

Half Year Report
December 31, 2016
(Unaudited)



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited
Rated: AM2++ by PACRA

MCB DCF INCOME FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmed	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr. Abdul Basit	
Trustee	Central Depositary Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB DCF Income Fund** account review for the half ended December 31, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

Weakness in external account raised concerns in otherwise progressive improvement in headline economic indicators continuing for the last 2 years. Weak trade balance, primarily due to subdued trend in exports and higher imports alongwith weak contribution from services and remittances kept the pressure on overall Current Account balance which widened 92% in 1HFY17 to USD 3.6 billion. It is pertinent to note that partial increase in imports is triggered by machinery imports which have increased by 8.3% alongwith increase in oil import bill which is expected to widen further given recent arrangements from OPEC to support Int'l Crude Oil prices. The cushion to Balance of Payments was bolstered by financial account of USD 3.7 bn where major respite came from the net borrowing of USD 740 million alongwith the inflow materialized in FDI on completion of acquisition of stake in Engro Foods by Freisland Campina. Overall balance of the Balance of Payments stood at USD 225 mn compared to USD 1.5 bn during same period of last year.

Foreign exchange reserves stood at USD 23.2 bn (06th Jan 2017). It is pertinent to note that SBP reserves explain most of the volatility in Forex reserves where government borrowing and retirement of loans has net negative balance in 1HFY17 while closing approx USD 1bn lower from peak seen in Oct 16.

Undergoing appreciation of about 0.4% in 1HFY17, PKR continues to remain resilient against USD which also raises concerns given the relative weakness in other developing economies and also reflected from REER as measured by SBP reaching to a high of 126 depicting significant overvaluation.

Fiscal deficit increased to 1.3 % (1QFY17) of GDP as against 1.1% in SPLY due to sharp decline in non-tax revenue. On provisional basis, tax authority has managed to collect PKR 1,460 billion during 1HFY17, recording a shortfall of PKR ~127 billion from the desired target. With annual tax collection target of PKR 3.6 trillion; demanding a growth rate of 17% YoY, and higher development spending, fiscal deficit is likely to exceed 4.5% against budgetary target of 3.8%. Focus of government on development spending is however positive for the overall long term direction and thus slippage on this front is not a major concern.

LSM grew by 3.24% YoY in 5MFY17. The growth is driven through consumer, electrical, automobiles and cement manufacturing. Inflation continued its upward trajectory with first half averaging 3.88% compared to 2.08% for 1HFY16. The withering of low base effect along with inherent increases in food and housing pricing triggered inflationary pressures. The government kept on absorbing the incremental petrol prices which kept the inflation subdued.

M2 growth posted year to date growth of 5.45% by the end of the year. The deposits grew seasonally by PKR 420 bn in a week supported by year end efforts of banks to expand balance sheet size. Thereafter, the M2 growth has normalized to 3.68%. Moreover, the abnormal accumulation in currency in circulation (CIC) last year triggered after imposition of withholding tax on cash withdrawals has normalized though CIC to M2 ratio is still high at 26% against previous average of 22%. The Net Domestic Assets increased by PKR 518 bn supported by net government sector borrowings of PKR 390 bn.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.57% as against its benchmark return of 5.86%. Fund has significantly adjusted its WAM from 2.8 YTM to 1.7 YTM because of stable interest rate outlook during the period. The fund allocation remained notably in Cash and TFCs as at the end of the period under review. At period-end, the fund was 2.4% invested in T-Bills, 13% in TDRs, 25.5% in Cash and 22.5% in TFCs. High cash exposure was due to the fact that December was CY end for banks and the banks were offering lucrative rates on bank deposits.

The Net Asset of the Fund as at December 31, 2016 stood at Rs. 7,009 million as compared to Rs. 6,849 million as at June 30 2016 registering an increase of 2.34%.

The Net Asset Value (NAV) per unit as at December 31, 2016 was Rs. 108.4876 as compared to opening NAV of Rs. 106.0443 per unit as at June 30, 2016 registering a decrease of Rs. 2.47 per unit.

FUTURE OUTLOOK

The reversal in crude oil prices is expected to wither of the fiscal space previously available amid growing import bill. The recent decision by government to revise up petroleum prices in its latest fortnightly decision points towards constricting fiscal liberty. The recently announced textile package is expected to provide support to the export sector. However, the overvalued currency as depicted from REER still remains a blockade for export competitiveness of the country however the same may remain deferred till the government continues to fund the gap through borrowing.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

The inflationary pressures are also expected to succumb to expected increments in petroleum prices along with its trickle down impact on food inflation. We expect inflation for the year to average ~4.3%. It is pertinent to note inflation for next half of the year is expected to average around 4.8% with inflation for closing months of the year to exceed 5%.

While, we expect interest rates to remain stable in the short term given the stable inflationary trends, exchange rate overvaluation along with weak external account suggest a close review of emerging trends with potential for inflection on either side though biased in favor of monetary tightening.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The MSCI specific companies are expected to gain limelight as formal inclusion nears. However, the volatility in global markets lead by uncertainty in global economies after Trump's induction as US President and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our positive stance on the market.

ACKNOWLEDGMENT

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

For and on behalf of Board,



Muhammad Saqib Saleem
Chief Executive Officer
February 2, 2017

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی ڈی ایس ایف اکنام فنانڈ کے 31 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

خارجی اکاؤنٹ میں کمزوری نے اہم ترین معاشی علامات میں گزشتہ 2 برسوں سے جاری ترقیاتی بہتری میں خدشات پیدا کیے۔ کمزور تجارتی توازن کے باعث، جس کی بنیادی وجوہات برآمدات کا پست رجحان اور پہلے سے زیادہ درآمدات، بشمول سروسز اور ترسیلات زر کی کمزور کارکردگی ہیں، مجموعی کرنٹ اکاؤنٹ بیلنس پر دباؤ رہا جو 2017ء کی پہلی ششماہی میں 92% بڑھ کر 3.6 بلین ڈالر ہو گیا۔ یاد رہے کہ درآمدات میں جزوی اضافے کی محرک مشینری کی درآمدات ہیں جن میں 8.3% اضافہ ہوا، بشمول تیل کی درآمد میں اضافے کے، جس میں OPEC کے خام تیل کی بین الاقوامی قیمتوں میں معاونت کے حالیہ اقدامات کے پیش نظر مزید اضافہ متوقع ہے۔ ادائیگیوں کے توازن کے تحفظ کی 3.7 بلین ڈالر کے مالیاتی اکاؤنٹ سے حوصلہ افزائی ہوئی، اور اس ضمن میں اہم ترین پیش رفت 740 ملین ڈالر کے قرض، بشمول ایگرو فوڈز میں Freisland Campina کی حصص داری کی تکمیل پر FDI (غیر ملکی براہ راست سرمایہ کاری) میں اضافے سے ہوئی۔ ادائیگیوں کے توازن کا مجموعی بیلنس 225 ملین ڈالر تھا، جبکہ گزشتہ سال کی اسی مدت کے دوران 1.5 بلین ڈالر تھا۔

زرمبادلہ کے ذخائر 23.2 بلین ڈالر تھے (06 جنوری 2017ء)۔ یاد رہے کہ فوریکس ذخائر میں اتار چڑھاؤ کا سبب SBP (اسٹیٹ بینک آف پاکستان) کے ذخائر ہیں، جہاں 2017ء کی پہلی ششماہی میں حکومت کے قرضوں کے حصول اور قرضوں کی ریٹائرمنٹ کا منفی بیلنس ہے جبکہ اکتوبر 2016ء میں بلند ترین سطح سے تقریباً 1 بلین ڈالر کم پر کلوزنگ ہوئی۔ پاکستانی روپیہ 2017ء کی پہلی ششماہی میں تقریباً 0.4% ترقی کر کے امریکی ڈالر کے مقابلے میں لچکدار رہا، اور اس سے بھی دیگر ترقی پذیر معیشتوں میں کمزوری کو مد نظر رکھتے ہوئے خدشات پیدا ہوئے جن کا اظہار SBP کے پیمائش کردہ REER سے ہوا، جو 126 کی بلند سطح پر پہنچا جس سے خطیر اضافے کی عکاسی ہوتی ہے۔

مالیاتی خسارہ (مالی سال 2017ء کی پہلی سہ ماہی میں) غیر ٹیکس آمدنی میں تیزی سے کمی کے باعث GDP (مجموعی غیر ملکی پیداوار) کے 1.3% تک بڑھ گیا، بالمقابل SPLY میں 1.1% کے ٹیکس اتھارٹی 2017ء کی پہلی ششماہی کے دوران عارضی بنیادوں پر 1,460 بلین روپے جمع کر سکی، جو مطلوبہ ہدف سے 127 بلین روپے کم ہے۔ 3.6 ٹریلین روپے سالانہ ٹیکس کے ہدف کے پیش نظر، جو YoY 17% کی ترقیاتی شرح اور ترقیاتی کاموں میں زیادہ خرچ کرنے کا تقاضہ کرتا ہے، مالیاتی خسارے میں بجٹ کے 3.8% کے ہدف کے مقابلے میں 4.5% اضافہ متوقع ہے۔ تاہم ترقیاتی کاموں پر خرچ کرنے پر حکومتی توجہ مجموعی طور پر طویل المیعاد سمت میں مثبت ہے، چنانچہ اس گوشے میں انحطاط بڑا مسئلہ نہیں ہے۔

LSM میں 5MFY17 میں 3.24% YoY ترقی ہوئی جس کے اسباب کمزور پور، الیکٹریکل، آٹوموبائلز اور سیمنٹ مینوفیکچرنگ ہیں۔

افراط زر میں بدستور اضافہ ہوتا رہا؛ پہلی ششماہی میں افراط زر کا اوسط 33.8% تھا جبکہ 2016ء کی پہلی ششماہی میں 2.08% تھا۔ پہلے سے پست base effect میں بتدریج کمی اور اشیائے خورد و نوش اور ہاؤسنگ کی قیمتوں میں فی نفسہ اضافے افراط زر کے دباؤ کے محرک بنے۔ حکومت پٹرول کی بڑھتی ہوئی قیمتوں کا اثر جذب کرتی رہی جس کے باعث افراط زر کی سطح پست رہی۔

M2 ترقی میں سال کے اختتام تک 5.45% year to date ترقی ہوئی۔ اختتام سال پر ٹیکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 420 بلین روپے مسمی ترقی ہوئی۔ اس کے بعد M2 ترقی 3.68% کی عمومی سطح تک پہنچ گئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر وہولڈنگ ٹیکس عائد کرنے کی وجہ سے زیر گردش روپے (CIC) میں جو غیر معمولی انبار لگ گیا تھا وہ عمومی سطح پر آ گیا ہے، اگرچہ CIC کا M2 سے تناسب اب 2.6% ہے جو گزشتہ اوسط 2.2% سے زیادہ ہے۔ حکومتی سیکٹر کی 390 بلین

روپے قرضوں کی net وصولی کی مدد سے net مقامی اثاثہ جات میں 518 بلین روپے اضافہ ہوا۔

فنڈ کی کارکردگی

زیرِ جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع مقررہ معیار 5.86% کے مقابلے میں 4.57% تھا۔ دورانِ مدت انٹریسٹ کی شرحوں کی مستحکم صورتحال کی بدولت فنڈ نے اپنے WAM میں اہم ترمیم کر کے اسے 2.8 YTM سے 1.7 YTM کر دیا ہے۔ زیرِ جائزہ مدت کے اختتام پر فنڈ کا بڑا حصہ نقد اور TFCs میں مختص تھا۔ اختتامِ مدت پر فنڈ کی سرمایہ کاری 2.4% ٹی بلز میں، 13 فیصد TDRs میں، 25.5 فیصد نقد میں اور 22.5 فیصد TFCs میں تھی۔ نقد کا بھرپور exposure اس وجہ سے تھا کہ دسمبر ٹیکوں کے لیے CY end تھا اور وہ بینک ڈپازٹس پر منافع بخش شرحیں پیش کر رہے تھے۔

31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 7,009 ملین روپے تھی، جو 30 جون 2016ء پر 6,894 ملین روپے مالیت کے مقابلے میں 2.34% زیادہ ہے۔ 31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 108.4876 روپے تھی، جو 30 جون 2016ء کی قدر 106.0443 روپے کے مقابلے میں 2.47 روپے فی یونٹ کم ہے۔

مستقبل کا منظر

خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بل کے ماحول میں دستیاب مالیاتی خلاء کے بتدریج ختم ہونے کا امکان ہے۔ حکومت کے تازہ ترین پندرہ روزہ فیصلہ جاتی نکات میں پٹرول کی قیمتوں پر نظر ثانی کا حالیہ فیصلہ مالیاتی آزادی پر قدغن کی طرف اشارہ کر رہا ہے۔

حالیہ اعلان کردہ ٹیکسٹائل چیک سے برآمدات کے شعبے کو معاونت فراہم ہونے کی توقع ہے۔ تاہم مطلوبہ سے زیادہ قدر کا حامل روپیہ، جیسا کہ REER سے ظاہر ہوتا ہے، ابھی تک منک کی برآمداتی مسابقت کی صلاحیت کے لئے ایک رکاوٹ ہے۔ تاہم ممکن ہے کہ یہ نوبت تب تک نہ آئے جب تک حکومت قرض کی حصول کی ذریعے اس خلیج کو پر کرنا جاری رکھے گی۔

پٹرول کی قیمتوں میں اضافوں اور ایشیائے خورد و نوش کے افراط زر پران کے اثر سے متوقع طور پر افراط زر کے دباؤ کا بھی زور ٹوٹ جائے گا۔ ہماری توقع ہے کہ اس سال کے افراط زر کا اوسط 4.3% ہوگا۔ یہاں یہ بات قابلِ ذکر ہے کہ دوسری ششماہی میں افراط زر کا اوسط تقریباً 4.8% متوقع ہے، اور سال کے اختتامی مہینوں میں افراط زر 5% سے زیادہ ہوگا۔

اگرچہ ہمیں اُمید ہے کہ افراط زر کے مستحکم رجحانات کے پیش نظر مختصر میعاد میں انٹریسٹ کی شرحیں مستحکم رہیں گی، لیکن زرمبادلہ کی شرح کی مطلوبہ سے زیادہ قدر، اور اس کے ساتھ کمزور خارجی اکاؤنٹ سے مستقبل میں ابھرنے والے رجحانات کا باریک بین جائزے کا اندازہ ہوتا ہے، وہ رجحانات جو مالیاتی عناصر کو گس دینے کی حمایت کی طرف جھکے ہونے کے باوجود دونوں جانب مرض پھیلا سکتے ہیں۔ چین پاکستان معاشی راہداری سے ترقی کے لیے بے حد مطلوب قوت حاصل ہونے کا امکان ہے؛ 50 بلین ڈالر سے زائد کا یہ پروگرام متوقع طور پر تعمیرات اور توانائی کی خلاء میں سرگرمیاں پیدا کرنے کا محرک بنے گا اور اس کے اثرات دیگر شعبوں پر بھی مرتب ہوں گے۔ تاہم مختصر میعاد میں درآمداتی بل میں اضافے کے ساتھ غیر ملکی براہِ راست سرمایہ کاریوں کی آمدات سے کرنٹ اکاؤنٹ میں مزید انحطاط متوقع ہے۔ طویل میعاد میں منافع کی وطن واپسی بھی ادائیگیوں کے توازن کی صورتحال کے لیے ایک خدشہ ہوگی۔

پاکستان انٹریسٹ کی پست / مستحکم شرح کے ماحول اور اس کے ساتھ چین پاکستان معاشی راہداری کی صورت میں ترقی کے محرک کے باعث بہتر مقام بنانے اور معاشی توسیعی چکر میں ہونے کی وجہ سے ابھرتی ہوئی مارکیٹ کی دیگر معیشتوں کے مقابلے میں بہتر کارکردگی کا مظاہرہ کرے گا۔ اُمید کی جارہی ہے کہ اس پروگرام سے تعمیرات اور متعلقہ صنعتی شعبوں کو معاونت فراہم ہوگی۔ بیہکاری کے شعبے کو بھی ایڈوانسز کی مضبوط ترقی اور انٹریسٹ کی مستحکم شرح کے ماحول سے متوقع طور پر فائدہ ہوگا۔ باقاعدہ شمولیت کے قریب آنے پر MSCI سے مخصوص کمپنیوں کا منظر عام پر آنا متوقع ہے۔

تاہم ٹرمپ کے امریکی صدر بننے کے بعد عالمی معیشتوں میں غیر یقینی حالات کے نتیجے میں عالمی مارکیٹس میں عدم استحکام اور ابھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر المیعاد کارکردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹر مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے بورڈ اور بورڈ کی جانب سے



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

02 فروری 2017ء

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shahra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DCF INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB DCF Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2016 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2017



AUDITOR'S REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
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AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of MCB DCF Income Fund (the Fund) as at 31 December 2016, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund and notes to the accounts for the half year then ended (here-in-after referred to as "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner: Shabbir Yunus

Date: 02 February 2017

Karachi

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT DECEMBER 31, 2016

		(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks		2,115,307	2,130,877
Investments	5	4,214,580	5,446,142
Markup and other receivables		59,812	105,334
Derivatives - future contracts		-	5,855
Receivable against sale of investments (equity)		1,384,715	-
Receivable against Margin Trading System (MTS)		357,897	-
Advances, deposits and prepayments		149,278	27,774
Total assets		8,281,589	7,715,982
LIABILITIES			
Payable to the Management Company		10,971	12,213
Payable to the Trustee		637	681
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)		2,635	8,712
Payable against redemption of units		-	9,332
Payable against purchase of investments (money market)		-	497,520
Payable against purchase of investments (equity)		927,714	43,056
Derivatives - future contracts		23,297	-
Accrued and other liabilities	6	306,895	295,796
Total liabilities		1,272,149	867,310
NET ASSETS		7,009,440	6,848,672
Unit holders' fund (as per statement attached)		7,009,440	6,848,672
Contingencies and commitments	7		
----- (Number of units) -----			
NUMBER OF UNITS IN ISSUE		64,610,536	64,583,116
----- (Rupees) -----			
NET ASSETS VALUE PER UNIT		108.49	106.04

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

		Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	Note	----- (Rupees in '000) -----			
INCOME					
Income from government securities		69,494	381,427	13,666	161,086
Income from term finance certificates		76,481	74,594	34,623	36,122
Net (loss) / gain on sale of investments		(5,000)	120,392	1,471	41,327
Profit on bank deposits and term deposit receipts		70,872	62,512	52,982	50,015
Income from Margin Trading System (MTS)		4,317	-	4,317	-
Dividend income		41,866	4,067	26,295	297
(Loss) / income from spread transactions	5.2.1	(22,272)	20,673	(29,394)	180
Other income		13	22	3	7
Net unrealised diminution on derivatives		(23,297)	-	(15,173)	-
Net unrealised appreciation on revaluation of investments 'at fair value through profit or loss - held-for-trading'	5.8	48,171	16,474	49,100	22,300
Total income		260,645	680,160	137,890	311,334
Provision against debt securities	5.3 & 5.4	(5,665)	(9,869)	(2,437)	(6,801)
EXPENSES					
Remuneration of the Management Company		52,695	97,617	27,545	50,614
Sales tax and federal excise duty on remuneration of the Management Company		6,850	31,471	3,580	16,319
Expenses allocated by the Management Company and related taxes		3,970	1,456	2,075	1,456
Remuneration of the Trustee		3,266	5,359	1,689	2,556
Sales tax on trustee fee		425	750	220	595
Annual fee to SECP		2,635	4,881	1,377	2,531
Brokerage and settlement charges		9,816	4,944	6,384	1,440
Laga charges on MTS		327	-	327	-
Auditors' remuneration		407	474	205	229
Legal and professional charges		671	100	281	-
Others		608	787	313	422
Total expenses		81,670	147,839	43,996	76,163
Net income from operating activities		173,310	532,321	93,894	235,172
Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed:					
- from realised / unrealised capital gains / (losses)		80	(2,622)	(864)	(7,928)
- from other income / (loss)		118	(4,753)	(2,847)	(19,063)
		198	(7,375)	(3,711)	(26,991)
Net income for the period before taxation		173,508	515,077	87,746	201,380
Taxation	8	-	-	-	-
Net income for the period after taxation		173,508	515,077	87,746	201,380

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Net income for the period after taxation	173,508	515,077	87,746	201,380
Other comprehensive loss:				
To be reclassified to profit or loss account in subsequent periods				
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(15,023)	(74,575)	(7,036)	(31,618)
Other comprehensive loss for the period	(15,023)	(74,575)	(7,036)	(31,618)
Total comprehensive income for the period	158,485	440,502	80,710	169,762

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Undistributed income				
brought forward comprises of:				
- Realised income	397,428	494,188	495,147	918,299
- Unrealised income / (loss)	3,461	13,778	(9,053)	(4,749)
Undistributed income brought forward - net	400,889	507,966	486,094	913,550
Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed - amount representing unrealised (loss) / income	(535)	62,545	22	(29,342)
Net income for the period	173,508	515,077	87,746	201,380
	172,973	577,622	87,768	172,038
Undistributed income carried forward	573,862	1,085,588	573,862	1,085,588
Undistributed income				
carried forward comprises of:				
- Realised income	525,691	1,069,114	524,762	1,063,288
- Unrealised income	48,171	16,474	49,100	22,300
	573,862	1,085,588	573,862	1,085,588

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Net assets at beginning of the period	6,848,672	11,272,806	6,926,065	13,378,610
Issue of 27,714,613 units (2015: 60,386,426) units and 15,265,096 (2015: 19,326,890) units for the half year and quarter ended respectively	2,945,206	6,409,612	1,630,674	2,079,161
Redemption of 27,687,193 (2015: 49,038,950) units and 15,239,432 (2015: 25,411,244) units for the half year and quarter ended respectively	(2,942,725)	(5,219,704)	(1,631,720)	(2,743,933)
	2,481	1,189,908	(1,046)	(664,772)
	6,851,153	12,462,714	6,925,019	12,713,838
Element of loss / (income) and capital losses / (gains) included in the prices of units sold less those in units redeemed:				
- amount representing (gain) / loss and capital (gains) / losses transferred to income statement:				
- from realised / unrealised capital (gains) / losses	(80)	2,622	864	7,928
- from other (income) / loss	(118)	4,753	2,847	19,063
- amount representing unrealised loss / (income) and capital losses / (gains) that forms part of the unit holders' fund transferred to the distribution statement	535	(62,545)	(22)	29,342
	337	(55,170)	3,689	56,333
Net income for the period transferred from the distribution statement:				
Net (loss) / gain on sale of investments	(5,000)	120,392	1,471	41,327
Net unrealised appreciation on revaluation of investments 'at fair value through profit or loss - held-for-trading'	48,171	16,474	49,100	22,300
Other income for the period	130,337	378,211	37,175	137,753
Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed - amount representing unrealised (loss) / income	(535)	62,545	22	(29,342)
	172,973	577,622	87,768	172,038
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(15,023)	(74,575)	(7,036)	(31,618)
Net assets at end of the period	7,009,440	12,910,591	7,009,440	12,910,591
	----- (Number of units) -----			
NUMBER OF UNITS IN ISSUE	64,610,536	118,097,373	64,610,536	118,097,373
	----- (Rupees) -----			
NET ASSETS VALUE PER UNIT	108.49	109.32	108.49	109.32

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
		(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the period before taxation		173,508	515,077	87,746	201,380
Adjustments for:					
Net unrealised appreciation on revaluation of investments at fair value through profit or loss - held-for-trading'		(48,171)	(16,474)	(49,100)	(22,300)
Provision against debt securities		5,665	9,869	2,437	12,937
Element of (income) / loss and capital (gains) / losses included in the prices of units sold less those in units redeemed:					
- from realised / unrealised capital (gains) / losses		(80)	2,622	864	7,928
- arising from other (income) / loss		(118)	4,753	2,847	19,063
		130,804	515,847	44,794	219,007
(Increase) / decrease in assets					
Investments		1,404,807	160,423	733,985	944,776
Markup and other receivables		45,522	137,726	812,563	(119,204)
Derivatives - future contracts		5,855	-	-	-
Receivable against sale of investments (equity)		(1,384,715)	-	(1,384,715)	-
Receivable against Margin Trading System (MTS)		(357,897)	-	(357,897)	-
Advance against subscription of term finance certificates		-	(625,000)	-	(625,000)
Advances, deposits and prepayments		(121,504)	(548)	(121,518)	(998)
		(407,932)	(327,399)	(317,582)	199,575
Increase / (decrease) in liabilities					
Payable to the Management Company		(1,242)	(11,721)	1,023	2,421
Payable to the Trustee		(44)	193	61	62
Annual fee payable to SECP		(6,077)	(4,739)	1,377	2,531
Payable against purchase of investments (money market)		(497,520)	-	(497,520)	-
Payable against purchase of investments (equity)		884,658	-	884,658	(326)
Payable against redemption of units		(9,332)	-	(9,332)	-
Derivatives - future contracts		23,297	-	15,173	-
Accrued and other liabilities		11,099	(69,783)	(298,772)	(4,075)
		404,839	(86,050)	96,668	613
Net cash generated from / (used in) operating activities		127,711	102,398	(176,120)	419,195
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts from issuance of units		2,945,206	6,409,612	1,630,674	2,079,161
Payments on redemption of units		(2,942,725)	(5,219,704)	(1,631,720)	(2,743,933)
Net cash generated from / (used in) financing activities		2,481	1,189,908	(1,046)	(664,772)
Net increase / (decrease) in cash and cash equivalents during the period					
		130,192	1,292,306	(177,166)	(245,577)
Cash and cash equivalents at beginning of the period		3,074,731	3,539,259	3,382,089	5,083,278
Cash and cash equivalents at end of the period	9	3,204,923	4,831,565	3,204,923	4,831,565

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB DCF Income Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by SECP as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) on December 12, 2006.
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4 The Fund is an open ended mutual fund and has been categorised as "income scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.5 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.6 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated June 08, 2016 to the Management Company and a stability rating of 'A+(f)' dated December 09, 2016 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements for the half year ended December 31, 2016 have been prepared in accordance with the requirements of International Accounting Standard 34: 'Interim Financial Reporting', the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. In case where requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP will prevail.
- 2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2016.
- 2.3 These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. Figures for the quarters ended December 31, 2016 and December 31, 2015 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.
- 2.4 These condensed interim financial statements are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

3. ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, basis of accounting estimates applied and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2016, except as described in note 3.1 below:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

3.1 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following standards and amendment to IFRSs which became effective for the current period:

Standard or Interpretation

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in
Other Entities and IAS 27 Separate Financial Statements – Investment Entities:
Applying the Consolidation Exception (Amendment)

IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable
Method of Depreciation and Amortization (Amendment)

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures
to condensed interim financial statements

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above standards, amendment and improvement to accounting standards did not have any effect on the condensed interim financial statements.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Fund believes that such improvements to the standards do not have any impact on the Fund's financial statements for the period.

3.2 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund as at and for the year ended June 30, 2016.

4. TOTAL EXPENSE RATIO

As per Directive 23 of 2016 dated July 30, 2016 issued by SECP the total expense ratio of the Fund is 1.17% as on December 31, 2016 and this includes 0.14% representing Government Levy and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorized as an income scheme.

5. INVESTMENTS

'At fair value through profit or loss - held-for-trading'

	Note	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
Government securities	5.1	199,420	712,082
Listed equity securities	5.2	1,059,616	435,855
Listed debt securities	5.3	848,367	1,008,726
Unlisted debt securities	5.4	1,016,810	1,139,767
		3,124,213	3,296,430

'Available-for-sale'

Government securities	5.9	751	1,718,958
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Loans and receivables

Term deposit receipts	5.10	1,089,616	430,754
		4,214,580	5,446,142

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.1 Government securities - 'at fair value through profit or loss - held-for-trading'

Name of security	Note	Face value					Balance as at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 01, 2016	Purchased during the period	Disposed during the period	Matured during the period	As at December 31, 2016	Carrying value	Market value	Diminution		
(Rupees in '000)											
Treasury bills - 1 year	5.1.1	-	2,920,000	1,470,000	1,350,000	100,000	99,714	99,710	(4)	1.00%	2.00%
Treasury bills - 6 months	5.1.2	200,000	2,500,000	2,600,000	-	100,000	99,723	99,710	(13)	1.00%	2.00%
Treasury bills - 3 months		515,000	3,149,000	3,664,000	-	-	-	-	-	-	-
December 31, 2016		715,000	8,569,000	7,734,000	1,350,000	200,000	199,437	199,420	(17)	2.00%	4.00%
June 30, 2016		1,002,500	41,250,060	36,840,000	4,697,560	715,000	712,082	712,082	-	10.00%	13.00%

5.1.1 These will mature latest by January 19, 2017 (June 30, 2016: Nil) and carry interest at the rate of 5.87% (June 30, 2016: Nil) per annum.

5.1.2 These will mature latest by January 19, 2017 (June 30, 2016: August 04, 2016) and carry interest at the rate of 5.78% (June 30, 2016: 5.06% to 5.96%) per annum.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

5.2 Listed equity securities - 'at fair value through profit or loss - held-for-trading'

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
						(Rupees in '000)			%		
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Oil and gas exploration companies											
Pakistan Petroleum Limited	3,500	293,500	-	294,500	2,500	453	470	17	0.01%	0.01%	0.00%
Oil & Gas Development Company Limited	40,500	3,200,000	-	1,700,500	1,540,000	246,215	254,639	8,424	3.63%	6.04%	0.04%
Pakistan Oilfields Limited	-	248,500	-	225,000	23,500	12,495	12,564	69	0.18%	0.30%	0.01%
						259,163	267,673	8,510	3.82%	6.35%	0.05%
Oil and gas marketing companies											
Pakistan State Oil Company Limited	22,000	1,488,000	-	1,466,500	43,500	17,777	18,888	1,111	0.27%	0.45%	0.02%
Hascol Petroleum Limited	7,500	781,500	-	645,000	144,000	45,804	48,603	2,799	0.69%	1.15%	0.12%
Sui Northern Gas Pipelines Limited - related party	160,500	451,000	-	611,500	-	-	-	-	-	-	-
Sui Southern Gas Company Limited - related party	1,218,000	14,000	-	1,232,000	-	-	-	-	-	-	-
						63,581	67,491	3,910	0.96%	1.60%	0.14%
Textile composite											
Nishat Mills Limited - related party	-	543,000	-	513,500	29,500	4,464	4,492	28	0.06%	0.11%	0.01%
Nishat (Chunian) Limited - related party	-	7,061,500	-	5,326,000	1,735,500	105,164	108,347	3,183	1.55%	2.57%	0.47%
						109,628	112,839	3,211	1.61%	2.68%	0.48%
Fertilizer											
Engro Fertilizers Limited	1,322,500	7,765,000	-	8,593,000	494,500	32,156	33,616	1,460	0.48%	0.80%	0.04%
Engro Corporation Limited	145,000	2,849,000	-	2,878,500	115,500	34,916	36,508	1,592	0.52%	0.87%	0.02%
Fauji Fertilizer Bin Qasim Limited	-	1,492,000	-	1,479,500	12,500	645	640	(5)	0.01%	0.02%	0.00%
Fauji Fertilizer Company Limited	51,000	454,500	-	428,000	77,500	8,153	8,089	(64)	0.12%	0.19%	0.03%
Fatima Fertilizer Company Limited - related party	-	2,994,500	-	2,973,000	21,500	772	793	21	0.01%	0.02%	0.00%
						76,642	79,646	3,004	1.14%	1.90%	0.09%
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Technology and communication											
Pakistan Telecommunication Company Limited 'A'	207,000	3,661,000	-	3,740,500	127,500	2,249	2,190	(59)	0.03%	0.05%	0.00%
TRG Pakistan Limited	-	10,728,000	-	9,105,500	1,622,500	71,091	71,812	721	1.02%	1.70%	0.30%
Hun Network Limited *	-	305,000	-	305,000	-	-	-	-	-	-	-
						73,340	74,002	662	1.05%	1.75%	0.30%
Power generation and distribution											
K-Electric Limited **	819,000	21,613,000	-	18,403,500	4,028,500	37,081	37,747	666	0.54%	0.90%	0.01%
Kot Addu Power Company Limited	-	13,000	-	8,000	5,000	395	394	(1)	0.01%	0.01%	0.00%
Hub Power Company Limited	20,000	165,500	-	173,500	12,000	1,368	1,482	114	0.02%	0.04%	0.00%
						38,844	39,623	779	0.57%	0.95%	0.01%
Cement											
D.G. Khan Cement Company Limited - related party	-	2,129,000	-	1,879,000	250,000	52,027	55,433	3,406	0.79%	1.32%	0.06%
Cherat Cement Company Limited	-	921,500	-	873,000	48,500	7,993	8,441	448	0.12%	0.20%	0.03%
Fauji Cement Company Limited	83,500	4,018,500	-	2,799,500	1,302,500	54,136	58,717	4,581	0.84%	1.39%	0.09%
Maple Leaf Cement Factory Limited	-	1,120,500	-	1,114,000	6,500	797	829	32	0.01%	0.02%	0.00%
Pakcem Limited	10,000	37,000	-	47,000	-	-	-	-	-	-	-
Power Cement Limited	-	603,500	-	603,500	-	-	-	-	-	-	-
Pioneer Cement Limited	-	477,000	-	180,000	297,000	40,846	42,201	1,355	0.60%	1.00%	0.13%
						155,799	165,621	9,822	2.36%	3.93%	0.31%
Insurance											
Adamjee Insurance Company Limited - related party	-	1,062,500	-	1,051,000	11,500	835	853	18	0.01%	0.02%	0.00%
						835	853	18	0.01%	0.02%	0.00%
Food and personal care products											
Engro Foods Limited	27,000	674,500	-	640,000	61,500	10,034	11,804	1,770	0.17%	0.28%	0.01%
						10,034	11,804	1,770	0.17%	0.28%	0.01%
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Commercial banks											
Askari Bank Limited	-	5,500	-	5,500	-	-	-	-	-	-	-
Faysal Bank Limited	-	5,000	-	5,000	-	-	-	-	-	-	-
Habib Bank Limited	-	6,500	-	6,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Engineering											
International Steels Limited	-	1,707,500	-	1,639,000	68,500	6,459	6,695	236	0.10%	0.16%	0.02%
Amreli Steels Limited	-	816,000	-	501,500	314,500	21,940	20,943	(997)	0.30%	0.50%	0.11%
						28,399	27,638	(761)	0.40%	0.66%	0.13%
Cable and electrical goods											
Pak Elektron Limited	2,731,000	8,406,500	-	10,362,000	775,500	54,084	55,278	1,194	0.79%	1.31%	0.16%
TPL Trakker Limited	-	10,299,000	-	10,299,000	-	-	-	-	-	-	-
						54,084	55,278	1,194	0.79%	1.31%	0.16%
Refinery											
Attock Refinery Limited	40,000	2,067,000	-	1,737,500	369,500	145,075	157,148	12,073	2.24%	3.73%	0.43%
						145,075	157,148	12,073	2.24%	3.73%	0.43%
Pharmaceuticals											
The Searle Company Limited	63,000	16,000	-	79,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
December 31, 2016						1,015,424	1,059,616	44,192			
June 30, 2016						440,216	435,855	(4,361)			

* These have a face value of Re.1 per share.

** These have a face value of Rs.3.5 per share.

5.2.1 The movement in equity securities represent spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income / (loss) due to difference in ready and future stock prices.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.3 Listed debt securities - term finance certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss - held-for-trading'

Name of investee company	Number of certificates				Balance as at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2016	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2016	Carrying value	Market value (Rupees in '000)		
Commercial banks									
Bank Alfalah Limited (February 20, 2013)	72,631	-	-	-	72,631	370,456	372,180	5.31%	8.83%
Habib Bank Limited (February 19, 2016) TFC-I*	6,000	-	-	1,500	4,500	449,977	451,035	6.43%	10.70%
Faysal Bank Limited (December 27, 2010)	10,000	-	-	-	10,000	25,240	25,152	0.36%	0.60%
						845,673	848,367	12.10%	20.13%
Leasing companies									
Saudi Pak Leasing Company Limited (March 13, 2010) (refer note 5.6)	10,000	-	-	-	10,000	1,158			
Less: Provision						(1,158)			
						-			
December 31, 2016									
						845,673	848,367		
June 30, 2016									
						1,001,887	1,008,726		

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.4 Unlisted debt securities - term finance certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss - held-for-trading'

Name of investee company	Number of certificates				Balance as at December 31, 2016		Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2016	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2016	Appreciation / (diminution)		
								%
								(Rupees in '000)
Commercial banks								
Askari Bank Limited (September 30, 2014)	56,000	-	-	-	56,000	285,372	284,952	(420)
Bank Alfalah Limited (December 02, 2009)	40,250	-	-	-	40,250	136,098	135,223	(875)
Bank Alfalah Limited (December 02, 2009) Fixed	18,235	-	-	-	18,235	65,053	64,185	(868)
Bank AL Habib Limited (March 17, 2016) TFC-II	54,000	-	-	-	54,000	269,882	273,162	3,280
Standard Chartered Bank (Pakistan) Limited (June 29, 2012)	41,000	-	-	4,000	37,000	185,420	185,740	320
						941,825	943,262	1,437
Fertilizer								
Engro Fertilizers Limited (July 09, 2014) Sukuk	15,800	-	-	-	15,800	73,683	73,548	(135)
						73,683	73,548	(135)
Leasing companies								
Security Leasing Corporation Limited (March 13, 2008) (refer note 5.6)	10,000	-	-	-	10,000	3,049		
Less: Provision						(3,049)		
Security Leasing Corporation Limited Sukuk (June 01, 2007) (refer note 5.6)	5,000	-	-	-	5,000	1,506		
Less: Provision						(1,506)		
Household goods								
New Allied Electronics Industries (Private) Limited (May 15, 2007) (refer note 5.6)	10,400	-	-	-	10,400	22,337		
Less: Provision held						(22,337)		
New Allied Electronics Industries (Private) Limited Sukuk (July 25, 2007) (refer note 5.6)	112,000	-	-	-	112,000	35,063		
Less: Provision held						(35,063)		
December 31, 2016						1,015,508	1,016,810	1,302
June 30, 2016						1,138,782	1,139,765	983

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.5 Significant terms and conditions of term finance certificates and other securities outstanding at the period end are as follows:

Name of security	Number of certificates	Face value (Rupees)	Unredeemed face value / redemption value (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
Listed debt securities							
Commercial banks							
Habib Bank Limited (February 19, 2016) TFC-I	4,500	100,000	99,980	6 month KIBOR+0.50%	February 19, 2026	Unsecured	AAA
Bank Alfalah Limited - V (February 20, 2013, issue)	72,631	5,000	4,993	6 month KIBOR+1.25%	February 20, 2021	Unsecured	AA-
Faysal Bank Limited TFC (December 27, 2010, issue)	10,000	5,000	2,496	6 month KIBOR+2.25%	December 24, 2017	Unsecured	AA-
Unlisted debt securities							
Askari Bank Limited IV - TFC (September 30, 2014)	56,000	5,000	4,996	6 month KIBOR+1.2%	September 30, 2024	Unsecured	AA-
Bank Al Habib (March 17, 2016) TFC-II	54,000	5,000	4,999	6 month KIBOR+0.75%	March 17, 2026	Unsecured	AA
Bank Alfalah Limited - IV (December 02, 2009)	40,250	5,000	3,325	6 month KIBOR+2.5%	December 2, 2017	Unsecured	AA-
Bank Alfalah Limited - IV (December 02, 2009) Fixed	18,235	5,000	3,325	15%	December 2, 2017	Unsecured	AA-
Standard Chartered Bank Pakistan Limited PPTFC (June 29, 2012)	37,000	5,000	5,000	6 month KIBOR+0.75%	June 29, 2022	Unsecured	AAA
Engro Fertilizer Limited - Sukuk (July 09, 2014)	15,800	5,000	4,500	6 month KIBOR+1.75%	July 9, 2019	Secured	AA-

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.6 Due to continuous default on repayment of coupon by the issuer, the Fund has classified said investment as non-performing debt securities. The Fund has suspended further accrual of mark-up there against.

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

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at December 31, 2016, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		----- (Rupees in '000) -----		----- % -----		
New Allied Electronics Industries (Private) Limited	Term finance certificates	22,337	(22,337)	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk certificates	35,063	(35,063)	-	-	-
Security Leasing Corporation Limited	Privately placed term finance certificates	3,049	(3,049)	-	-	-
Security Leasing Corporation Limited	Sukuk certificates	1,506	(1,506)	-	-	-
Saudi Pak Leasing Company Limited	Term finance certificates	1,158	(1,158)	-	-	-

----- (Un-Audited) -----
December 31, 2016 December 31, 2015
----- (Rupees in '000) -----

5.8 Net unrealised appreciation on revaluation of investments 'at fair value through profit or loss - held-for-trading'

Market value of investments	5.1, 5.2,	3,124,213	2,725,757
Carrying value of investments	5.3 & 5.4	(3,076,042)	(2,709,283)
		<u>48,171</u>	<u>16,474</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.9 Government securities - 'available-for-sale'

Name of security	Note	Face value					Balance as at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 01, 2016	Purchased during the period	Disposed during the period	Matured during the period	As at December 31, 2016	Carrying value	Market value	Appreciation		
											%
Pakistan Investment Bonds - 10 years		143,000	243,000	386,000	-	-	-	-	-	-	-
Pakistan Investment Bonds - 05 years	5.9.1	726,300	1,200,800	1,926,400	-	700	740	751	11	0.01%	0.02%
Pakistan Investment Bonds - 03 years		705,900	100,000	805,900	-	-	-	-	-	-	-
December 31, 2016		1,575,200	1,543,800	3,118,300	-	700	740	751	11	0.01%	0.02%
June 30, 2016							<u>1,703,924</u>	<u>1,718,958</u>	<u>15,034</u>		

5.9.1 These will mature latest by March 26, 2020 (June 30, 2016: July 19, 2017) and carry interest at the rate ranging from 9.25% to 11.50% (June 30, 2016: 7.75% to 11.50%) per annum.

5.10 Term deposit receipts - loans and receivables

Name of financial institution	Profit / mark-up rate %	Maturity date	Balance as at December 31, 2016 (Rs. in '000)	Value as a percentage of net assets		Value as a percentage of total investments
				%		
Zarai Taraqiat Bank Limited - 06 months	6.50%	March 7, 2017	663,312	9.46%		15.74%
JS Bank Limited - 01 month	7.00%	January 4, 2017	426,304	6.08%		10.11%
December 31, 2016			<u><u>1,089,616</u></u>			
June 30, 2016			<u>430,754</u>			

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

		(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	Note	----- (Rupees in '000) -----	
6. ACCRUED AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	6.1	121,190	121,190
Federal excise duty payable on management fee	6.2	99,060	99,060
Federal excise duty and related taxes payable on sales load	6.2	27,933	27,933
Sales load payable to MCB Bank Limited (including sales tax) - related party		1,661	-
Auditors' remuneration		411	599
Withholding tax payable		2,550	41,598
Brokerage payable		5,800	3,379
Advance against issuance of units		46,116	-
Others		2,174	2,037
		306,895	295,796

- 6.1** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs.0.5 million in a tax year were 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 was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). During the period, the SCP passed a judgment on November 10, 2016, declaring the insertion of amendments introduced in the Finance Act pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh WWF Act, 2014. The Mutual Funds Association of Pakistan (MUFAP) believes that the Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP has obtained a legal opinion on these matters and based on such legal advice, has recommended to all its members on January 12, 2017 the following:

- The provision against the Federal WWF held by the Mutual Funds till June 30, 2015 to be reversed on January 12, 2017; and
- Provision against Sindh WWF, on prudent basis, should be made from the date of enactment of the Sindh WWF Act, 2014 (i.e. May 21, 2015) with effect from January 12, 2017.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and SECP vide its letter dated February 01, 2017 advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosure in the financial statements of Mutual Funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The cumulative net effect of the above two adjustments if had been done at December 31, 2016 would have resulted in increase in the net assets value per unit by Rs.1.66 (1.53%) per unit.

- 6.2** There is no change in the status of petition pending with Honorable Sind High Court as reported in note 14 to the annual financial statements of the Fund for the year ended June 30, 2016.

Furthermore, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of Federal Excise Duty (FED) on their services.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has maintained a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs.126.993 million (June 30, 2016: Rs.126.993 million). Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the net assets value per unit of the Fund would have been higher by Rs.1.97 per unit as at December 31, 2016 (June 30, 2016: Rs.1.97 per unit).

7. CONTINGENCIES AND COMMITMENTS

7.1 CONTINGENCIES

There is no change in the status of the appeal filed with the Appellate Tribunal Inland Revenue and the restraining order from the Honorable Sindh High Court in respect of the claim of super tax, as reported in note 13.1 to the annual financial statements of the Fund for the year ended June 30, 2016.

(Un-Audited)	(Audited)
December 31,	June 30,
2016	2016
----- (Rupees in '000) -----	

7.2 COMMITMENTS

Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at period / year end

<u>1,045,663</u>	<u>440,768</u>
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8. TAXATION

The Fund's income is exempt from income tax as per clause 99 of part I of the Second Schedule of 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 in cash amongst the unit holders. The Management Company intends to distribute not less than 90% of its annual accounting income in cash, if any, to comply with the above clause at year end. Accordingly, no tax provision has been made in these condensed interim financial statements for the half year ended December 31, 2016.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

9. CASH AND CASH EQUIVALENTS

	(Un-Audited)			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in '000)			
Balances with banks	2,115,307	2,912,246	2,115,307	2,912,246
Term deposit receipts	1,089,616	1,919,319	1,089,616	1,919,319
	3,204,923	4,831,565	3,204,923	4,831,565

10. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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

	(Un-Audited)			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in '000)			
10.1 Transactions during the period:				
MCB Arif Habib Savings and Investments Limited - Management Company				
Remuneration of the Management Company including indirect taxes	59,545	129,088	31,125	66,933
Expense allocated by the Management Company and related sales tax	3,970	1,456	2,075	1,456
Legal and professional charges	-	100	-	100
Central Depository Company of Pakistan Limited - Trustee				
Remuneration (including sales tax)	3,691	6,109	1,909	3,151
Settlement charges	760	331	547	116
Group / Associated Companies				
MCB Bank Limited				
Profit on deposit accounts	156	1,539	60	407
Bank charges	8	58	3	23
Purchase of securities face value Nil (December 31, 2015: Rs.150,000,000) and Nil (December 31, 2015: Nil) for the half year and quarter ended respectively	-	174,262	-	-
Sale of securities face value Nil (December 31, 2015: Rs.850,000,000) and Nil (December 31, 2015: Rs.400,000,000) for the half year and quarter ended respectively	-	926,056	-	449,721
Silk Bank Limited				
Purchase of securities face value Nil (December 31, 2015: Rs.957,000,000) and Nil (December 31, 2015: Rs.857,000,000) for the half year and quarter ended respectively	-	953,381	-	845,384
Sale of securities Face Value 800,000,000 (December 31, 2015: Rs.160,000,000) and Nil (December 31, 2015: Rs.500,000,000) for the half year and quarter ended respectively	826,805	178,122	0	58,121
Arif Habib Limited *				
Brokerage expense	22	43	1	2

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Un-Audited)			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in '000)			
Next Capital Limited *				
Brokerage expense	76	271	27	80
Adamjee Life Assurance Company Limited - Non - Unitised Investment Linked Fund				
Issuance of 1,164,995 (2015: 367,926) units and 1,164,995 (2015: 45,760) units for the half year and quarter ended respectively	125,000	40,000	125,000	40,000
Redemption of 1,164,995 (2015: 45,760) units and 1,164,995 (2015: 45,760) units for the half year and quarter ended respectively	125,135	5,000	125,135	5,000
Adamjee Life Assurance Company Limited - Investment Secure Fund				
Issuance of 1,164,995 (2015: Nil) units and 1,164,995 (2015: Nil) units for the half year and quarter ended respectively	125,000	-	125,000	-
Redemption of 1,164,995 (2015: Nil) units and 1,164,995 (2015: Nil) units for the half year and quarter ended respectively	125,135	-	125,135	-
Adamjee Life Assurance Company Limited - Investment Secure Fund II				
Issuance of 465,998 (2015: Nil) units and 465,998 (2015: Nil) units for the half year and quarter ended respectively	50,000	-	50,000	-
Redemption of 465,998 (2015: Nil) units and 465,998 (2015: Nil) units for the half year and quarter ended respectively	50,054	-	50,054	-
Nishat (Chunian) Limited				
Dividend income	8,574	-	8,574	-
D.G. Khan Cement Company Limited				
Dividend income	1,536	-	1,536	-
Nishat Mills Limited				
Dividend income	1,270	-	1,270	-
Unit holders holding 10% or more units:				
Gul Ahmed Energy Limited				
Issuance of 7,206,457 (2015: Nil) units and Nil (2015: Nil) units for the half year and quarter ended respectively	772,780	-	772,780	-
Other Related Parties:				
Mandate under Discretionary Portfolio Services				
Issuance of Nil (2015: 161,691) units and Nil (2015: 161,691) units for the half year and quarter ended respectively	-	17,597	-	17,597
Redemption of 310,160 (2015: Nil) units and 60,357 (2015: Nil) units for the half year and quarter ended respectively	33,205	-	6,523	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	(Un-Audited)			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in '000)			
Key Management Personnel				
Issuance of 127,660 (2015: 43,520) units and 56,020 (2015: 13,799) units for the half year and quarter ended respectively	13,669	4,660	6,037	1,500
Redemption of 286,635 (2015: 53,280) units and 58,194 (2015: 465) units for the half year and quarter ended respectively	30,689	5,681	6,280	51
			(Un-Audited) December 31, 2016	(Audited) June 30, 2016
			(Rupees in '000)	

10.2 Balances outstanding at period / year end:

MCB Arif Habib Savings and Investments Limited - Management Company

Remuneration payable to the Management Company	9,151	9,976
Sales tax payable on management fee	1,190	1,397
Sales load payable	19	151
Sales tax payable on sales load	2	21
Expense allocated by the Management Company and related taxes payable	609	666
Legal and professional charges payable	-	2

Central Depository Company of Pakistan Limited - Trustee

Security deposit	200	200
Remuneration payable (including related taxes)	637	681

Group / Associated Companies

MCB Bank Limited

Bank balance	1,524	16,385
Profit receivable on deposit accounts	4	43
Sales load payable	1,470	-
Sales tax payable on sales load	191	-

Next Capital Limited *

Brokerage payable	37	33
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Sui Southern Gas Company Limited

Nil shares held as at December 31, 2016 (June 30, 2016: 1,218,000 units) - 'held-for-trading'	-	33,532
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Sui Northern Gas Pipelines Limited

Nil shares held as at December 31, 2016 (June 30, 2016: 160,500) - 'held-for-trading'	-	5,825
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Fatima Fertilizer Company Limited

21,500 shares held as at December 31, 2016 (June 30, 2016: Nil) - 'held-for-trading'	793	-
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Nishat (Chunian) Limited

1,735,500 shares held as at December 31, 2016 (June 30, 2016: Nil) - 'held-for-trading'	108,347	-
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	(Un-Audited) December 31, 2016 ----- (Rupees in '000) -----	(Audited) June 30, 2016
D.G. Khan Cement Company Limited		
250,000 shares held as at December 31, 2016 (June 30, 2016: Nil) - 'held-for-trading'	55,433	-
Nishat Mills Limited		
29,500 shares held as at December 31, 2016 (June 30, 2016: Nil) - 'held-for-trading'	4,492	-
Adamjee Insurance Company Limited		
11,500 shares held as at December 31, 2016 (June 30, 2016: Nil) - 'held-for-trading'	853	-
Adamjee Life Assurance Company Limited - Employees Gratuity Fund		
26,342 units held (June 30, 2016: 26,342 units)	2,858	2,793
D.G Khan Cement Company Limited - Employees Provident Fund Trust		
3,560 units held (June 30, 2016: 3,560 units)	378	377
MCB Employees Pension Fund		
1,183,412 units held (June 30, 2016: 1,183,412 units)	192,302	125,494
MCB Employees Provident Fund		
1,183,412 units held (June 30, 2016: 1,183,412 units)	192,302	125,494
Other Related Parties:		
Mandate under discretionary portfolio services		
Nil units held (June 30, 2016: 310,160 units)	-	32,891
Key Management Personnel		
20,547 units held (June 30, 2016: 179,522 units)	2,179	19,037
Unit holders holding 10% or more units:		
Gul Ahmed Energy Limited		
7,206,457 units held (June 30, 2016: Nil units)	781,811	-

* The amount disclosed represents the amount of brokerage paid / payable to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter-parties are not connected persons.

11. 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.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

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

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	----- December 31, 2016 (Un-Audited) -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets 'at fair value through profit or loss - held-for-trading'				
Government securities	-	199,420	-	199,420
Listed equity securities	1,059,616	-	-	1,059,616
Listed debt securities	-	848,367	-	848,367
Unlisted debt securities	-	1,016,810	-	1,016,810
	<u>1,059,616</u>	<u>2,064,597</u>	<u>-</u>	<u>3,124,213</u>
Financial assets classified as 'available-for-sale'				
Government securities	-	751	-	751
	<u>1,059,616</u>	<u>2,065,348</u>	<u>-</u>	<u>3,124,964</u>

	----- June 30, 2016 (Audited) -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets 'at fair value through profit or loss - held-for-trading'				
Government securities	-	712,082	-	712,082
Listed equity securities	435,855	-	-	435,855
Listed debt securities	-	1,008,726	-	1,008,726
Unlisted debt securities	-	1,139,767	-	1,139,767
	<u>435,855</u>	<u>2,860,575</u>	<u>-</u>	<u>3,296,430</u>
Financial assets classified as 'available-for-sale'				
Government securities	-	1,718,958	-	1,718,958
	<u>435,855</u>	<u>4,579,533</u>	<u>-</u>	<u>5,015,388</u>

During the period ended December, 31 2016, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

12. SUBSEQUENT EVENT

As fully disclosed in note 6.1 to these condensed interim financial statements, the Fund has recorded a reversal of provision maintained against Workers Welfare Fund and simultaneously recorded provision against Sindh Workers Welfare Fund on January 12, 2017. The financial impact of such adjustments are disclosed in the said note.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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13. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 02, 2017 by the Board of Directors of the Management Company.

14. GENERAL

Certain prior year's / period's figures have been reclassified for the purpose of comparison. However, there were no material reclassifications to report.



Chief Executive Officer

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



Director

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by typing: **MCB Arif Habib Savings**

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