behalf of the Board

**Imran Motiwala**
Chief Executive Officer

Karachi: April 30, 2012

# AKD Cash Fund
## Financial Statements - Third Quarter FY12

## Contents

# AKD Cash Fund

AKD CASH FUND

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

**INTERNAL AUDITORS**
Rafaqat Mansha Mohsin
Dossani Massom & Co.
Chartered Accountants
Suite 113, 3rd Floor,
Hafeez Centre, KCHS,
Block 7 & 8, Shahrah-e-Faisal,
Karachi-75350

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

**BANKERS**
Allied Bank Limited
Faysal Bank Limited
Habib Metropolitan Bank Limited

**AUDITORS**
M. Yousuf Adil Saleem & Co.
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350

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

**REGISTRAR**
Gangjees Registrar Services (Pvt.) Ltd.
516, Clifton Centre, Khayaban-e-Roomi,
Kehkashan, Block-5, Clifton, Karachi.
Tel: 35375714 - 35836920.

**DISTRIBUTOR**
AKD Investment Management Limited

**RATING**
AKD Cash Fund
JCR-VIS: AA+ (f) [Double A Plus(f)]

# FUND MANAGER'S REPORT

During the quarter AKD Investment Management Limited launched AKD Cash Fund, which focuses mainly on Government securities (Treasury Bills).

**Investment Strategy**

The AKD Cash Fund aims to provide optimum returns consistent with minimal risk from portfolio constituted of high quality short term securities / instruments, which provide liquidity to investors. The Fund will exclusively invest in highly secure ('AA' and above) short term debt instruments such that the weighted average maturity of its net asset will stay under 90 days.

**Economic Overview**

The Economic outlook remains "fragile", with domestic debt crossing Rs. 7.0 trillion mark, fiscal deficit at Rs. 532 bn for 1 HFY 12, budgetary borrowing from banks at PKR 914 bn, surge in the Trade deficit to USD 14.6 bn coupled with Government's plan to borrow additional Rs. 1 trillion from the Commercial banks to meet expenditure. Total repayments to IMF till the year end of $510 million approximately; will further hamper the economy in both short and long term and squeeze liquidity. Energy and gas shortages continue to injure the manufacturing sector and hamper their efforts to increase the production and exports resulting in subdued investment in the manufacturing sector. Hike in domestic oil prices on a regular basis has created uncertainty among business circles and keeping CPI inflation in double digits at 10.79% for the first half of fiscal year 2012. Positives on the other hand include support from Iran to offer oil to Pakistan on concessionary terms along with barter arrangements. Tax collection (Rs. 1,122 bn) on the fiscal side increased by 28% YoY basis and has provided some respite. With respect to IP gas pipeline project, sanctions imposed on Iran resulting in China to stop its support to Pakistan financially to complete IP gas project and later Russian Government's assurance to Pakistan with regards to assistance with the project have resulted in a delays. Government estimates raising $850 mn from the sale of 3G licenses (auction to be completed in the month of March has been delayed), $800 mn from Etisalat over the sale of PTCL and a receipt of $800 mn from the Coalition Support Fund to finance its deficits.

We anticipate the Central bank to keep the discount rate unchanged for the current fiscal, although there has been a decline in CPI inflation which has remained below the discount rate, however CPI inflations persistence to remain in double digits and weakening of other economic numbers would restrict the SBP to further decrease the discount rate.

**Political update**

Pakistan's political situation remains volatile with the Memo gate scandal and the NRO cases coming to center stage. Unexpected developments in both cases including permission granted to leave the country to former ambassador Haqqani and contempt charges against the PM for non compliance of the Supreme Court's order to implement proceedings against NRO beneficiaries with particular reference to Swiss cases related to the President has further antagonized the situation of late.

In fact, it seems that the contempt proceedings against the PM are benchmarked to the President's "head of state" immunity, which remains really the only argument for the government's defense council.

Tensions between the armed forces and the Government that were created due to the Memo Gate scandal seemed to ease subsequent to meetings between the Prime Minister, Chief of Army staff and DG ISI.

On the international front relations continue to remain sour between Pakistan and US subsequent to an attack by the ISAF forces on a Pakistani check post bordering Afghanistan. NATO supplies though land routes still are not allowed. The issue has been discussed at length and subsequently the Parliament has agreed to the restoration and just allowed foods items to be transported in the initial stage.

The political scenario is expected to remain volatile as the general elections near, the judiciary will probably add to this as it is scheduled to announce its verdict on the NRO's implementation in while the PM remains adamant on drafting to the Swiss courts to re open cases against the President.

**Performance Review & Outlook**

Fund posted a return of 10.52% against Benchmark return of 10.04%, from the date of fund launched thus outperforming the Benchmark by 0.48%. Since the Launch of the fund, the fund's NAV appreciated by 2.05% as of 31st March 2012. Allocation of investments constitutes T-Bills at 87.22% and cash at 13.04% as at March 31, 2012.

We believes that the fund is well positioned to provide better returns as compared to commercial banks and we strongly recommend investors to maintain their short and long term liquidity in the fund in order to avail decent return at low risk.

**Distribution**

The Chief Executive Officer (CEO) on behalf of the Board of Director s of AKD Investment Management Limited (AKDIML) approved and declared following interim payouts between 19th January 2012 to 31st March 2012.

| Date of Declaration | Dividend per unit | % of Par Value (Rs. 50) |
|---|---|---|
| 27-Feb-12 | 0.43643 | 0.87286 |

Subsequent to 31st March, 2012 Fund also announced following interim dividend payouts up to April 30, 2012.

| Date of Declaration | Dividend per unit | % of Par Value (Rs. 50) |
|---|---|---|
| 02-April-12 | 0.56706 | 1.13412 |
| 30-April-12 | 0.38687 | 0.77374 |

## CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)
## AS AT MARCH 31, 2012

| | Note | (Unaudited) March 31, 2012 (Rupees in '000) |
|---|---|---|
| **ASSETS** | | |
| Bank balances | 4 | 13,450 |
| Investments | 5 | 89,933 |
| Profit receivables | 6 | 84 |
| Prepayments | | 123 |
| Preliminary expenses and floatation costs | 7 | 1,082 |
| **Total assets** | | 104,672 |
| **LIABILITIES** | | |
| Payable to AKD Investment Management Limited - Management Company | 8 | 1,380 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | 9 | 14 |
| Payable to Securities and Exchange Commission of Pakistan | 10 | 14 |
| Accrued expenses and other liabilities | 11 | 155 |
| **Total liabilities** | | 1,563 |
| **NET ASSETS** | | 103,109 |
| **UNIT HOLDERS' FUND (as per statement attached)** | | 103,109 |
| **CONTINGENCIES AND COMMITMENTS** | 12 | |
| | | **(Number of units)** |
| **Number of units in issue** | | 2,038,266 |
| | | **---- (Rupees)----** |
| **Net asset value per unit** | | 50.5866 |
| **Face value per unit** | | 50.00 |

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

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

**Imran Motiwala**
Chief Executive Officer

**Nadeem Saulat Siddiqui**
Director

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

## FOR THE PERIOD FROM JANUARY 19, 2012 TO MARCH 31, 2012

| | Note | For The Period From January 19, 2012 To March 31, 2012 (Rupees in '000) |
|---|---|---|
| **INCOME** | | |
| Income from government securities | | 1,682 |
| Profit on bank deposits | | 575 |
| | | 2,257 |
| Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net | | 45 |
| **Total income** | | 2,302 |
| **EXPENSES** | | |
| Remuneration of AKD Investment Management Limited - Management Company | 8.1 | - |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | | 32 |
| Annual fee - Securities and Exchange Commission of Pakistan | | 14 |
| Security transaction cost | | 5 |
| Auditors' remuneration | | 75 |
| Settlement and bank charges | | 1 |
| Amortisation of preliminary expenses and floatation costs | | 43 |
| Fees and subscription | | 13 |
| Legal and professional charges | | 34 |
| Printing and related costs | | 33 |
| Workers' Welfare Fund | 11.1 | 41 |
| **Total expenses** | | 291 |
| **Net income from operating activities** | | 2,011 |
| Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed | | 9 |
| **Net income for the period before taxation** | | 2,020 |
| **Taxation** | 14 | - |
| **Net income for the period after taxation** | | 2,020 |
| **Other comprehensive income for the period** | | **-** |
| **Total comprehensive income for the period** | | **2,020** |
| Earnings per unit - basic and diluted | 15 | |

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

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

**Imran Motiwala**
Chief Executive Officer

**Nadeem Saulat Siddiqui**
Director

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
## FOR THE PERIOD FROM JANUARY 19, 2012 TO MARCH 31, 2012

| | For The Period From January 19, 2012 To March 31, 2012 (Rupees in '000) |
|---|---|
| **Opening Undistributed Income** | |
| Realised | - |
| Unrealised | - |
| | - |
| Interim distribution: | |
| Re 0.43643 per unit on February 27, 2012 | |
| - Cash distribution | (239) |
| - Issue of bonus units | (585) |
| Net income for the period after taxation | 2,020 |
| **Undistributed Income carried forward** | 1,196 |
| **Undistributed Income comprising of:** | |
| Realised income | 1,151 |
| Unrealised income | 45 |
| | 1,196 |

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

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

**Imran Motiwala**
Chief Executive Officer

**Nadeem Saulat Siddiqui**
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

## FOR THE PERIOD FROM JANUARY 19, 2012 TO MARCH 31, 2012

| | Note | For The Period From January 19, 2012 To March 31, 2012 (Rupees in '000) |
|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | |
| Net income for the period before taxation | | 2,020 |
| **Adjustments for non-cash and other items** | | |
| Unrealised (appreciation) in fair value of investments classified as 'financial assets at fair value through profit or loss' - net | | (45) |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed | | (9) |
| Amortisation of preliminary expenses and floatation costs | | 43 |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | | 32 |
| | | 2,041 |
| **(Increase) / decrease in assets** | | |
| Investments - net | | 45 |
| Preliminary expenses and floatation costs | | (1,125) |
| Profit receivables | | (84) |
| Prepayments | | (123) |
| | | (1,287) |
| **Increase / (decrease) in liabilities** | | |
| Payable to AKD Investment Management Limited - Management Company | | 1,380 |
| Payable to Securities and Exchange Commission of Pakistan | | 14 |
| Accrued expenses and other liabilities | | 155 |
| | | 1,549 |
| Remuneration paid to Central Depository Company of Pakistan Limited - Trustee | | (18) |
| **Net cash generated from operating activities** | | 2,285 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | |
| Net receipts against issuance / redemptions of units | | 101,337 |
| Dividend paid | | (239) |
| **Net cash generated from financing activities** | | 101,098 |
| **Net increase in cash and cash equivalents during the period** | | 103,383 |
| Cash and cash equivalents at beginning of the period | | - |
| **Cash and cash equivalents at end of the period** | 16 | 103,383 |

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

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

**Imran Motiwala**
Chief Executive Officer

**Nadeem Saulat Siddiqui**
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
## FOR THE PERIOD FROM JANUARY 19, 2012 TO MARCH 31, 2012

| | For The Period From January 19, 2012 To March 31, 2012 (Rupees in '000) |
|---|---|
| **Net assets at beginning of the period** | - |
| Issue of units 2,767,852 for the period from January 19, 2012 to March 31, 2012 | 138,481 |
| Redemption of units 741,291 for the period from January 19, 2012 to March 31, 2012 | (37,144) |
| | 101,337 |
| Issue of 11,705 bonus units on February 27, 2012 | 585 |
| Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed | |
| - amount representing (income) / losses and capital (gains) / losses - transferred to Income Statement | (9) |
| Other net income for the period | 1,975 |
| Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net | 45 |
| Interim distribution: | |
| Re 0.43643 per unit on February 27, 2012 | |
| - Cash distribution | (239) |
| - Issue of bonus units | (585) |
| | 1,196 |
| **Net assets at end of the period** | 103,109 |

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

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

| | |
|---|---|
| **Imran Motiwala** | **Nadeem Saulat Siddiqui** |
| Chief Executive Officer | Director |

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
## FOR THE PERIOD FROM JANUARY 19, 2012 TO MARCH 31, 2012

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

AKD Cash Fund (the Fund) was established under a Trust Deed executed between AKD Investment Management Limited (AKDIML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee with the authorisation of the Securities and Exchange Commission of Pakistan (SECP) Trust Deed was executed on August 15, 2011 in accordance with the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The initial Public Offering (IPO) of the Fund was made during the period from January 19, 2012 to January 20, 2012 and the Fund commenced operations from January 21, 2012.

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 Karachi Stock Exchange (Guarantee) Limited. Units are offered for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund.

The Fund has been categorized as an Open end Money Market Scheme as per criteria laid down by SECP for categorisation of Collective Investment Scheme (CIS). The principal activity of the Fund is to make investments in Government Securities, Treasury Bills, Cash and near Cash instruments, Money Market placements, Deposits, Certificate of Deposits (COD), Certificate of Mushrakas (COM), Commercial Paper, Reverse Repo, time to matuirty of any asset shall not exceed six months and weighted average time to matuirty of net assets shall not exceed 90 days. Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

In accordance with the Trust Deed the first accounting period of the Fund commenced on the date on which the Fund property was first transferred to the Trustee i.e. January 19, 2012.

JCR-VIS Credit Rating Company Limited has assigned a management quality rating of 'AM3-' (Stable outlook) to the Management Company and fund stability rating of "AA+(f)" to the Fund dated March 29, 2012 and April 11, 2012 respectively.

This 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 requirements of International Accounting Standard (IAS) 34: "Interim Financial Reporting", the requirements of 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 directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

**2.2** This condensed interim financial information comprises of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. The disclosures made in this interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'.

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

**2.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year**

There are certain new standards, amendments and interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in this financial information.

**2.5 New and amended standards and interpretations that are not yet effective and have not been early adopted.**

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

**2.6 Critical accounting estimates and judgments**

The preparation of condensed interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).

## 2.7 Accounting convention

This condensed interim financial information have been prepared under the historical cost convention except that certain financial assets have been carried at fair value.

## 2.8 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this condensed interim financial information is set out below:

### 3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of bank balances in current / savings account and other deposits with banks having original maturities of three months or less.

### 3.2 Financial assets

#### 3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

**a) Financial assets at fair value through profit or loss**

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'Financial assets at fair value through profit or loss'. These investments are marked to market using the closing market rates as at the end of each day and are carried on the Statement of Assets and Liabilities at fair value. Net gains and losses arising on the changes in fair value of these investments are taken to the income statement.

**b) Loans and receivables**

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market. These investments are initially recognised at fair value. Subsequently, these Investments are carried at amortised cost, using the effective interest method.

#### 3.2.2 Basis of valuation of government securities

The investment of the Fund in government securities is valued on the basis of rates of these securitiues announced by the Financial Market Association.

### 3.2.3 Impairment

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

### 3.3 Offsetting of financial assets and liabilities

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

### 3.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

### 3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years starting from the commencement of operations of the Fund.

### 3.6 Provisions

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

### 3.7 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 amongst the unit holders.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in this condensed financial information as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

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

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

The net element of accrued income / (loss) and realised capital gains / (losses) relating to units issued and redeemed during an accouting period is taken to income statement.

**3.9 Earnings per unit**

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

**3.10 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and provision for duties and charges, if applicable.

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

**3.11 Net asset value per unit**

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

**3.12 Revenue recognition**

- Profit on investments is recognised on an accrual basis. (In case of financial assets classified as non-performing, income is recognised on receipt basis).

- Profit on bank deposits is recognised on an accrual basis.

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

- Unrealised capital gains / (losses) arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

| | | (Un-audited) March 31, 2012 Rupees in '000 |
|---|---|---|
| **4** | **BANK BALANCES** | |
| | In current accounts | 10 |
| | In savings accounts | 13,440 |
| | | 13,450 |

| | | (Un-audited) March 31, 2012 Rupees in '000 |
|---|---|---|
| **5** | **INVESTMENTS** | |
| | **Financial assets at fair value through profit or loss - held for trading** | |
| | - Government securities | 89,933 |
| | | 89,933 |

## 5.1 Government securities

| Issue date | Tenor | Face value | | | | Balance at March 31, 2012 | | | Market value as a percentage of net assets | Market value as a percentage of investments |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Balance at July 1, 2011 | Purchase during the period | Sales / matured during the period | Balance at March 31, 2012 | Cost | Market value | Appreciation / (diminution) | | |
| | | Rupees in '000 | | | | | | | | |
| **Treasury Bills** | | | | | | | | | | |
| October 06, 2011 | 6 months | - | 90,000 | - | 90,000 | 89,888 | 89,933 | 45 | 87.22% | 100.00% |
| **Total - March 31, 2012** | | | | | 90,000 | 89,888 | 89,933 | 45 | 87.22% | 100.00% |

| | | (Un-audited) March 31, 2012 Rupees in '000 |
|---|---|---|
| **6 PROFIT RECEIVABLES** | | |
| Profit receivable on bank deposits | | 84 |
| | | 84 |
| **7 PRELIMINARY EXPENSES AND FLOATATION COSTS** | | |
| Preliminary expenses and floatation costs incurred | 7.1 | 1,125 |
| Less: amortised during the period | | (43) |
| | | 1,082 |

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. As per the requirement of the trust deed, these costs will be amortised by the Fund over a period of not less than five years.

**8 PAYABLE TO AKD INVESTMENT MANAGEMENT LIMITED - MANAGEMANT COMPANY**

| | | |
|---|---|---|
| Management fee | 8.1 | - |
| Preliminary expenses and floatation cost | | 1,125 |
| Payable against Opening of Bank Accounts | | 85 |
| Payable against Expenses | | 170 |
| | | 1,380 |

8.1 Under the provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund.

In continuation to provide distinguished services to our Unit Holders, AKD Investment Management Limited has decided to temporarily reduce its Management Fee on the AKD Cash Fund from 1.25% to 0.00% from January 19, 2012 till March 31, 2012 (both days inclusive). Thereafter the Management Fee as per the Offering Document i.e., 1.25% shall be applied.

**9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

| | | |
|---|---|---|
| Trustee fee | 9.1 | 14 |
| | | 14 |

9.1 Under the provisions of the Trust Deed, The Trustee is entitled to a remuneration, to be paid monthly in arrears, as per the following tariff structure

| Net Assets | Tariff per annum |
|---|---|
| Upto Rs.1,000 million | 0.17% p.a. of net assets * |
| Exceeding Rs.1,000 million | Rs.1.7 million plus 0.085% p.a.of net assets exceeding Rs.1,000 million |

* (0.17% p.a. of net assets) slab is applicable for the initial one year from the date of lauching of the fund. Thereafter a minimum of Rs.600,000 per annum)

## 10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), the fund is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

## 11 ACCRUED EXPENSES AND OTHER LIABILITIES

| | | (Un-audited) March 31, 2012 Rupees in '000 |
|---|---|---|
| Brokerage | | 5 |
| Auditors' remuneration | | 75 |
| Provision for workers' welfare fund | 11.1 | 41 |
| Other | | 34 |
| | | 155 |

### 11.1 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

In August 2011, the Lahore High Court has issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 are declared unconstitutional and therefore struck down. However, the Management Company is awaiting decision of the Sindh High Court on this matter and as a matter of abundant caution continue to provide for WWF in this interim financial information.

As the matter relating to levy of WWF is currently pending in the court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs.0.041 million in this interim financial information.

## 12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at March 31, 2012

## 13 SALES TAX ON MANAGEMENT FEE

Effective from July 01, 2011, General Sales Tax on Fund management services has been imposed at 16% vide Sindh Sales Tax on Services Act, 2011. Since Management Fee has been waived as per Note 8.1 therefore no provision for sales tax on management fee is made.

## 14 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the Management Company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

**15 EARNINGS PER UNIT - BASIC AND DILUTED**

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.

**16 CASH AND CASH EQUIVALENTS**

| | (Unaudited) March 31, 2012 Rupees in '000 |
|---|---|
| Bank balances | 13,450 |
| Treasury bills | 89,933 |
| | 103,383 |

**17 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons include AKD Investment Management Limited, being the Management Company of the Fund, Aqeel Karim Dhedhi Securities (Private) Limited, Central Depository Company of Pakistan Limited being the trustee, other collective schemes managed by the Management Company and directors and officers of the Management Company and their connected persons.

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

Details of transactions and balances with connected persons are as follows:

**17.1 Transactions during the period**

| | (Unaudited) For The Period From January 19, 2012 To March 31, 2012 Rupees in '000 |
|---|---|
| **AKD Investment Management Limited - Management Company** | |
| Purchase of units 344,707 | 17,241 |
| Issue of bonus units 3,009 | 150 |
| Paid by Management Company on behalf of fund (Reimbursable) | |
| Preliminary expenses and floatation costs | 1,125 |
| Opening of Bank Accounts | 85 |
| Payable against Exepenses | 170 |
| **Central Depository Company of Pakistan Limited - Trustee** | |
| Trustee fee | 32 |
| **AKD Investment Management Limited - Staff Provident Fund** | |
| Purchase of units 30,255 | 1,513 |
| Issue of bonus units 264 | 13 |
| **Key Management Personnel** | |
| Chief Investment Officer | |
| Purchase of units 998 | 50 |

| | | (Unaudited) March 31, 2012 Rupees in '000 |
|---|---|---|
| **17.2** | **Amounts outstanding as at the period end** | |
| | **AKD Investment Management Limited - Management Company** | |
| | Preliminary expenses and floatation costs | 1,125 |
| | Payable against Opening of Bank Accounts | 85 |
| | Payable against Exepnses | 170 |
| | Units held 347,716 | 17,590 |
| | **AKD Investment Management Limited - Staff Provident Fund** | |
| | Units held 30,519 | 1,544 |
| | **Central Depository Company of Pakistan Limited - Trustee** | |
| | Trustee fee payable | 14 |
| | **Key Management Personnel** | |
| | Chief Investment Officer | |
| | Units held 998 | 50 |

## 18 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 30, 2012 by the Board of Directors of the Management Company.

## 19 GENERAL

- Figures have been rounded off to the nearest thousand rupees.

- Comparative figures for March 31,2011 have not been presented in this condensed interim financial information as the fund had commenced operations from January 21, 2012.

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

| | |
|---|---|
| **Imran Motiwala** | **Nadeem Saulat Siddiqui** |
| Chief Executive Officer | Director |

AKD Investment
Management Ltd.

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