

Half Year Report
December 31, 2016
(Unaudited)



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

MCB CASH MANAGEMENT OPTIMIZER

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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 National Bank Limited Bank Al-Habib Limited Zarai Taraqiati Bank Limited Habib Bank Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
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 bt 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 Cash Management Optimizer** accounts 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 along with 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% along with 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 along with 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 For-ex 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 5.23% as against its benchmark return of 3.81%, an out performance of 1.42%. WAM stood at 8 days at December end. The WAM was gradually decreased during the period mainly to avail the benefit from discount rate stability which appeared to be near bottom. Adding on to it, volatility in oil prices due to OPEC and Non-OPEC deal and its expected impact on inflation rate were also the agents in our decision making.

The fund was 19.6% invested in TDRs, 79.4% in cash while 0.2% was invested in T-Bills. 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 Assets of the Fund as at December 31, 2016 stood at Rs. 6,445 million as compared to Rs. 3,958 million as at June 30, 2016 registering an increase of 62.83%.

The Net Asset Value (NAV) per unit as at December 31, 2016 was Rs. 102.9839 as compared to opening NAV of Rs. 100.3368 per unit as at June 30, 2016 registering an increase of Rs. 2.6471 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. 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.

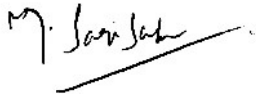
The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing 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 کیش مینجمنٹ آپٹیمائزر 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 اینگرو 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 پینائش 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 YoY 3.24% ترقی ہوئی جس کے اسباب کمزور یومر، الیکٹریکل، آٹوموبائلز اور سینٹ 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 بینکوں 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 وہ ولڈنگ 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 سیلٹر کی 390 بلین

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

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 5.23% تھا، جو مقررہ معیار 3.81% کے مقابلے میں 1.42% زیادہ ہے۔ WAM دسمبر کے اختتام پر 8 ایام پر تھا۔ دوران مدت WAM میں بتدریج کمی کی ہوئی جس کی بنیادی وجہ شرح ڈسکاؤنٹ کے استحکام سے فائدہ اٹھانا تھا، جو بظاہر کم ترین سطح کے قریب تھی۔ مزید برآں، OPEC اور Non-OPEC معاہدہ اور شرح افراط زر پر اس کا متوقع اثر بھی ہماری فیصلہ سازی کے محرکات تھے۔ فنڈ کی 19.6% سرمایہ کاری TDRs میں، 79.4% نقد میں، جبکہ 0.2% ٹی بلز میں تھی۔ نقد کے exposure کی بلند سطح کا سبب یہ تھا کہ دسمبر بینکوں کے لئے سال کا اختتام تھا اور وہ ڈپازٹس پر منافع بخش شرحیں پیش کر رہے تھے۔

31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 6,445 ملین روپے تھی، جو 30 جون 2016ء پر 3,958 ملین روپے مالیت کے مقابلے میں 62.38% زیادہ ہے۔ 31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 102.9839 روپے تھی، جو 30 جون 2016ء پر 100.3368 روپے فی یونٹ قدر کے مقابلے میں 2.6471% زیادہ ہے۔

مستقبل کا منظر

خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بل کے ماحول میں دستیاب مالیاتی خلاء کے بتدریج ختم ہوجانے 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 ٹیکج 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 ملک 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 کے ذریعے اس خلیج کو پُر 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 قابل 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 انریسٹ کی شرحیں مستحکم رہیں گی، لیکن زرمبادلہ کی شرح کی مطلوبہ سے زیادہ قدر، اور اس کے ساتھ کمزور خارجی اکاؤنٹ سے مستقبل میں اُبھرنے 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 براہ 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 انریسٹ 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 اُبھرتی 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۔ بینکاری 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 اُبھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر المیاد کارکردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہارِ تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیوں کی مسلسل معاونت اور پشت پناہی کے لئے شکرگزار ہے۔ علاوہ ازیں، ڈائریکٹر ز 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 Shahr-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 CASH MANAGEMENT OPTIMIZER

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 Cash Management Optimizer (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 17, 2017



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

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahr-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

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 Cash Management Optimizer** (the Fund) as at December 31, 2016, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the half year ended December 31, 2016. The Management Company (MCB Arif Habib Savings and Investments Limited) 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. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

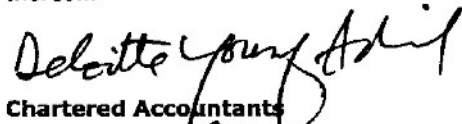
We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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 as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other matters

The financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who vide their report dated August 05, 2016 issued an unqualified opinion thereon.



Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

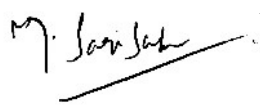
Dated: 02 FEB 2017
Karachi

Member of
Deloitte Touche Tohmatsu Limited

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			
Balance with banks		5,265,891	3,025,336
Investments	6	10,968	602,430
Term deposit receipts	7	1,300,000	500,000
Advances, prepayments and profit receivables		52,147	32,804
Total assets		6,629,006	4,160,570
Liabilities			
Payable to Management Company		7,726	3,649
Payable to Central Depository Company of Pakistan Limited - Trustee		645	406
Payable to Securities and Exchange Commission of Pakistan		2,407	5,391
Accrued expenses and other liabilities	8	173,648	192,836
Total liabilities		184,426	202,282
Net assets		6,444,580	3,958,288
Unit holders' fund (as per statement attached)		6,444,580	3,958,288
Contingencies and commitments	9		
(Number of units)			
Number of units in issue (face value of units is Rs. 100 each)		62,578,496	39,450,036
(Rupees)			
Net asset value per unit		102.98	100.34

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

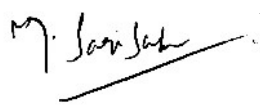


Director

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

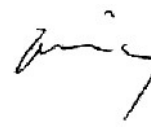
		Half year ended December 31,		Quarter ended December 31,	
		2016	2015	2016	2015
Note		----- (Rupees in '000) -----			
Income					
		(9,428)	5,663	11	2,384
	Capital (loss) / gain on sale of investments - net				
	Income from government securities	42,808	216,781	1,209	71,779
	Profit on term deposit receipts	31,397	57,695	17,489	47,270
	Profit on bank deposits	128,649	28,334	102,179	23,491
		193,426	308,473	120,888	144,924
	Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(4)	(112)	18	(1,983)
	Total income	193,422	308,361	120,906	142,941
Expenses					
	Remuneration of the Management Company	20,076	30,574	12,090	14,341
	Sindh Sales tax and Federal Excise Duty on the remuneration of Management Company	2,610	9,857	1,572	4,624
	Remuneration of Central Depository Company of Pakistan Limited - Trustee	2,785	3,655	1,598	1,775
	Sindh Sales tax on remuneration of the Trustee Fee	362	512	208	249
	Annual fee of Securities and Exchange Commission of Pakistan	2,407	3,293	1,409	1,587
	Auditors' remuneration	572	561	262	269
	Legal and professional	47	-	32	-
	Brokerage expenses	417	666	80	318
	Allocated expenses	3,627	834	2,297	834
	Other expenses	365	492	148	223
	Total operating expenses	33,268	50,444	19,696	24,220
	Net operating income for the period	160,154	257,917	101,210	118,721
	Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed				
	-from realized / unrealized capital gain	(958)	(511)	(877)	(369)
	-from other income	(5,513)	(52,348)	(10,183)	(35,136)
		(6,471)	(52,859)	(11,060)	(35,505)
	Provision for workers' welfare fund	-	-	-	-
	Net income for the period before taxation	153,683	205,058	90,150	83,216
	Taxation	-	-	-	-
	Net income for the period	153,683	205,058	90,150	83,216

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.



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**

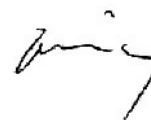
	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Net income for the period	153,683	205,058	90,323	83,216
Other comprehensive income:				
<i>Items that may be reclassified subsequently to income statement</i>				
Surplus on revaluation of Available for-Sale investments transferred to income statement on disposal	8,317	-	-	-
Total comprehensive income for the period	162,000	205,058	90,323	83,216

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.



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**

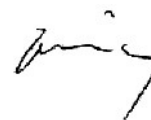
	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Undistributed income brought forward	12,787	13,784	85,674	130,400
Net element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised diminution	11,446	(6,302)	1,919	(1,076)
Net income for the period	153,683	205,058	90,323	83,216
	165,129	198,756	92,242	82,140
Undistributed income carried forward	177,916	212,540	177,916	212,540

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

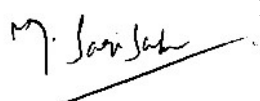


Director

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

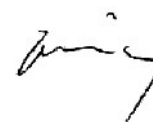
	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	3,958,288	12,532,647	6,008,265	7,921,457
Issue of 96,686,987 units (2015: 81,017,884 units) and 53,364,331 units (2015: 39,973,932 units) for the half year and quarter ended respectively	9,708,577	8,224,160	5,343,574	4,088,623
Redemption of 73,558,527 units (2015: 138,037,05 units) and 49,923,599 units (2015: 49,715,573 units) for the half year and quarter ended respectively	(7,390,756)	(13,985,290)	(5,008,641)	(5,099,367)
	2,317,821	(5,761,130)	334,933	(1,010,744)
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:				
- amount representing loss / (income) and capital losses / (gains) transferred to income statement				
-from realized / unrealized capital gain	958	511	877	369
-from other income	5,513	52,348	10,183	35,136
- amount representing loss that forms part of unit holder's fund transferred to distribution statement	(11,446)	6,302	(1,919)	1,076
	(4,975)	59,161	9,141	36,581
Net element of income / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	11,446	(6,302)	1,919	(1,076)
Net income for the period (excluding net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gains on sale of investments)	163,115	199,507	90,293	82,815
Capital (loss) / gain on sale of investments - net	(9,428)	5,663	11	2,384
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	(4)	(112)	18	(1,983)
Surplus on revaluation of available for sale investments transferred to to income statement on disposal	8,317	-	-	-
Total comprehensive income for the period	162,000	205,058	90,322	83,216
Net assets at end of the period	6,444,580	7,029,434	6,444,580	7,029,434

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.



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

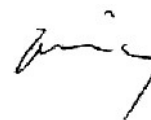
	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
----- (Rupees in '000) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	153,683	205,058	90,150	83,216
Adjustments for non cash and other items:				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	4	112	(18)	1,983
Capital gain / (loss) on sale on investments - net	9,428	-	11	-
Net element of loss and capital losses included in prices of units issued less those in units redeemed				
-from realized / unrealized capital gain	958	511	877	369
-from other income	5,513	52,348	10,183	35,136
	15,903	52,971	11,053	37,488
	169,586	258,029	101,203	120,704
Increase / (decrease) in assets				
Investments	590,347	10,038,019	57,119	2,662,935
Term deposit receipts	(800,000)	(3,870,000)	(250,000)	(970,000)
Advances, prepayments and profit receivables	(19,343)	(38,252)	(33,352)	(32,534)
	(228,996)	6,129,767	(226,233)	1,660,401
Increase / (decrease) in liabilities				
Payable to Management Company	4,077	595	3,924	25
Payable to Central Depository Company of Pakistan Limited - Trustee	239	45	166	(16)
Payable to Securities and Exchange Commission of Pakistan	(2,984)	(4,989)	1,409	1,587
Accrued expenses and other liabilities	(19,188)	(8,601)	12,037	2,773
	(17,856)	(12,950)	17,536	4,369
Net cash flow generated from operating activities	(77,266)	6,374,846	(107,494)	1,785,474
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments received against issuance of units	9,708,577	8,224,160	5,343,574	4,088,623
Payments made against redemption of units	(7,390,756)	(13,985,290)	(5,008,641)	(5,099,367)
Net cash used in financing activities	2,317,821	(5,761,130)	334,933	(1,010,744)
Net increase in cash and cash equivalents	2,240,555	613,716	227,439	774,730
Cash and cash equivalents at beginning of the period	3,025,336	2,398,028	5,038,452	2,237,014
Cash and cash equivalents as at end of the period	5,265,891	3,011,744	5,265,891	3,011,744

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



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 Cash Management Optimizer (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on July 30, 2009. It was constituted under a Trust Deed dated July 10, 2009 between MCB Arif Habib Savings and Investments Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984, and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed -e- Millat Expressway, near K.P.T Interchange, Karachi.
- 1.3** The Fund is an open end mutual fund and has been categorised as "Money Market Scheme" by the Board of Directors of the Management Company as per the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated March 06, 2009, and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from other funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on Pakistan Stock Exchange Limited (formerly Lahore Stock Exchange).
- 1.4** The Fund is purely a money market fund and has a policy to invest in short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks, with a maximum maturity of 180 days and weighted average maturity upto 90 days. The objective of the fund is to provide competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ (AM two plus plus) dated 8 June 2016 to the Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) dated 09 December 2016 to the Fund.
- 1.6** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC Rules), the Non- Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) shall prevail.
- 2.2** This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash

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

flow statement together with the notes forming part thereof. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2016. Comparative information of the 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 for the quarters ended December 31, 2016 and December 31, 2015 are un-audited and have been included to facilitate comparison.

2.3 This condensed interim financial information is un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause 5.9.13 of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

2.4 This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

2.5 The Directors of the Asset Management Company declare that this condensed interim financial information give a true and fair view of the Fund.

2.4 Basis of measurement

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should therefore be read in conjunction with the annual financial statements of the Fund for the year ended June 30, 2016. The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended June 30, 2016.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended June 30, 2016.

5. FINANCIAL RISK MANAGEMENT

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

6. INVESTMENTS	Note	(Un-audited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
At fair value through profit or loss			
Market Treasury Bill	6.1	10,968	99,961
Available for Sale			
Pakistan Investment Bond	6.2	-	502,469
		10,968	602,430

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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6.1 Market treasury bill 'at fair value through profit or loss'

	Face value					Balance as at December 31, 2016			Market value	
	As at July 01, 2016	Purchases during the year	Sales / matured during the year	As at December 31, 2016	Carrying value	Market value	Appreciation / (diminution)	As a percentage of net assets	As a percentage of total investments	
	(Rupees in '000)									
Note										
Treasury bills - 3 months	6.1.1	25,000	2,150,000	-	-	-	-	-	-	
Treasury bills - 6 months	6.1.1	10,785	8,042,500	-	-	-	-	-	-	
Treasury bills - 12 months	6.1.1	65,000	4,539,075	11,000	10,972	10,968	(4)	0.17%	100%	
Total as at December 31, 2016					10,972	10,968	(4)	0.17%	100%	
Total as at June 30, 2016					99,959	99,961	2	2.53%	16.60%	

6.1.1 This treasury bill cost Rs 10.702 million (June 30, 2016: Rs. 99.535 million), maturing latest by January 19, 2017 (June 30, 2016: September 29, 2016) and carry effective rate at 5.91% (June 30, 2016: 5.9% to 6%) per annum.

6.2 Pakistan investments bond 'at available for sale'

	Face value				Balance as at December 31, 2016			Market value	
	As at July 01, 2016	Purchases during the year	Sales / matured during the year	As at December 31, 2016	Cost	Market value	Appreciation / (diminution)	As a percentage of net assets	As a percentage of total investments
Note	(Rupees in '000)								
6.2.1	501,200	-	(501,200)	-	-	-	-	-	-
PIB - 3 years									
Total as at December 31, 2016									
					502,390	502,469	79	12.69%	83.40%
Total as at June 30, 2016									

6.2.1 This PIB cost Rs. Nil (June 30, 2016: Rs. 510.796 million), and carry interest at the rate of Nil (June 30, 2016: 11.50%) per annum.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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7. TERM DEPOSIT RECEIPTS

These term deposit receipts carries interest rate ranging between 6.45% to 6.5% (June 30, 2016: 6.40%) per annum. These will mature latest by march 07, 2017.

These will mature latest by March 07, 2017.

		(Un-audited) 31 December 2016	(Audited) 30 June 2016
	Note	(Rupees in '000)	
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Federal Excise Duty and related taxes	8.1		
- Management fee		54,265	54,265
- Sales Load		21	21
Provision for Workers' Welfare Fund	8.2	102,911	102,911
Withholding tax payable (deducted on dividend distribution and capital gain)		15,435	33,463
Auditors' remuneration		524	690
Brokerage payable		57	279
Legal and professional charges payable		391	595
Others		44	612
		173,648	192,836

- 8.1** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED was not justified.

On September 04, 2013, a constitutional petition was filed in Sindh High Court (SHC) jointly by various asset management companies, together with Collective Investment Schemes through their trustees, challenging the levy of FED.

The SHC vide its Order dated June 30, 2016 has disposed of the petition by referring its judgment dated June 02, 2016 whereby it rendered the FED on certain services to be 'Ultra Vires' in the presence of Sindh Sales Tax Act 2011. However, the Federal Board of Revenue (FBR) has filed an appeal in the Supreme Court of Pakistan against this judgment by the SHC.

Further, the Federal Government vide Finance Act 2016 has excluded asset management companies and other non-banking finance companies from charge of FED on their services.

In view of the abovementioned facts and the pending decision by the Supreme Court of Pakistan, the Management Company of the Fund has not made any further provision for FED in the books of accounts of the Fund with effect from July 1, 2016 and decided to retain the provision for FED already made in the books of accounts of the Fund which aggregated to Rs. 54.29 million as at December 31, 2016. (June 30, 2016: Rs. 54.29). Had this provision not been made, the NAV of the Fund would have been higher by Rs. 0.87 per unit.

- 8.2** The Supreme Court passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 on the matter, according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, The

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

Mutual Fund Association of Pakistan (MUFAP) decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017. The provision reversed on January 12, 2017, amounted to Rs. 102.91 million. This has resulted in an increase in NAV per unit of Rs. 1.56 on January 12, 2017. Had this reversal been recognized on December 31, 2016, the NAV per unit of the Fund would have been higher by Rs. 1.65 per unit on that date.

Furthermore, the Sindh Revenue Board (SRB) had written to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB on November 11, 2016 responded back that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP as an abundant caution, decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The provision made for SWWF on January 12, 2017, amounted to Rs. 5.17 million. This has resulted in a decrease in NAV per unit of Rs. 0.078 on January 12, 2017. Had this provision been recognized on December 31, 2016, the NAV per unit of the Fund would have been lower by Rs. 0.083 per unit on that date.

The SECP has also concurred with the directions issued by MUFAP through its letter no. SCD/AMCW/MUFAP /2017 - 405 dated February 01, 2017.

9. CONTINGENCIES AND COMMITMENTS

The Finance Act, 2015 inserted a new section 4B “Super Tax for Rehabilitation of Temporarily Displaced Persons” (Super Tax) for tax year 2015. Super Tax was imposed for Tax Year 2015 only on banking companies at the rate of 4% of income and by all other tax payers having income equal to or exceeding Rs. 500 million at 3 percent of the income. The levy of Super Tax had been extended to tax year 2016 through finance Act, 2016.

The Management Company received an order dated April 04, 2016 under section 4B(4) for recovery of Super Tax not paid with return of total income filed for tax year 2015. The Assistant Commissioner considered that the Fund was required to pay Super Tax as the income of the Fund was more than Rs. 500 million and raised a demand of Rs. 32.129 million

The Management Company had filed an appeal before Commissioner Inland Revenue (Appeals - III) which was decided against the Fund and now the Management Company has filed an appeal against the decision before the Appellate Tribunal Inland Revenue which is pending to date. In addition, the Management Company has obtained a restraining order from Sindh High Court to prohibit tax authorities from taking any coercive action on the basis of impugned order passed and demand notice.

The management based on consultation with tax advisor, MUFAP and management companies of other mutual funds, is of the view that the income of the Fund is exempt from tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 since sufficient accounting income had been distributed among the unit holders and the Funds complied with the requirement of said clause. Therefore, Super Tax under the provision of the Income Tax Ordinance, 2001 is not applicable to the Fund and accordingly no provision has been made in this condensed interim financial information for the period ended December 31, 2016.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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10. ALLOCATED EXPENSES

SRO 1160 dated November 25, 2015 issued by SECP has amended Clause 60 of NBFC Regulations, 2008. The new regulation has entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund has made an accrual of Rs.3.62 million for the half year ended December 31, 2016 at a rate of 0.1% of average annual net assets as the information related to actual expenses allocable to the Fund was not available at that time.

11. 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 amongst the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. As the management intends to distribute at least 90% of income earned during the current year to the unit holders, therefore, no provision for taxation has been made in this condensed interim financial information.

12. EARNINGS PER UNIT

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

**13. TRANSACTIONS WITH CONNECTED PERSONS /
RELATED PARTIES**

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms at contracted rates.

13.1 Details of transactions with the connected persons / related parties during the period are as follows:

	Unaudited			
	Half year ended		Quarter ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investments Limited				
Remuneration of the Management Company (including indirect taxes)	22,686	40,431	15,959	19,799
Allocated expenses (including indirect taxes)	3,627	834	2,297	834
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee (including indirect taxes)	3,147	4,167	1,806	2,024

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	Unaudited			
	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
MCB Bank Limited				
Profit on bank deposits	204	2,260	104	321
Bank Charges	8	59	2	19
Sale of securities - Face Value 400,000,000	388,982	-	-	-
Silk Bank Limited				
Sale of securities - Face Value 820,000,000	808,242	-	-	-
Arif Habib Limited - Brokerage House				
Brokerage expense*	-	1	-	1
Next Capital Limited - Brokerage House				
Brokerage expense*	1	67	-	7
Summit Capital (Private) Limited - Brokerage House				
Brokerage expense*	-	29	-	-

13.2 Balance outstanding as at the period / year end are as follows:

	(Un-audited) December 31, 2016	(Audited) June 30, 2016
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited		
Management fee payable	4,367	2,854
Sindh sales tax payable on management fee	568	400
Allocated expenses payable	668	393
Legal and professional charges payable	-	2
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	571	356
Sindh sales tax payable on trustee fee	74	50
	(Un-audited) December 31, 2016	(Audited) June 30, 2016
	(Rupees in '000)	
MCB Bank Limited		
Bank deposits**	218,259	126,700
Profit receivable on bank deposits	429	356
Arif Habib Limited - Brokerage House		
Brokerage payable*	-	9
Next Capital Limited - Brokerage House		
Brokerage payable*	-	28

* The amount disclosed represents the amount of brokerage paid 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.

** This includes Rs 214.99 million (June 30, 2016: 57.068 million) in saving accounts carrying profit at the rate of 3.75% to 6.75% (June 30, 2016: 3.75% to 6.4%) 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

13.3 Transactions during the period with connected persons / related parties in the units of the Fund:

	Unaudited			
	Half year ended		Half year ended	
	December 31, 2016		December 31, 2015	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
Units sold to:				
MCB-Arif Habib Savings and Investments Limited	7,408,468	750,743,078	2,052,204	207,740
Pakistan Petroleum Limited	-	-	9,776,355	985,000
Lucky Cement Limited	-	-	7,354,780	750,000
D.G. Khan Cement Company Limited***	7,962,798	800,000,000	-	-
Key management personnel	455,460	46,350,038	11,963	1,198
Mandate Under Discretionary Portfolio Services	4,621,908	470,436,704	661,513	67,356
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	4,780,261	485,590,525	2,331,191	235,907
Adamjee Insurance Company Limited	-	-	8,655,218	870,529
Adamjee Insurance Company Limited - Investment Dept	-	-	19,131,871	1,924,255
D.G. Khan Cement Company Limited	7,962,798	800,539,878	15,057,137	1,509,401
Key management personnel	330,630	33,771,757	316	32
Mandate Under Discretionary Portfolio Services	4,099,579	418,051,552	1,297,573	131,697
	December 31, 2016	June 30, 2016	December 31, 2016	June 30, 2016
	(Units)		(Rupees in '000)	
Units held by:				
MCB-Arif Habib Savings and Investments Limited	2,628,207	-	270,653	-
Key management personnel	141,675	16,845	14,590	1,690
Mandate Under Discretionary Portfolio Services	540,314	17,985	55,642	1,805

*** These persons became connected persons / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

14. EXPENSE RATIO

The expense ratio of the fund from July 01, 2016 to December 31, 2016 is 0.523%, the total expense ratio includes 0.0845% representing government levy and SECP fee.

15. FAIR VALUE HIERARCHY

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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

Financial assets which are trade able in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

Please find us on



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