Funds Managed by:

# AKD Investment Management Ltd.

# Quarterly Report
# March 31, 2019
# (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.

# TABLE OF CONTENTS

## 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 its nine months report along with the Funds' unaudited financial statements for nine months ended March 31, 2019.

**FUNDS' FINANCIAL PERFORMANCE**

**AKD Opportunity Fund (AKDOF)**

For the 9MFY19, the return of AKD Opportunity Fund stood at -9.42% compared to the benchmark KSE-100 Index return of -7.78%.

**AKD Index Tracker Fund (AKDITF)**

For the 9MFY19, the return of AKD Index Tracker Fund stood at -8.72% compared to the benchmark KSE-100 Index return of -7.78%.

**AKD Cash Fund (AKDCF)**

For the 9MFY19, the annualized return of AKD Cash Fund stood at 7.20% compared to benchmark return of 7.97%.

**AKD Aggressive Income Fund (AKDAIF)**

For the 9MFY19, the annualized return of AKD Aggressive Income Fund stood at 0.89% compared to benchmark return of 10.12%.

**AKD Islamic Income Fund (AKDISIF)**

For the 9MFY19, the annualized return of AKD Islamic Income Fund stood at 7.50% compared to benchmark return of 3.26%.

**AKD Islamic Stock Fund (AKDISSF)**

For the 9MFY19, the return of AKD Islamic Stock Fund stood at -14.07% compared to the benchmark KMI-30 Index return of -10.90%.

**MACRO PERSPECTIVE**

The PTI led Government continued to adopt stringent measures to preserve depleting reserves, and reducing imports However, the depleting GDP growth prospect (3.5% GDP growth rate forecasted by SBP as compared to 5.8% in the corresponding period), worsening fiscal deficit, degradation from global money-laundering watchdog (FATF) over regulatory concerns, and continued delays in IMF bailout program kept the economy under pressure.

The Current Account Deficit (CAD) for 8MFY19 stood at $8.84 billion (4.5% of GDP) as compared to $11.42 billion (5.3% of GDP) in the same period last year (SPLY), exhibiting a decline of 22.56% YoY. This improved performance was on the back of a decrease in imports of goods by 2% YoY to $35.26 billion from $35.83 billion, along with an increase in remittances of 12% YoY to $14.35 billion. However, exports of goods could not pick up as anticipated, and remained approximately the same at $15.98 billion, while the increase in debt servicing eroded the foreign exchange reserves by 2.24% YoY to $17.40 billion.

On the fiscal front, the Federal Board of Revenue (FBR) managed to collect PKR2.68 trillion during 9MFY19 which was around 1.02% higher YoY as compared to the tax collection of PKR2.624 trillion in the SPLY. Despite this modest increase, FBR failed to meet its target for 9MFY19, causing a shortfall of PKR317 billion making it difficult for the Government to achieve its desired target of around PKR4.40 trillion for FY19.

As per Pakistan Bureau of Statistics (PBS), during the 9MFY19, average Consumer Price Index (CPI) was recorded at 6.78% YoY as compared to 3.78% YoY, SPLY. Core CPI calculated by excluding food and energy items clocked in at an alarming 8.24% compared to 5.44%, SPLY. Moreover, the State Bank of Pakistan (SBP) had upward revised its FY19 target of CPI between the range of 6.5-7.5% YoY in its November 2018 MPS, above the annual target of 6%, and maintained this estimate in its latest monetary policy of March 2019, on the back of increased international oil prices, recent Rupee devaluation and increase in gas tariffs. Due to this higher expected inflation, and burgeoning twin deficits, SBP increased the policy rate by 325 bps, to 10.75% during 9MFY19.

According to SBP, The Agriculture sector is expected to underperform, and remain below its target in FY19, due to the increasing water crisis, which is likely to hamper agricultural output production. Moreover, slowdown in the services sector, along with manufacturing sector, has also caused the SBP to reduce its expected real GDP growth of approximately 3.5% for FY19.

The Large Scale Manufacturing (LSM) sector, which constitutes 80% of the total manufacturing and 11% of overall GDP, witnessed a decrease of 2.30% for 7MFY19 (July-January). Major growth was witnessed in sectors such as Electronics (19.22%), Wood Products (18.12%), Engineering Products (12.42%), Fertilizers (5.81%), and Rubber Products (3.22%). On the other hand, LSM sectors which exhibited negative growth were Iron & Steel Products (9.13%), Pharmaceuticals (9.00%), Automobiles (5.24%), Coke & Petroleum Products (4.78%) and Food, Beverages & Tobacco (4.26%).

During 8MFY19, Pakistan was able to attract $1.62 billion in Foreign Direct Investment (FDI) which is around 22.60% lower as compared to the corresponding period last year. This massive decrease was mainly due to a fall in Chinese inflows, due to the Chinese IPP power generation projects being already undertaken, and insignificant investor confidence due to the delayed IMF program. Furthermore, the visit of the Saudi Crown Prince, Mohammad Bin Salman, accompanied by an influential Saudi business delegation concluded a series of multi-billion-dollar agreements (approximately $21 billion in next 5 years) which, in turn, would help Pakistan in regaining its FDI momentum.

In our view, PKR-USD depreciation of 15.66% in 9MFY19, imposition of regulatory duties on various import items, and funds received through financial assistance from friendly countries provided some relief to the Balance of Payment situation. A prospective bailout package by IMF is looking very plausible and the issuance of Diaspora bonds for overseas Pakistanis along with an increase in remittances will provide a much-needed cushion to the external account.

Lastly, CPEC investments will continue to play a vital role in attracting investment in Pakistan and provide support to the deteriorating external account. Overall, clarity about the economic policies and reforms of the current government will remain a key determinant of the country's macro performance.

**EQUITY MARKET REVIEW**

During 9MFY19, KSE-100 Index exhibited a decline of 7.78%, closing at 38,649.34 points. Despite a modest improvement seen in the index during the third quarter, the equity market remained under pressure on the back of depressed market participation arising from decreased investor confidence, stemming from weak economic conditions (balance of payment crisis, currency depreciation, and widening fiscal deficit) and continued foreign investor selling during the period (FIPI recorded net selling of $372.98 million). On the other hand, the average traded volume stood at 82.51 million shares as compared to 87.19 million shares in the SPLY showing a decline of 5.38% YoY.

Inflationary pressures continued to persist, primarily due to increase in food, housing and transport indices, which led the State Bank of Pakistan (SBP) to increase the policy rate by 325 bps to 10.75% during the 9MFY19. This prompted investors to realign their portfolios from equity market to fixed income instruments (T-bills, National Savings Schemes, PIBs, and Bank Deposits etc.) in pursuit of attractive returns.

Going forward, an expected increase in international crude oil price will provide an upside to the oil sector, improving earnings for the Exploration & Production (E&P) sector (Contributing to around 15.79% in KSE-100 Index). A major trigger for the sector would be any significant discovery in the outcome of offshore well Kekra-1, which will be positive for the sector as well as overall economy. On the other hand, rising interest rates would help the banking sector (Contributing to around 25.59% in KSE-100 Index) to regain its momentum, especially ones with the high current account portion and low PIB base.

However, improved liquidity emerging from the renewed investor confidence would still be a major driver for the market. Furthermore, improvement in macro-performance, and entry into an IMF program would bring more clarity, and possibly recover the market sentiments. Currently, the KSE -100 Index is trading at an attractive multiple of 6.99x and at a 46.68% discount in comparison to the emerging markets, offering potential upside for investors.

**MONEY MARKET REVIEW**

During 9MFY19, twenty T-Bill auctions were carried out by the SBP, where government successfully managed to raise PKR13.53 trillion. Weighted average yield on 3-month and 6-month period were 9.10% and 9.41% respectively, as compared to 6.05%, and 6.01%, SPLY. There was no 12-month T-bill auctioned during the period.

To further address the need of liquidity, SBP conducted nine auctions of Pakistan Investment Bonds (PIBs) and was successful in raising PKR441.01 billion during 9MFY19. The yields maintained an upward trend as weighted average maturity yield on 3-year, 5-year, and 10-year maturity rose to 9.08%, 10.30%, and 8.40%, as compared to 6.4%, 6.89%, and 7.94%, SPLY.

The government announced four Monitory Policy Statements (MPS) in 9MFY19, during which it increased the policy rate by 325bps cumulatively, thus taking the policy rate to 10.75%. State Bank of Pakistan conducted 29 Open Market Operations (OMO) in 9MFY19 of different maturities, and injected average amount of PKR758.69 billion per OMO at an average cut-off yield of 8.71%.

As per the SBP`s auction calendar, government is targeting to raise PKR300 billion by issuing 3 to 20-year tenor Pakistan Investment Bonds (PIBs) and PKR3.3 trillion by issuing 3 to 12-month tenor T-Bills in next 3 months to pay back the maturing debt of PKR3.54 trillion. In addition, SBP will raise another PKR300 billion through the auction of a 10-Year Floating PIB.

**FUTURE OUTLOOK**

Keeping in view the current economic situation, it is expected that Pakistan would continue to face severe challenges in FY19. On the external front, recent aid from friendly countries (Saudi, Chinese, and UAE) should provide external support during FY19, but possible entry into an IMF program  still remains of paramount importance as the financial assistance haven't been able to solve liquidity concerns of the country completely.

Despite a gradual improvement in Current Account Deficit during 8MFY19, it still remains a major concern of the incumbent Government and needs urgent remedial measures to decelerate imports, increasing exports, and further improve foreign inflows. However, shifting towards less costly alternative for power production, currency devaluation (15.66% in 9MFY19), and incentives provided to export oriented industries (reduced duties & Rebates) is expected to improve the external account situation. Oil credit facility from Saudi Arabia of $6 billion will further support the CAD situation. Moreover, remittances are also expected to increase further owing to seasonal impact of Ramadhan, along with weakening currency which will further support the ailing economy. Furthermore, measures being taken to curb money laundering and hawala hundi system, will force the money to flow through official channels.

We believe a significant reversal in equity market will be more dependent on liquidity rather than valuations (The KSE-100 index trading at a Price-to-earnings (P/E) and Dividend Yield (DY) of 6.99x and 8.21% respectively as compared to Emerging Market P/E and DY of 13.11x and 2.71% respectively). The investor confidence level and foreign participation will play a major role in this regard.

On the Fixed Income side, a further increase in interest rates has further led to an economic slowdown. Yields on 6 Month T-Bills have surged from 6.90% to around 11.00% during 9MFY19 and are likely increase further by the end of 2019. However, equity markets will have to offer more to entice investors to compete with other asset classes (Pakistan Investment Bonds, Income Funds, National Savings Certificates and Bank Deposits) which are beginning to offer more attractive yields.

Lastly, we believe that there is high probability of Pakistan being removed from the MSCI emerging market in the upcoming review in May 2019, especially after its weight in the MSCI EM index falling to just above 3 bps. However, even if it is removed, it would come into effect after 18 months and isn't expected to cause any major negative activity in the market.

For and on behalf of the Board

**Imran Motiwala**
Chief Executive Officer

**Abdul Karim**
Chairman

Karachi: April 27, 2019

# AKD Islamic Income Fund
## Financial Information - Third Quarter FY19

## Contents

# AKD Islamic Income Fund

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

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

**BANKERS**
BankIslami Paskistan Limited
Dubai Islamic Bank Pakistan Limited
Summit Bank Limited (Islamic Banking)

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

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

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

**DISTRIBUTORS**
AKD Investment Management Limited
Metro Capital (Private) Ltd.

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

# FUND MANAGER'S REPORT

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

Open - end Islamic Income scheme.

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

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

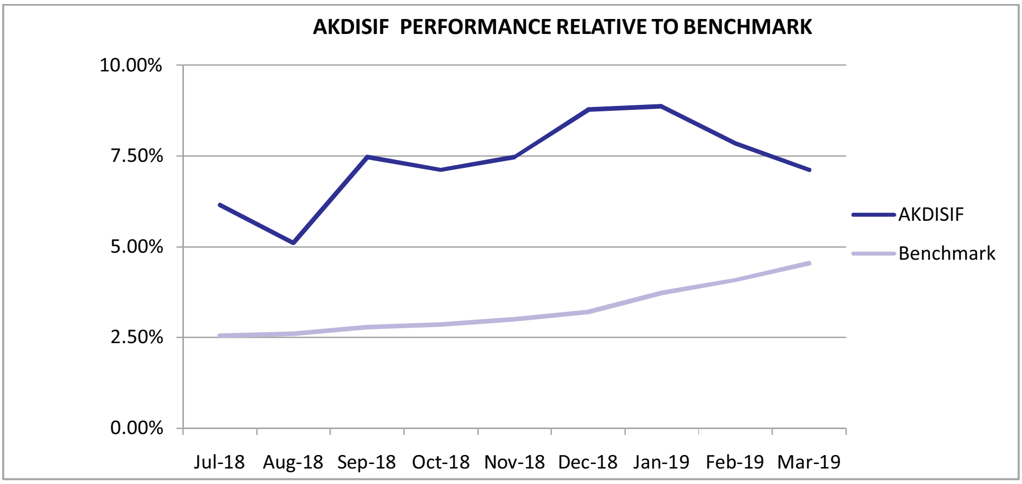
**iii) Explanation as to whether Collective Investment Scheme achieved its stated objective:**

For the 9MFY19, the annualized return of AKD Islamic Income Fundstood at7.50% compared to benchmark return of3.26%.

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

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

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




| Monthly yield (annualized) | Jul-18 | Aug-18 | Sep-18 | Oct-18 | Nov-18 | Dec-18 | Jan-19 | Feb-19 | Mar-19 |
|---|---|---|---|---|---|---|---|---|---|
| AKDISIF | 6.16% | 5.11% | 7.47% | 7.12% | 7.47% | 8.78% | 8.87% | 7.84% | 7.12% |
| Benchmark | 2.56% | 2.61% | 2.78% | 2.86% | 3.01% | 3.20% | 3.73% | 4.09% | 4.54% |

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

AKD Islamic income fund is an open - end Islamic income scheme. The returns of the funds are generated through investment in high quality Shariah complaint securities and Islamic Bank deposit.AKDISIF is fully complied with the relevant policies and procedures as per fund's regulatory requirement.

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

| Asset Allocation (% of Total Assets) | 31-Mar-19 | 31-Dec-18 |
|---|---|---|
| Cash and Cash Equivalents | 74.20% | 70.78% |
| Sukuk | 22.45% | 27.16% |
| Other Assets Including Receivables | 3.35% | 2.06% |

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

| 9MFY19(annualized) | 7.50% |
|---|---|
| Benchmark (annualized) | 3.26% |

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

| Net Assets Value | | Change in Net Assets | NAV Per Unit | |
|---|---|---|---|---|
| 31-Mar-19 | 31-Dec-18 | | 31-Mar-19 | 31-Dec-18 |
| (Rupees in 000) | | | (Rupees) | |
| 219,415 | 127,097 | 72.64% | 52.8223 | 51.7950 |

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

**MACRO PERSPECTIVE**

The PTI led Government continued to adopt stringent measures to preserve depleting reserves, and reducing imports However, the depleting GDP growth prospect (3.5% GDP growth rate forecasted by SBP as compared to 5.8% in the corresponding period), worsening fiscal deficit, degradation from global money-laundering watchdog (FATF) over regulatory concerns, and continued delays in IMF bailout program kept the economy under pressure.

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Lastly, we believe that there is high probability of Pakistan being removed from the MSCI emerging market in the upcoming review in May 2019, especially after its weight in the MSCI EM index falling to just above 3 bps. However, even if it is removed, it would come into effect after 18 months and isn't expected to cause any major negative activity in the market.

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

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

**xii) Break down of unit holding by size:**

| Range (Units) | No. of Investors |
|---|---|
| 0.1 - 9,999 | 205 |
| 10,000 - 49,999 | 18 |
| 50,000 - 99,999 | 7 |
| 100,000 - 499,999 | 7 |
| 500,000 and above | 2 |
| | 239 |

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

There were no unit splits during the period.

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

Investments are subject to credit and market risk.

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

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

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
## AS AT MARCH 31, 2019

| | Note | (Un-Audited) March 31, 2019 | (Audited) June 30, 2018 |
|---|---|---|---|
| | | ------- (Rupees in '000) ------- | |
| **Assets** | | | |
| Bank balances | 4 | **164,179** | 144,188 |
| Investments | 5 | **49,668** | 35,016 |
| Profit receivable on bank deposits and sukuk certificates | | **2,213** | 1,143 |
| Deposits, prepayments and other receivables | 6 | **4,106** | 52,043 |
| Preliminary expenses and floatation cost | 7 | **1,116** | 1,331 |
| **Total Assets** | | **221,282** | 233,721 |
| **Liabilities** | | | |
| Payable to the Management Company | 8 | **1,350** | 1,712 |
| Payable to the Trustee | 9 | **26** | 21 |
| Payable to Securities and Exchange Commission of Pakistan | 10 | **82** | 43 |
| Payable against Redemption of Units | | **-** | 1,250 |
| Accrued expenses and other liabilities | 11 | **409** | 323 |
| **Total Liabilities** | | **1,867** | 3,349 |
| **Net Assets** | | **219,415** | 230,372 |
| **Unit Holders' Fund (as per statement attached)** | | **219,415** | 230,372 |
| **Contingencies and Commitments** | 12 | | |
| | | **Number of units** | **Number of units** |
| **Number of units in issue** | | **4,153,831** | 4,536,064 |
| | | ------ Rupees ------ | ------ Rupees ----- |
| **Net assets value per unit** | | **52.8223** | 50.7868 |

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

**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, 2019

| | Note | Nine months period ended March 31, 2019 | For the Period from February 19, 2018 to March 31, 2018 | Three months period ended March 31, 2019 |
|---|---|---|---|---|
| | | ('Rupees in '000) | | |
| **Income** | | | | |
| Net unrealised diminuition on remeasurement of investments classified as 'financial assets at fair value through profit and loss' | 5.2 | (348) | (18) | (351) |
| Income from sukuk certificates | | 2,720 | 137 | 1,121 |
| Profit on bank deposits | | 6,790 | 898 | 3,126 |
| **Total income** | | 9,162 | 1,017 | 3,896 |
| **Expenses** | | | | |
| Remuneration of the Management Company | 8.1 | - | 107 | - |
| Sales tax on the remuneration of the Management Company | 8.2 | - | 14 | - |
| Remuneration of the Trustee | 9.1 | 131 | 20 | 51 |
| Sales tax on the Trustee remuneration | 9.2 | 17 | 3 | 6 |
| Annual fee to the Securities and Exchange Commission of Pakistan | 10.1 | 82 | 12 | 32 |
| Expenses allocated by the Management Company | 8.3 | 109 | 16 | 43 |
| Securities transaction costs | | - | 11 | - |
| Auditors' remuneration | | 106 | 43 | 44 |
| Settlement and bank charges | | 99 | 7 | 69 |
| Amortisation of preliminary expenses and floatation costs | | 215 | 31 | 70 |
| Fee and subscription | | 144 | 26 | 48 |
| Printing and related cost | | 87 | 30 | 39 |
| Legal and professional charges | | 168 | 16 | 73 |
| Provision against Sindh Workers' Welfare Fund | | 160 | 14 | 68 |
| **Total expenses** | | 1,318 | 350 | 543 |
| **Net income for the period before taxation** | | 7,844 | 667 | 3,353 |
| Taxation | 14 | - | - | - |
| **Net income for the period after taxation** | | 7,844 | 667 | 3,353 |
| **Allocation of net income for the period** | | | | |
| Net income for the period after taxation | | 7,844 | 667 | 3,353 |
| Income already paid on units redeemed | | (1,973) | (35) | (633) |
| | | 5,871 | 632 | 2,720 |
| **Accounting income available for distribution** | | | | |
| - Relating to capital gains | | - | - | - |
| - Excluding capital gains | | 5,871 | 632 | 2,720 |
| | | 5,871 | 632 | 2,720 |

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

**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 (UNAUDITED)

## FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2019

| | Nine months period ended March 31, 2019 | For the Period from February 19, 2018 to March 31 2018 | Three months period ended March 31, 2019 |
|---|---|---|---|
| | ('Rupees in '000) | | |
| **Net income for the period after taxation** | **7,844** | 667 | **3,353** |
| Other comprehensive income for the period | **-** | - | - |
| **Total comprehensive income for the period** | **7,844** | 667 | **3,353** |

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

**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, 2019

| | Nine months period ended March 31, 2019 | For the Period from February 19, 2018 to March 31 2018 | Three months period ended March 31, 2019 |
|---|---|---|---|
| | ('Rupees in '000) | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income for the period before taxation | **7,844** | 667 | **3,353** |
| **Adjustments** | | | |
| Amortisation of preliminary expenses and floatation costs | **215** | 31 | **70** |
| Net unrealised diminution on remeasurement of investments classified as 'financial assets at fair value through profit and loss' | **348** | 18 | **351** |
| | **8,407** | 716 | **3,774** |
| **(Increase) / decrease in assets** | | | |
| Profit receivable on bank deposits and sukuk certificates | **(1,070)** | (835) | **(1,015)** |
| Investment - net | **(15,000)** | (20,120) | **(15,000)** |
| Deposits, prepayments and other receivables | **47,937** | (100) | **(3,834)** |
| Preliminary Expenses and Floatation Cost | **-** | (1,433) | **-** |
| | **31,867** | (22,488) | **(19,849)** |
| **Increase / (decrease) in liabilities** | | | |
| Payable to the Management Company | **(362)** | 1,708 | **(92)** |
| Payable to the Trustee | **5** | 18 | **13** |
| Payable against Redemption of units | **(1,250)** | - | **-** |
| Payable to Securities and Exchange Commission of Pakistan | **39** | 12 | **32** |
| Accrued expenses and other liabilities | **86** | 142 | **54** |
| | **(1,482)** | 1,880 | **7** |
| **Net cash generated from / (used in) operating activities** | **38,792** | (19,892) | **(16,068)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Amount received on issue of units | **362,586** | 210,199 | **198,022** |
| Payment against redemption of units | **(379,518)** | (56,113) | **(109,057)** |
| Dividend Paid | **(1,869)** | - | **-** |
| **Net cash generated from / (used in) financing activities** | **(18,801)** | 154,086 | **88,965** |
| **Net increase in cash and cash equivalents** | **19,991** | 134,194 | **72,897** |
| Cash and cash equivalents at beginning of the period | **144,188** | - | **91,282** |
| **Cash and cash equivalents at end of the period** | **164,179** | 134,194 | **164,179** |

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

**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, 2019

| | Nine months period ended March 31 | | | For the Period from February 19, to March 31, | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Rupees in '000 | | | Rupees in '000 | | |
| | Capital value | Undistributed income | Net assets | Capital value | Undistributed income | Net assets |
| **Net assets at beginning of the period** | **228,503** | **1,869** | **230,372** | - | - | - |
| Issue of 7,049,982 units (2018: 4,202,838 units) | | | | | | |
| - Capital value (at Ex-Net asset value per unit at beginning of the period) | **352,540** | **-** | **352,540** | 210,142 | - | 210,142 |
| - Element of income | **11,720** | **-** | **11,720** | 57 | - | 57 |
| Total proceeds on issuance of units | **364,260** | **-** | **364,260** | 210,199 | - | 210,199 |
| Redemption of 7,432,215 units (2018: 1,121,317 units) | | | | | | |
| - Capital value (at Ex-Net asset value per unit at beginning of the period) | **371,653** | **-** | **371,653** | 56,066 | - | 56,066 |
| - Element of income | **5,892** | **1,973** | **7,865** | 12 | 35 | 47 |
| Total payments on redemption of units | **377,545** | **1,973** | **379,518** | 56,078 | 35 | 56,113 |
| Total comprehensive income for the period | **-** | **7,844** | **7,844** | - | 667 | 667 |
| Distribution during the period | - | **(1,869)** | **(1,869)** | - | - | - |
| Refund of Capital | **(1,674)** | **-** | **(1,674)** | - | - | - |
| Net income for the period less distribution | **(1,674)** | **5,975** | **4,301** | - | 667 | 667 |
| **Net assets at end of the period** | **213,544** | **5,871** | **219,415** | 154,121 | 632 | 154,753 |
| Undistributed income brought forward | | | | | | |
| - Realised income | | **2,033** | | | - | |
| - Unrealised income | | **(164)** | | | - | |
| | | **1,869** | | | - | |
| Accounting income available for distribution | | | | | | |
| - Relating to capital gains | | **-** | | | - | |
| - Excluding capital gains | | **5,871** | | | 632 | |
| | | **5,871** | | | 632 | |
| Distribution during the period at Rs. 0.78101 per unit i.e. 1.56% of the par value of Rs. 50/- each (July 6, 2018) | | **(1,869)** | | | - | |
| Undistributed income carried forward | | **5,871** | | | 632 | |
| Undistributed income carried forward | | | | | | |
| - Realised income | | **6,219** | | | 650 | |
| - Unrealised gain | | **(348)** | | | (18) | |
| | | **5,871** | | | 632 | |
| | | | **(Rupees)** | | | (Rupees) |
| Net assets value per unit at beginning of the period | | | **50.7868** | | | 50.0000 |
| Net assets value per unit at end of the period | | | **52.8223** | | | 50.2197 |

The annexed notes 1 to 18 form an integral part of these condensed interim financial statements.

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

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

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

## FOR THE NINE MONTHS PERIOD AND QUARTER ENDED MARCH 31, 2019

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

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

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

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

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned Asset Manager Rating of 'AM3++' to the Management Company dated February 8, 2019. PACRA has also assigned fund stability rating of "A+(f)" to the fund dated December 28, 2018.

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

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and

- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.1.2** The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of IAS 34. These 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 period ended June 30, 2018.

**2.1.3** In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company hereby declare that these condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at March 31, 2019.

**2.2 Basis of measurement**

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

**2.3 Functional and presentation currency**

These condensed interim financial information are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

**2.4 Use of judgments and estimates**

The preparation of the condensed interim financial statements in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the year in which the estimates are revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Areas involving a higher degree of judgement or complexity, or areas where estimates and assumptions are significant to the financial statements as a whole are as follows:

(i) classification and valuation of financial assets ; and
(ii) impairment of financial assets

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

**3.1** The accounting policies adopted in the preparation of these condensed interim financial information are consistent with those applied in the preparation of the annual audited financial statements of the Fund for the period ended June 30, 2018, and for the application of IFRS - 9 'Financial Instruments' disclosed in note 3.6.

3.2 The preparation of these condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgements and assumptions that affect the reported amount of assets, liabilities, income and expenses. It also requires the management to exercise judgement in application of its accounting policies. The estimates, judgements and associated assumptions are based on the historical experience and various other factors that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are 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.

3.3 The significant judgments made by management in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual audited financial statements of the Fund for the period ended June 30, 2018, except for the application of IFRS - 9 'Financial Instruments' disclosed in note 3.6.

3.4 There are certain new and amended standards, interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2018 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these condensed interim financial information

3.5 On application of IFRS - 9 'Financial Instruments', there is no material change in the Fund's financial risk management objectives and policies and are consistent with those disclosed in the annual audited financial statements of the Fund for the period ended June 30, 2018.

**3.6 Impact of initial application of IFRS 9 Financial Instruments**

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to the disclosures for the nine months period ended March 31, 2019.

IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which are not applicable on the operations of the Fund. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

**(a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01,

2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

**Specifically:**

. debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;

. debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);

. all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the aforegoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

. the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

. the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- there is no change in the measurement of the Fund's investments in debt instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income for the period.

**(b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

**(c) Classification and measurement of financial liabilities**

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

**(d) Disclosures in relation to the initial application of IFRS 9**

There were no financial assets or financial liabilities under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

| | Carrying amount as per IAS 39 as on June 30, 2018 | Reclassifications | Remeasurements | Carrying amount on initial adoption of IFRS 9 on July 01, 2018 | Effect on retained earnings on July 1, 2018 |
|---|---|---|---|---|---|
| **Financial assets** | | ------------------ Rupees ('000')------------------ | | | |
| **Fair value through profit or loss** | | | | | |
| From held for trading (IAS - 39) | 35,016 | 35,016 | - | 35,016 | - |
| | **35,016** | **35,016** | **-** | **35,016** | **-** |

| | Note | (Unaudited) March 31, 2019 | (Audited) June 30, 2018 |
|---|---|---|---|
| | | ------ (Rupees in '000) ------ | |
| **4. BANK BALANCES** | | | |
| In saving accounts | 4.1 | **164,179** | 144,188 |

**4.1** This represent bank accounts held with different banks. Mark-up rates on these accounts range between 8.25% to 10.00% per annum (June 30, 2018: 4.50% to 6.50% per annum).

| | Note | (Unaudited) March 31, 2019 | (Audited) June 30, 2018 |
|---|---|---|---|
| **5. INVESTMENTS** | | | |
| At fair value through profit and loss'<br>- Listed sukuk certificates | 5.1 | **49,668** | 35,016 |

5.1 **Investments 'at fair value through profit or loss'**
**Sukuk certificates**

| Name of security | Rate of return (per anum) | Number of Units | | | | Carrying value as at Mar 31, 2019 | Market value as at Mar 31, 2019 | Unrealised appreciation / (diminution) as at Mar 31, 2019 | Market value as a percentage of net assets | Market value as a percentage of total investments |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Opening | Purchased during the period | Sold / Matured during the period | As at Mar 31, 2019 | | | | | |
| | | | | | | ------------------ Rupees in '000 | ------------------ | | | |
| Dawood Hercules Corporation Limited | 11.72% | 200 | - | - | 200 | 20,040 | 19,818 | (222) | 9.03% | 39.90% |
| BYCO Petroleum Pakistan Limited | 11.56% | 150 | - | - | 150 | 14,976 | 14,850 | (126) | 6.77% | 29.90% |
| Hub Power Company Limited | 11.75% | - | 3,000 | - | 3,000 | 15,000 | 15,000 | - | 6.84% | 30.20% |
| **Total listed debt securities as at March 31, 2019** | | | | | | **50,016** | **49,668** | **(348)** | | |
| Total listed debt securities as at June 30, 2018 | | | | | | 35,180 | 35,016 | (164) | | |

| | | Note | (Unaudited) March 31, 2019 | (Audited) June 30, 2018 |
|---|---|---|---|---|
| | | | -------- (Rupees in '000) -------- | |
| **5.2** | **Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'** | | | |
| | Market value of investments | 5.1 | **49,668** | 35,016 |
| | Carrying amount of investments | 5.1 | **50,016** | 35,180 |
| | | | **(348)** | (164) |

| | | Note | (Unaudited) March 31, 2019 | (Audited) June 30, 2018 |
|---|---|---|---|---|
| **6** | **DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES** | | | |
| | Security deposits with Central Depository Company of Pakistan Limited | | **100** | 100 |
| | Prepaid Shairah Advisor fee | | **146** | 105 |
| | Prepaid PSX Annual Listing Fee | | **7** | - |
| | Prepaid Rating Fee | | **28** | - |
| | Receivable against conversion of units | | **3,771** | 51,784 |
| | Advance tax | 6.1 | **54** | 54 |
| | | | **4,106** | 52,043 |

**6.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, during the year ended June 30, 2018, withholding tax on profit on debt paid to the Fund was deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholdee. The tax withheld on profit on debt amounts to Rs 0.054 million.

| | | Note | (Unaudited) March 31, 2019 | (Audited) June 30, 2018 |
|---|---|---|---|---|
| **7** | **PRELIMINARY EXPENSES AND FLOATATION COST** | | | |
| | Preliminary expenses and floatation cost | | **1,331** | 1,433 |
| | Less: Amortised during the period | 7.1 | **(215)** | (102) |
| | | | **1,116** | 1,331 |

7.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance Companies and Notified Entities Regulation, 2008.

| | | Note | (Unaudited) March 31, 2019 | (Audited) June 30, 2018 |
|---|---|---|---|---|
| **8** | **PAYABLE TO MANAGEMENT COMPANY** | | | |
| | Remuneration | 8.1 | **-** | - |
| | Sales tax on management fees | 8.2 | **-** | - |
| | Expenses allocated by the management company | 8.3 | **19** | 57 |
| | Formation cost | | **1,331** | 1,433 |
| | Sales load payable | | **-** | 10 |
| | Others | | **-** | 212 |
| | | | **1,350** | 1,712 |

**8.1** The Management Company is entitled to remuneration for services rendered to the Fund under the provisions of the amended NBFC Regulations dated November 25, 2015, of an amount not exceeding 1.5 percent of the average daily net assets of the Fund. During the period the management Company has charged 0% management fees with effect from July 01, 2018 to March 31, 2019 in order to benefit the unit holders.

**8.2** Sindh sales tax at the rate of 13% (June 30, 2018: 13%) on gross value of management fee is charged under the provisions of Sindh Sales Tax on Services Act, 2011.

**8.3** This represents the amount payable to the Management Company under NBFC Regulation 60(3)(s), wherein the Management Company is allowed to charge their cost to Collective Investment Schemes (CIS) in respect of fees and expenses related to registrar, accounting, and other services related to CIS. The maximum cost that can be charged in this regard is up to 0.1% of the average annual net assets of that CIS or actual, whichever is less.

| | Note | (Unaudited) March 31, 2019 | (Audited) June 30, 2018 |
|---|---|---|---|
| | | -------- (Rupees in '000) | -------- |
| **9 PAYABLE TO THE TRUSTEE** | | | |
| Trustee fee | 9.1 | **23** | 18 |
| Sindh Sales Tax | 9.2 | **3** | 3 |
| | | **26** | 21 |

**9.1** The Trustee is entitled to a monthly remuneration to be paid monthly in arrears for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund.

The tariff structure applicable to the fund is as follows:

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

**9.2** Sindh Sales Tax is charged at 13% on the Trustee fee.

| | Note | | |
|---|---|---|---|
| **10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)** | | | |
| Annual fee payable to SECP | 10.1 | **82** | 43 |

**10.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 a collective investment scheme categorised as an income scheme 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 scheme. The fee is payable annually in arrears.

| | | Note | (Unaudited) March 31, 2019 | (Audited) June 30, 2018 |
|---|---|---|---|---|
| | | | -------- (Rupees in '000) -------- | |
| 11 | **ACCRUED EXPENSES AND OTHER LIABLITIES** | | | |
| | Auditors remuneration | | **74** | 145 |
| | Printing charges payable | | **56** | 70 |
| | Provision for Sindh Workers' Welfare Fund | 11.1 | **212** | 52 |
| | Others | | **67** | 56 |
| | | | **409** | 323 |

**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, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their 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 had 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 should be made with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

In the repealed Companies Ordinance, 1984 and the now applicable Companies Act, 2017, mutual funds have not been included in the definition of "financial institutions". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from July 01, 2018 to March 31, 2019, the net asset value of the Fund as at March 31, 2019 would have been higher by Re. 0.051 per unit (June 30, 2018: 0.011 per unit).

**12 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at March 31, 2019 (June 30, 2018: Nil)

**13 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016 dated July 20, 2016 issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the nine months ended March 31, 2019 is 0.91%, which includes 0.19% representing government levy, Sindh Worker's Welfare Fund and SECP fee etc..

## 14 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

## 15 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons include AKD Investment Management Limited, being the Management MCB Financail Services Limited, being the Trustee, Aqeel Karim Dhedhi Securities (Private) Limited, AKD Securities Limited, directors, officers and other connected persons of the Management Company, and directors of the Company and their connected persons.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates. Details of transactions and balances with connected persons are as follows:

| | For the Nine months period ended March 31 | For the Period from February 19, 2018 to March 31 |
|---|---|---|
| | 2019 | 2018 |
| | (Un-audited) | (Un-audited) |
| | (Rupees in 000) | |
| **15.1 Transactions during the period** | | |
| **AKD Investment Management Limited - Management Company** | | |
| Remuneration to Management Company - | - | 107 |
| Sales Tax on Remuneration to Management Company | - | 14 |
| Expenses allocated by the Management Company | **109** | 16 |
| Formation Cost paid by Management Compnay | - | 1,433 |
| Amount paid by Management Company on behalf of the Fund | - | 138 |
| Issue of 4,814 units (2018: Nil) | **245** | - |
| Redemption of 4,814 units (2018: Nil) | **247** | - |
| **MCB Financial Services Limited - Trustee** | | |
| Trustee remuneration | **131** | 20 |
| Sindh Sales Tax on trustee remuneration | **17** | 3 |
| **Chief Financial Officer of the Management Company** | | |
| Units issued: Nil (2018: 2,989) | - | 150 |
| Issue of 44 Capital Refund units (2018: Nil) | **2** | - |
| Dividend paid (2018: Nil) | **3** | - |
| **Company Secretary and Chief Operating Officer of the Management Company** | | |
| Issue of 660 units (2018: Nil) | **34** | - |
| Issue of 229 capital refund units (2018: Nil) | **11** | - |
| Dividend paid (2018: Nil) | **1** | - |
| Redemption of 645 units (2018: Nil) | **33** | - |
| **Fund Manager of AKDITF and AKDISSF** | | |
| Issue of 9 capital refund units (2018: Nil) | **1** | - |
| Issue of 8 units (2018: Nil) | - | - |
| Redemption of 1,133 units (2018: Nil) | **58** | - |
| **TPL Insurance Limited - Connected person due to holding of more than 10% units** | | |
| Units issued : 6,656 (2018: 501,339) | **333** | 25,067 |
| **Chief Executive Officer of the Management Company** | | |
| Issue of 16,293 units (2018: Nil) | **820** | - |
| Redemption of 16,293 units (2018: Nil) | **825** | - |
| **Spouse of the Chief Executive Officer of the Management Company** | | |
| Issue of 85,876 units (2018: Nil) | **4,330** | - |
| Redemption of 85,876 units (2018: Nil) | **4,341** | - |

| | For the Nine months period ended March 31 2019 (Un-audited) | For the Period from February 19, 2018 to March 31 2018 (Un-audited) |
|---|---|---|
| | (Rupees in 000) | |
| **Transactions during the period** | | |
| **Hina Aqeel - Close relative of the Sponsor of the Management Company** | | |
| Issue of 38,089 units (2018: Nil) | **1,917** | - |
| Redemption of 38,089 units (2018: Nil) | **1,942** | - |
| **Afsheen Aqeel Dhedhi- Close relative of the Sponsor of the Management Company** | | |
| Issue of 19,045 units (2018: Nil) | **959** | - |
| Redemption of 19,045 units (2018: Nil) | **971** | - |
| **Muhammad Farid Alam - Key Management Personnel of Associated Company** | | |
| Issue of 72 units (2018: Nil) | **4** | - |
| **Attock Cement Pakistan Ltd.Employees Provident Fund* - Connected person due to holding of more than 10% units** | | |
| Units issued : Nil (2018: 382,151) | **-** | 19,108 |
| **Askari General Insurance Co. Ltd. - Connected person due to holding of more than 10% units** | | |
| Units issued : 483,216 (2018: 500,236) | **25,000** | 25,012 |
| **Sakrand Sugar Mills Limited Employees Provident Fund Trust - Connected person due to holding of more than 10% units*** | | |
| Units issued : Nil (2018: 699,283) | **-** | 35,000 |
| **Silk Bank Employee Provident Fund - Connected person due to holding of more than 10% units*** | | |
| Units issued : 833,061 units (2018: Nil) | **43,723** | - |

| | March 31, 2019 (Un-audited) | June 30, 2018 (Audited) |
|---|---|---|
| | (Rupees in 000) | |
| **15.2 Balances outstanding at the period / year end** | | |
| **AKD Investment Management Limited - Management Company** | | |
| Management remuneration payable | - | - |
| Sales Tax Payable on Management Remuneration | - | - |
| Payable against Expenses allocated by the Management Company | **19** | 57 |
| Payable against Formation Cost paid by Management Compnay | **1,331** | 1,433 |
| Sales Load Payable | **-** | 10 |
| Other Payables to Management Company | **-** | 212 |
| **MCB Financial Services Limited - Trustee** | | |
| Remuneration payable | **23** | 18 |
| Sindh Sales Tax on trustee remuneration payable | **3** | 3 |
| **AKD Opportunity Fund** | | |
| Receivable against conversion of units | **3,772** | 51,784 |
| **Chief Financial Officer of the Management Company** | | |
| Outstanding 6,800 units (June 2018: 6,756 units) | **359** | 343 |
| **Company Secretary and Chief Operating Officer of the Management Company** | | |
| Outstanding 16,013 units (June 2018:15,769 units) | **846** | 801 |
| **Fund Manager of AKDITF and AKDISSF** | | |
| Outstanding Nil units (June 2018:1,116 units) | **-** | 57 |
| **Muhammad Farid Alam - Key Management Personnel of Associated Company** | | |
| Outstanding 72 units (June 2018: Nil units) | **4** | - |
| **Syed Masood-ul-Hasan* - Connected person due to holding of more than 10% units** | | |
| Outstanding Nil units (June 2018: 1,029,317 units) | **-** | 52,276 |
| **Sakrand Sugar Mills Limited Employees Provident Fund* - Connected person due to holding of more than 10% units** | | |
| Outstanding Nil units (June 2018: 699,283 units) | **-** | 35,514 |
| **TPL Insurance Limited - Connected person due to holding of more than 10% units** | | |
| Outstanding 507,995 (June 2018: 501,339 units) | **26,833** | 25,461 |
| **Askari General Insurance Co. Ltd.** - Connected person due to holding of more than 10% units** | | |
| Outstanding 483,216 (June 2018: Nil units) | **25,525** | - |
| **Silk Bank Employee Provident Fund** - Connected person due to holding of more than 10% units** | | |
| Outstanding 833,061 (June 2018: Nil units) | **44,004** | - |

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

**16. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

| | | March 31, 2019 (Un-Audited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | | Fair Value | | | |
| On-balance sheet financial instruments | Note | Fair value through profit or loss | Fair value through other comprehensive income | At amortised cost | Other financial assets / liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| | | (Rupees in '000) | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | | |
| Investments | | | | | | | | | | |
| - Sukuk Certificates | | 49,668 | - | - | - | 49,668 | - | 49,668 | - | 49,668 |
| | | 49,668 | - | - | - | 49,668 | - | 49,668 | - | 49,668 |
| **Financial assets not measured at fair value** | 16.1 | | | | | | | | | |
| Bank balances | | - | - | - | 164,179 | 164,179 | | | | |
| Profit receivable on bank deposits and sukuk certificates | | - | - | - | 2,213 | 2,213 | | | | |
| Deposits, prepayments and other receivables | | - | - | - | 3,871 | 3,871 | | | | |
| | | | - | - | 170,263 | 170,263 | | | | |
| **Financial liabilities not measured at fair value** | 16.1 | | | | | | | | | |
| Payable to the Management Company | | - | - | - | 1,350 | 1,350 | | | | |
| Payable to the Trustee | | - | - | - | 26 | 26 | | | | |
| Payable against Redemption of Units | | - | - | - | - | - | | | | |
| Accrued expenses and other liabilities | | - | - | - | 197 | 197 | | | | |
| | | | - | - | 1,573 | 1,573 | | | | |

| | Note | June 30, 2018 (Audited) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Carrying amount | | | | | Fair Value | | | |
| | | Available-for-sale | Held-for-trading | Loans and receivables | Other financial assets / liabilities | Total | Level 1 | Level 2 | Level 3 | Total |
| **On-balance sheet financial instruments** | | (Rupees in '000) | | | | | | | | |
| **Financial assets measured at fair value** | | | | | | | | | | |
| Investments - Listed Sukuk certificates | | - | 35,016 | - | - | 35,016 | - | 35,016 | - | 35,016 |
| | | - | 35,016 | - | - | 35,016 | - | 35,016 | - | 35,016 |
| **Financial assets not measured at fair value** | 16.1 | | | | | | | | | |
| Bank balances | | - | - | - | 144,188 | 144,188 | | | | |
| Profit receivable on bank deposits and sukuk certificates | | - | - | - | 1,143 | 1,143 | | | | |
| Deposits, prepayments and other receivables | | - | - | - | 51,884 | 51,884 | | | | |
| | | - | - | - | 197,215 | 197,215 | | | | |
| **Financial liabilities not measured at fair value** | 16.1 | | | | | | | | | |
| Payable to the Management Company | | - | - | - | 1,712 | 1,712 | | | | |
| Payable to Trustee | | - | - | - | 21 | 21 | | | | |
| Payable against Redemption of Units | | - | - | - | 1,250 | 1,250 | | | | |
| Accrued expenses and other liabilities | | - | - | - | 270 | 270 | | | | |
| | | - | - | - | 3,253 | 3,253 | | | | |

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

**17. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information were authorised for issue by the Board of Directors of the Management Company on April 27, 2019.

**18. GENERAL**

**18.1** Figures have been rounded off to the nearest thousand Rupees.

**18.2** This condensed interim financial information are unaudited.

**18.3** Corresponding figures have been rearranged and reclassified, wherever necessary, for better presentation and disclosure.

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

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

AKD Investment
Management Ltd.


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