



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY AKORA

ANNUAL REPORT 2018

Funds Under Management of
MCB-Arif Habib Savings and Investments Limited

MCB PAKISTAN STOCK MARKET 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 Muhammad 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 Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Company Secretary	Mr. Muhammad Asif Mehdi Rizvi	
Chief Financial Officer	Mr. Abdul Basit	
Trustee	Central Depository 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	Habib Metropolitan Bank Limited United Bank Limited Habib Bank Limited MCB Bank Limited Bank Al Falah Limited Silk Bank Limited Standard Chartered Bank Limited Summit Bank Limited Bank Al Habib Limited Allied Bank Limited JS Bank Limited National Bank of Pakistan	
Auditors	A.F Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB Pakistan Stock Market Fund** accounts review for the year ended June 30, 2018.

ECONOMIC OVERVIEW

FY18 has been a rollercoaster ride of contradicting economic indicators with benign inflation and healthy LSM growth positively contributed to the economy, while mounting fiscal pressure, falling FX reserves, and political turmoil created a negative impact on the economy. Upward trending global commodity prices, especially rising crude oil prices, further added to the woes of the local economy.

GDP growth is expected to set at a record 10 years high of ~5.7% supported by a robust industrial and services sector growth. The marked end of power crises along with easing monetary cycle has led to an expansion in LSM growth which is expected to post a growth of ~7% for FY18. Inflation as measured by CPI has averaged ~4.0% owing to adequate supply of commodities and a stable currency during the most part of the year. However, for FY19, we expect CPI to jack up to average of ~7.5% owing to rising commodity prices along with weakness in currency. Furthermore, the weaker currency is also expected to shoot up the core inflation above 8.0%.

External sector has been the Achilles heel as a record high current account deficit along with financial flows by both bilateral and multilateral institutions have caused a scarcity of dollars. Current account deficit soared to USD 18 billion, nearly 5.8% of the GDP raising alarm bells for the economy. As a result of which, foreign exchange reserves of SBP have depleted by USD 6.5 bn during FY18 to USD 9.7 bn, providing a mere import coverage of ~2.0x. By large, Pakistan could be heading towards another IMF program during the second quarter of next fiscal year unless significant flows are generated via the amnesty scheme.

EQUITIES MARKET OVERVIEW

Equities turned red after a span of nearly 9 years, as the benchmark index lost ~10% during the year. Both economic and political factors continued to haunt the investors; with the dominant theme prevailing around the external account crisis. Foreigners' in view of weak currency, kept offloading local equities, selling USD 288 mn of stocks which was mainly absorbed by Insurance companies (~USD 204 Mn) and Companies (~USD 100 Mn). Trading volumes during the year averaged around 174 mn shares/ USD 8.15 bn depicting a massive decline of ~49%/47% YoY respectively. Cyclical had the worst year as emerging concerns on the economic growth kept the investors at bay. Cement and Autos were major laggards as they lost ~42% and 30% respectively. Cements declined due to increasing coal prices and imminent supply additions in the sector. While, Autos lost mainly due to a weak local currency along with negative sentiments emanating post budget due to government's announcement of barring non-filers from purchasing vehicles. Power sector shrank by ~20% due to rising circular debt resulting in non-payment of dividends by some companies and shut-down of some FO plants post government orders. E&Ps and Fertilizers were the only major sectors providing positive return, gaining 20% and 3% respectively. Against the market movement, E&Ps posted a considerable gain of ~20% YoY due to surge in average oil prices by 29%. Fertilizer rallied due to improved sector dynamics in the form of comfortable inventory levels and enhanced pricing power of the manufacturers being reflected in increased fertilizer prices post-budget.

FUND PERFORMANCE

During the period, PSM generated a return of -7.51% as compared to a return of -10.00% witnessed by the KSE100 Index, outperforming the benchmark by 2.49%. Overall equity exposure stood at 93.0% on June 30, 2018. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments. Changes in sector level allocation include decrease in exposure in Cement while allocation was increased in Commercial Banks and Oil & Gas Exploration Companies.

The Net Assets of the fund as at June 30, 2018 stood at Rs. 10,113 million as compared to Rs. 11,629 million as at June 30, 2017 registering a decrease of 13.04%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 94.8056 as compared to opening NAV of Rs. 102.5017 per unit as at June 30, 2017 registering a decrease of -7.6961 per unit.

FUTURE OUTLOOK

For the next year, the economic growth is expected to slightly slow down as a weak currency and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy will

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

provide a respite to the economic managers during this critical juncture. We share the optimism on better governance & long term prospects for economic revival amid more focused and sincere efforts to address chronic issues on economic front by the new government; however, the path is likely to be tough and with a number of potentially un-popular policy steps. Given initial plans of PTI (ruling party) some sense of policy steps can be expected but given the precarious economic conditions, we think immediate term measures to address twin deficits are critical. Fiscal side is also expected to weaken as reckless spending by the government will cause fiscal deficit to cross above 6.0% of GDP. Given pressures on the external front along with rising inflation, State Bank is expected to further tighten the monetary policy, with 100 bps already increased, which shall result in higher debt servicing cost for the government during the next fiscal year. Along with entry to the IMF program, which will aim to curtail the fiscal deficit, developmental expenditures will be sharply cut during the next year.

On the equity side, post elections, we shall closely monitor the environment to incorporate the new policy guidance as it becomes available. In broader terms, we believe, the last two years market performance (down approx. 20% from peak levels) has reflected the concerns on political and economic direction & also reflected in performance of cyclical stocks where correction in stock prices is even sharper. We continue to reiterate our stance that current levels offer little downside potential which puts in a lot of comfort for long term investors. We believe upside in stocks shall unveil only gradually as confidence reigns back and economic policies shape the outlook in the expected manner. Therefore, going forward, stocks offer long term investment opportunity with rewards for patient investors. We continue to track trends in the economic indicators of the country and adjust our portfolio accordingly. Our Top-Down analysis favors sectors that benefit from currency depreciation and higher interest rates; however, we cannot ignore the individual company dynamics along with their prices that can play an important role in security selection.

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With seven (7) non-executive directors including three (3) independent Directors on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2018:

1. Meeting of the Audit Committee.

During the year, nine (9) meetings of the Audit Committee were held. The attendance of each participant is as follows:

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Haroun Rashid	9	9	6	3
2. Mr. Ahmed Jahangir	9	9	9	-
3. Mr. Nasim Beg	9	9	7	2
4. Mr. Mirza Qamar Beg	9	9	7	2

2. Meeting of the Human Resource and Remuneration Committee.

During the year, five (5) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Dr. Syed Salman Shah	5	5	5	-
2. Mr. Nasim Beg	5	5	5	-
3. Mr. Ahmed Jahangir	5	5	5	-
4. Mr. Haroun Rashid	5	5	3	2
5. Mr. Muhammad Saqib Saleem -CEO	5	5	5	-

3. In the meeting held on September 14, 2018, the Risk Committee of the Board was formed consisting of the following members:

- (i) Mr. Mirza Qamar Beg - Chairman
- (ii) Mr. Nasim Beg
- (iii) Mr. Ahmed Jahangir

EXTERNAL AUDITORS

The fund's external auditors, A.F.Ferguson & Co. Chartered Accountants, have retired during the year & Ernst & Young Ford Rhodes Chartered Accountants have been appointed as an external auditors of the fund for financial year ending June 30, 2019. Ernst & Young Ford Rhodes Chartered Accountants has also expressed their willingness to act as the fund auditors.

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.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
September 14, 2018



Nasim Beg
Director / Vice Chairman

3- ستمبر 2018ء کے منعقد میٹنگ میں بورڈ کی رسک کمیٹی کا قیام کیا گیا ہے، جس کے اراکین مندرجہ ذیل ہیں:

1	جناب	مرزا قمر بیگ	چیئر مین
2	جناب	نسیم بیگ	
3	جناب	احمد جہانگیر	

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس“ نے 30 جون 2019ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2019ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ

ڈائریکٹر / وائس چیئر مین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

14 ستمبر 2018ء

ڈائریکٹرز رپورٹ

- f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔
- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- h. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔
- i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. تمام ڈائریکٹرز ”ڈائریکٹرز ٹریننگ پروگرام“ مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر تربیتی کورس میں شرکت سے مستثنیٰ ہیں۔
- k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔
- l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں پیش کی گئی ہیں۔ 30 جون 2018ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

1. آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی نو (9) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	نام
3	6	9	9	1. جناب ہارون رشید
-	9	9	9	2. جناب احمد جہانگیر
2	7	9	9	3. جناب نسیم بیگ
2	7	9	9	4. مرزا محمد قمر بیگ

2. ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن کمیٹی کی پانچ (05) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	نام
-	5	5	5	1. ڈاکٹر سید سلمان شاہ
-	5	5	5	2. جناب نسیم بیگ
-	5	5	5	3. جناب احمد جہانگیر
2	3	5	5	4. جناب ہارون رشید
-	5	5	5	5. جناب محمد ثاقب سلیم (سی ای او)

ڈائریکٹر رپورٹ

مالیاتی جہت میں بھی ضعف متوقع ہے کیونکہ حکومت کے بے دریغ خرچ کے باعث مالیاتی خسارہ مجموعی ملکی پیداوار (GDP) کے 6.0% سے تجاوز کر جائے گا۔ خارجی رُخ پر متعدد دباؤ کے ساتھ ساتھ افراط زر میں اضافے کے پیش نظر اسٹیٹ بینک کی جانب سے مالیاتی پالیسی میں مزید سختی متوقع ہے، جبکہ 100 bps اضافہ پہلے ہی ہو چکا ہے، جس کے نتیجے میں حکومت کے لیے اگلے مالی سال کے دوران قرضوں کی واپسی کی لاگت میں اضافہ ہو جائے گا۔ آئی ایم ایف پروگرام میں داخلے کے ساتھ ساتھ، جس کا مقصد مالیاتی خسارے میں کمی ہوگا، ترقیاتی اخراجات میں بھی اگلے سال تیزی سے کمی کی جائے گی۔

ایکویٹی کی جہت پر انتخابات کے بعد ہم ماحول کی باریک بینی سے نگرانی کریں گے تاکہ پالیسی کے حوالے سے نئی راہنمائی کے دستیاب ہوتے ہی اس پر عملدرآمد کر سکیں۔ وسیع تر تناظر میں ہم سمجھتے ہیں کہ مارکیٹ کی گزشتہ دو برسوں کی کارکردگی (اوپنی ترین سطح سے تقریباً 20% کم) سیاسی اور معاشی سمت پر خدشات کی عکاسی ہوئی ہے، اور دورانی اسٹاکس کی کارکردگی کی بھی عکاسی ہوئی ہے جہاں اسٹاکس کی قیمتوں میں تصحیح مزید تیز ہے۔ ہم اپنے موقف پر قائم ہیں کہ موجودہ سطحوں پر کمی کی محدود استعداد ہے جس کی بدولت طویل المیعاد سرمایہ کاروں کو خاطر خواہ سہولت فراہم ہوتی ہے۔ ہم سمجھتے ہیں کہ اسٹاکس میں ترقی بتدریج ظاہر ہوگی جب اعتماد بحال ہوگا اور معاشی پالیسیاں حالات کو توقعات کے مطابق ڈھالیں گی۔ چنانچہ آگے بڑھتے ہوئے اسٹاکس طویل المیعاد سرمایہ کاری کا موقع فراہم کرتے ہیں جس میں صبر کے ساتھ چلنے والے سرمایہ کاروں کے لیے منافع ہوگا۔ ہم بدستور ملک کی معاشی علامات کے رجحانات پر نظر رکھ کر ان کے مطابق اپنے دائرہ کار میں تبدیلیاں لا رہے ہیں۔ ہمارا Top-Down تجزیہ روپے کی قدر میں کمی اور انٹریسٹ کی بلند شرحوں سے مستفید ہونے والے شعبوں کی حمایت کرتا ہے؛ تاہم، ہم کمپنی کے انفرادی عناصر اور ان کی قیمتوں کو نظر انداز نہیں کر سکتے جن سے سیکورٹی کے انتخاب میں اہم کردار ادا ہو سکتا ہے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لیے پُر عزم ہے۔ سات (7) نان ایگزیکٹو ڈائریکٹرز بشمول تین (3) خود مختار ڈائریکٹرز پر مشتمل بورڈ مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق کی بہترین طریقوں سے متعلق شقوق کی، خاص طور پر نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے لیے پُر عزم ہے جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔ ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
b. فنڈ کی دُست گیس آف اکاؤنٹس تیار کی گئی ہیں۔

c. مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، نان بینکنگ فنانس کمپنیز (اسٹبلشمنٹ اینڈ ریگولیشنز) کے ضوابط، 2003ء، نان بینکنگ فنانس اینڈ نوٹیفائیڈ انسٹیٹیوٹس ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور موثر انداز میں نافذ کیا گیا ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

ڈائریکٹرز رپورٹ

Cyclicals کے لیے یہ بدترین سال تھا کیونکہ معاشی ترقی کے حوالے سے بڑھتے ہوئے خدشات کے باعث سرمایہ کاروں کی حوصلہ شکنی ہوئی۔ سیمنٹ اور آئوز بالترتیب 42% اور 30% کمی کے باعث پسماندہ ترین شعبے تھے۔ سیمنٹ کے شعبے میں پسماندگی کی وجہ کوئلے کی بڑھتی ہوئی قیمتیں اور فراہمیوں میں اضافہ ہے، جبکہ آئوز میں پسماندگی کے بنیادی عوامل کمزور روپیہ، اور بجٹ کے بعد ٹیکس ریٹرن فائل نہ کرنے والوں کے لیے گاڑیوں کی خریداری پر پابندی کے حکومتی اعلان سے پیدا ہونے والے منفی جذبات ہیں۔

بجلی کے شعبے میں 20% کمی ہوئی جس کا سبب یہ تھا کہ گردشی قرضوں میں اضافے کی وجہ سے کچھ کمپنیوں نے ڈیویڈنڈ کی ادائیگی نہیں کی اور حکومتی احکام کے بعد کچھ FO پلانٹس بند کر دیئے گئے۔ صرف E&Ps اور فریٹلائزرز کے شعبوں میں بالترتیب 20% اور 3% ترقی ہوئی۔ E&Ps نے مارکیٹ کی صورتحال کے برخلاف 20% YoY منافع دیا جس کی وجہ تیل کی اوسط قیمتوں میں 29% اضافہ ہے۔ فریٹلائزرز میں ترقی کا سبب اس شعبے کے عوامل میں بہتری ہے، اور اس کے اسباب یہ ہیں کہ انوینٹری باسہولت سطحوں پر رہی، اور مینوفیکچررز کے قیمتیں طے کرنے کے اختیار میں اضافہ ہوا جس کی عکاسی بجٹ کے بعد فریٹلائزرز کی قیمتوں میں اضافے سے ہوئی۔

فنڈ کی کارکردگی

دورانِ مدت فنڈ کا منافع 7.51% تھا جبکہ KSE100 اینڈیکس کا منافع 10.00% تھا، یعنی فنڈ نے مقررہ معیار سے 2.49% بہتر کارکردگی کا مظاہرہ کیا۔ ایکویٹی کی مجموعی شمولیت 30 جون 2018ء کو 93.0% تھی۔ فنڈ خارجی عوامل سے چونکا رہا اور بنیاد نوعیت کی ترقیاتی پیش رفت کے پیش نظر سرمایہ کاری کے لائحہ عمل میں مطلوبہ تبدیلی کی گئی۔ سیکٹر کی سطح کے اختصا ص میں سیمنٹ میں کمی جبکہ کمرشل بینکوں اور آئل اینڈ گیس ایکسپلوریشن میں اضافہ شامل ہیں۔ 30 جون 2018ء کو فنڈ کے net اثاثہ جات 10,113 ملین روپے تھے، جو 30 جون 2017ء کو 11,629 ملین روپے کے مقابلے میں 13.04% کمی ہے۔

30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 94.8056 روپے تھی، جو 30 جون 2017ء کو 102.5017 روپے ابتدائی NAV کے مقابلے میں 7.6961- فی یونٹ کمی ہے۔

مستقبل کا منظر

اگلے سال معاشی ترقی میں کچھ سست رفتاری متوقع ہے کیونکہ کھپت کے رجحان پر کمزور روپیہ اور تنگ مالیاتی پالیسی کا راج رہے گا۔ تاہم زیادہ بجلی کی فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس اہم موڑ پر معاشی منتظمین کو سہولت میسر ہوگی۔ دیرینہ مسائل کے حل کے لیے نئی حکومت کی مرکز اور مخلصانہ کوششوں کے پیش نظر ہم بہتر طرز حکومت اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں، تاہم راستہ دشوار اور پالیسی میں متعدد ناپسندیدہ اقدامات سے پُر ہوسکتا ہے۔ پاکستان تحریک انصاف (حکمران جماعت) کے ابتدائی منصوبوں کی روشنی میں بہتر پالیسی اقدامات کی توقع کی جاسکتی ہے، لیکن خطرناک معاشی حالات کے پیش نظر ہم سمجھتے ہیں کہ فوری میعاد والے اقدامات بے حد ضروری ہیں تاکہ جڑواں خساروں پر توجہ دی جاسکے۔

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ کے 30 جون 2018ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت کا مجموعی جائزہ

مالی سال 2018ء متضاد معاشی علامات کے مد و جزر سے بھرپور رہا۔ مفید افراط زر اور LSM کی خاطر خواہ ترقی نے معیشت میں مثبت کردار ادا کیا جبکہ بڑھتے ہوئے مالیاتی دباؤ، غیر ملکی زرمبادلہ کے گھٹتے ہوئے ذخائر اور سیاسی ہلچل نے منفی اثرات مرتب کیے۔ عالمی اشیاء، خصوصاً خام تیل، کی بڑھتی ہوئی قیمتوں نے ملکی معیشت کے مسائل میں مزید اضافہ کیا۔

مجموعی ملکی پیداوار (GDP) میں 5.7% ترقی متوقع ہے جو گزشتہ دہائی کی سب سے اونچی سطح ہے، اور اس میں صنعتی اور خدمات کے شعبے کی بھرپور ترقی کی معاونت شامل ہے۔ بجلی کے بحران کے خاتمے اور مالیاتی چکر میں نرمی کے نتیجے میں LSM کی ترقی میں وسعت ہوئی ہے جو مالی سال 2018ء میں 7% متوقع ہے۔ CPI کی صورت میں پیمائش کردہ افراط زر کا اوسط 4.0% ہے جو سال کے اکثر حصے کے دوران اشیاء کی خاطر خواہ فراہمی اور مستحکم روپے کی بدولت ہے۔ تاہم مالی سال 2019ء کے لیے توقع ہے کہ اشیاء کی بڑھتی ہوئی قیمتوں اور روپے میں ضعف کے باعث CPI بڑھ کر 7.5% اوسط تک پہنچ جائے گا۔ مزید براں، کمزور روپیہ متوقع طور پر افراط زر کو 8.0% سے اونچی سطح پر لے جائے گا۔

خارجی شعبہ نازک مقام پر ہے کیونکہ کرنٹ اکاؤنٹ کے اب تک کے سب سے زیادہ خسارے کے ساتھ ساتھ دو جہتی اور کثیر الجہتی، دونوں قسم کے اداروں کی جانب سے مالیاتی آمدورفت کے باعث ڈالر میں قلت ہو گئی ہے۔ کرنٹ اکاؤنٹ کا خسارہ 18 بلین ڈالر تک پہنچ گیا، یعنی GDP کا تقریباً 5.8%، جو معیشت کے لیے خطرے کی گھنٹی ہے۔ اس کے نتیجے میں مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر 6.5 بلین ڈالر کم ہو کر 9.7 بلین ڈالر رہ گئے، جس سے صرف 2.0x درآمداتی تلافی فراہم ہوئی۔ مجموعی طور پر اگلے مالی سال کی دوسری سہ ماہی کے دوران پاکستان ایک اور IMF پروگرام کے رُخ پر گامزن ہو سکتا ہے، سوائے اس کے کہ ایمنسٹی اسکیم کے ذریعے خاطر خواہ آمدورفت پیدا کی جائے۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

ایکویٹیز تقریباً 9 سال کے عرصے کے بعد خطرے کی حدود میں آگئیں کیونکہ انڈیکس کے مقررہ معیار میں دوران سال 10% کمی ہوئی۔ معاشی اور سیاسی، دونوں عوامل نے سرمایہ کاروں کو پریشان کیے رکھا جن میں اہم ترین موضوع خارجہ کرنٹ اکاؤنٹ کا بحران تھا۔ کمزور روپے کے پیش نظر غیر ملکی سرمایہ کار مقامی ایکویٹیز سے دستبردار ہوتے رہے، اور 288 ملین ڈالر مالیت کے اسٹاکس فروخت کیے جن کا زیادہ تر اثرائت انشورنس کمپنیوں (204 ملین ڈالر) اور کمپنیوں (100 ملین ڈالر) نے قبول کیا۔ دوران سال تجارتی حجم کا اوسط تقریباً 174 ملین حصص / 8.15 بلین ڈالر تھا، جو بالترتیب 49% / 47% YoY کی بڑی کمی تھی۔

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Fund Type and Category

Pakistan Stock Market Fund (PSM) is an Open-End Equity Scheme.

Fund Benchmark

The benchmark for PSM is KSE 100 Index.

Investment Objective

The objective of the fund is to provide investors long term capital appreciation from its investment in Pakistani equities

Investment Strategy

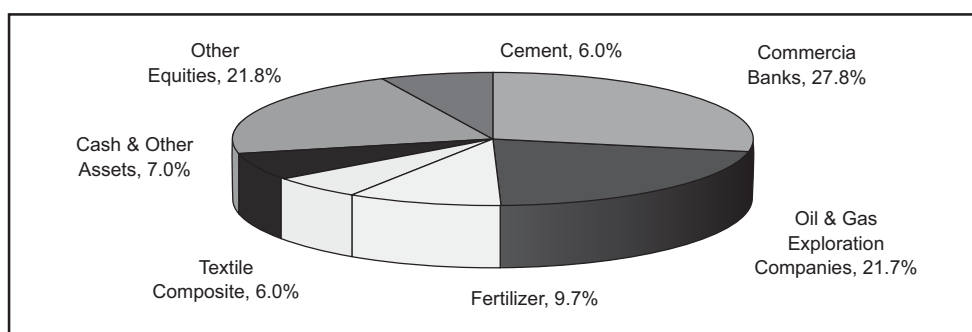
Pakistan Stock Market Fund (PSM) is an open end equity fund that invests in quality stocks listed in Pakistan. The fund is actively managed and fundamental research drives the investment process. Fundamental outlook of sectors/companies and DCF (discounted cash flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the fund's portfolio is high quality liquid stocks. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/ placements.

Manager's Review

During the period, PSM generated a return of -7.51% as compared to a return of -10.00% witnessed by the KSE100 Index, outperforming the benchmark by -2.49%. Overall equity exposure stood at 93.0% on June 30, 2018.

The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments. Changes in sector level allocation include decrease in exposure in Power Generation & Distribution while allocation was increased in Banks, E&Ps & Fertilizers.

The Net Assets of the fund as at June 30, 2018 stood at Rs. 10,113 million as compared to Rs. 11,629 million as at June 30, 2017 registering a decrease of 13.04%. The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 94.8056 as compared to opening NAV of Rs. 102.5017 per unit as at June 30, 2017 registering a decrease of 7.6961 per unit.



Syed Abid Ali
Fund Manager

Karachi: September 06, 2018

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 PAKISTAN STOCK MARKET FUND

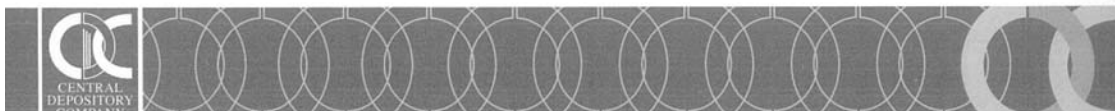
Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Stock Market 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 year ended June 30, 2018 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: September 19, 2018



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of MCB Pakistan Stock Market Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MCB Pakistan Stock Market Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, cash flow statement and statement of movement in unit holders' funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Amendments to NBFC Regulations, 2008 (Refer note 3.9 to the annexed financial statements) The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impacts of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Funds'.	We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income. We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.

AFC

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Funds. Element of income is explained in note 3.9.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p>	<p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p>
2	<p>Net Asset Value</p> <p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and bank balances constitute the most significant component of the net assets value. The investments of the Fund as at June 30, 2018 amounted to Rs 9,723.057 million and bank balances aggregated to Rs 664.008 million.</p> <p>The proper valuation of investments and bank balances for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> Tested the design and operating effectiveness of the key controls for valuation of investments; Obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; Obtained approval of Board of Directors of the management company in relation to opening and closing of bank accounts; and Obtained bank reconciliation statements and tested reconciling items on a sample basis.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

AA S

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

4



A.F. FERGUSON & CO.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

Chartered Accountants
Karachi

Date: September 24, 2018

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
ASSETS			
Bank balances	4	664,008	2,228,648
Investments	5	9,723,057	9,809,524
Receivable against sale of investments		52,923	98,104
Dividend and profit receivable	6	10,979	25,506
Advances, deposits and other receivables	7	8,083	7,311
Total assets		10,459,050	12,169,093
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	32,100	37,897
Payable to Central Depository Company of Pakistan Limited - Trustee	9	1,083	1,192
Payable to the Securities and Exchange Commission of Pakistan	10	9,964	10,045
Payable against purchase of investments		165,428	335,299
Accrued expenses and other liabilities	11	137,505	154,593
Payable against redemption of units		386	897
Total liabilities		346,466	539,923
NET ASSETS		10,112,584	11,629,170
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		10,112,584	11,629,170
CONTINGENCIES AND COMMITMENTS	12		
(Number of units)			
NUMBER OF UNITS IN ISSUE		106,666,546	113,453,480
(Rupees)			
NET ASSETS VALUE PER UNIT		94.8056	102.5017
FACE VALUE PER UNIT		50.0000	50.0000

The annexed notes from 1 to 25 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
INCOME			
(Loss) / gain on sale of investments - net		(388,735)	2,243,299
Unrealised (diminution) in value of investments at fair value through profit or loss - net	5.1.1	(359,199)	(176,262)
Profit / mark-up on:			
- government securities		30,106	26,174
- bank balances		48,066	29,639
Dividend income		425,433	422,348
Reversal of provision against Workers' Welfare Fund		-	107,634
Impairment loss for the year on available for sale investments	5.6	(84,653)	(40)
Other income		211	-
Total income		(328,771)	2,652,792
EXPENSES			
Remuneration of Management Company	8.1	209,775	211,474
Sindh sales tax on remuneration of Management Company	8.2	27,271	27,492
Remuneration of the trustee	9.1	11,489	11,574
Sindh sales tax on Remuneration of the Trustee	9.2	1,494	1,505
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	9,964	10,045
Allocated expenses and related taxes	8.3	11,852	11,947
Selling and marketing expenses	8.4	41,953	13,338
Brokerage expense		46,031	65,718
Printing and related charges		-	383
Settlement and bank charges		3,514	4,490
Fees and subscriptions		285	64
Auditors' remuneration	13	998	878
Provision against Sindh Workers' Welfare Fund		-	57,876
Legal and professional charges		295	60
Total expenses		364,921	416,844
Net (loss) / income for the year before element of income and capital gains included in the prices of units issued less those in units redeemed - net		(693,692)	2,235,948
Element of income and capital gains included in the prices of units issued less those in units redeemed - net			
- arising from realised / unrealised gains / (losses)		-	277,064
- arising from other income		-	(56,383)
			220,681
Net (loss) / income for the year before taxation		(693,692)	2,456,629
Taxation	15	-	-
Net (loss) / income for the year after taxation		(693,692)	2,456,629
(Losses) / earnings per unit	3.13		
Allocation of net income for the year			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
Accounting income available for distribution:			
- relating to capital gains		-	-
- excluding capital gains		-	-

The annexed notes from 1 to 25 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
Net (loss)/ income for the year after taxation		(693,692)	2,456,629
Other comprehensive income for the year			
<i>Items that are or may be reclassified subsequently to the income statement</i>			
- Unrealised (diminution) / appreciation on re-measurement of investments classified as available-for-sale - net	5.5	(245,893)	192,561
- Unrealised diminution on re-measurement of investments classified as 'available for sale' transferred to income statement as impairment loss	5.6	-	-
		(245,893)	192,561
Total comprehensive (loss)/ income for the year		<u>(939,585)</u>	<u>2,649,190</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

Particulars	For the year ended June 30, 2018				For the year ended June 30, 2017
	(Rupees in '000)				
	Capital Value	Undistributed income	Unrealised appreciation/ (diminution) on 'available for sale' investments	Total	Total
Net assets at the beginning of the year	5,673,093	5,340,008	616,069	11,629,170	8,017,886
Issue of 68,054,253 units (2017: 128,733,096 units):					
- Capital value (at net asset value per unit at the beginning of the year)	6,975,677	-	-	6,975,677	
- Element of loss	(347,667)	-	-	(347,667)	
Total proceeds on issuance of units	6,628,010	-	-	6,628,010	13,992,106
Redemption of 74,841,187 units (2017: 107,342,629 units):					
- Capital value (at net asset value per unit at the beginning of the year)	7,671,349	-	-	7,671,349	
- Element of income	(466,338)	-	-	(466,338)	
	7,205,011	-	-	7,205,011	11,842,237
Net element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	220,681
Total comprehensive (loss) / income for the year	-	(693,692)	(245,893)	(939,585)	2,649,190
Distributions during the year	-	-	-	-	(967,094)
Net (loss) / income for the year less distribution	-	(693,692)	(245,893)	(939,585)	1,682,096
Net assets as at the end of the year	5,096,092	4,646,316	370,176	10,112,584	11,629,170
Undistributed income brought forward					
- Realised gain		5,516,270			3,026,013
- Unrealised (loss)		(176,262)			(35,218)
		5,340,008			2,990,795
Accounting income available for distribution:					
- Relating to capital gains		-			
- Excluding capital gains		-			
Net (loss) / income for the year after taxation		(693,692)			2,456,629
Net element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net					859,678
distributions during the year		-			(967,094)
Undistributed income carried forward		4,646,316			5,340,008
Undistributed income carried forward					
- Realised gain		5,005,515			5,516,270
- Unrealised (loss) / gain		(359,199)			(176,262)
		4,646,316			5,340,008
			(Rupees)	(Rupees)	
Net assets value per unit as at beginning of the year			102.5017	87.0900	
Net assets value per unit as at end of the year			94.8056	102.5017	

The annexed notes from 1 to 25 form an integral part of these financial statements.


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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
CASH FLOW FROM OPERATING ACTIVITIES			
Net (loss) / income for the year after taxation		(693,692)	2,456,629
Adjustments for			
Unrealised diminution / (appreciation) in value of investments at fair value through profit or loss - net		359,199	176,262
Element of income and capital gains included in prices of units issued less those in units redeemed - net			
- arising from realised / unrealised gains / (losses)		-	(277,064)
- arising from other income		-	56,383
Impairment loss for the year on available for sale investments		84,653	(40)
(Increase) / decrease in assets		(249,840)	2,412,170
Investments - net		(603,278)	(2,316,720)
Receivable against sale of investments		45,181	61,005
Dividend and profit receivable		14,527	(1,828)
Advances, deposits and other receivables		(772)	(159)
		(544,342)	(2,257,702)
Increase / (decrease) in liabilities			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		(5,797)	20,882
Payable to Central Depository Company of Pakistan Limited - Trustee		(109)	368
Payable to the Securities and Exchange Commission of Pakistan		(81)	3,333
Payable against purchase of investments		(169,871)	198,194
Accrued expenses and other liabilities		(17,088)	(43,628)
		(192,946)	179,149
Net cash flows (used in) / generated from operating activities		(987,128)	333,617
CASH FLOW FROM FINANCING ACTIVITIES			
Distribution made during the year			(967,094)
Cash received from units sold		6,628,010	13,992,106
Cash paid on units redeemed		(7,205,522)	(11,841,726)
Net cash decrease (used in) / generated from financing activities		(577,512)	1,183,286
Net increase in cash and cash equivalents during the year		(1,564,640)	1,516,903
Cash and cash equivalents at beginning of the year		2,228,648	711,745
Cash and cash equivalents at end of the year	4	664,008	2,228,648

The annexed notes from 1 to 25 form an integral part of these financial statements.


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



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Stock Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)].
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi, Pakistan.
- 1.3 The Fund has been categorised as equity 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 them to the Fund. The units are listed on the Pakistan Stock Exchange. The Fund primarily invests in listed equity securities. However, it also invests in cash instruments and treasury bills not exceeding 90 days in maturities.
- 1.4 The Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2++ dated June 30, 2018 to the Management Company and 4-Star long term & 4-Star short term as performance rating dated May 28, 2018 to the Fund.
- 1.5 The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund. The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act 2017 along with part VIIIA of the repealed Companies ordinance, 1984 ; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

The Directors of the asset management company declare that these financial statements give a true and fair view of the state of affairs of the Fund

2.2 Standards, Interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

2.3 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective

2.3.1 The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IFRS-9 Financial Instruments	July 1, 2018
- IFRS-15 Revenue from contracts with customers	July 1, 2018
- IFRS-16 Leases	January 1, 2019

2.3.2 These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

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

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- Classification and valuation of investments (note 3.2 and 5)
- Impairment of financial assets (note 3.2.5)
- Taxation (note 3.6 and 15)

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain investments which are stated at fair value.

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied except for the changes as disclosed the note 3.9 to these financial statements.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

3.2 Financial assets

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

3.2.1 Classification

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

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available-for-sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed out in the income statement.

3.2.4 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available-for-sale' are measured at fair value.

Gains or losses arising, from changes in the fair value and on sale of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement.

Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in other comprehensive income until derecognised or impaired, when the accumulated fair value adjustments recognised in other comprehensive income are included in the Income Statement.

Basis of valuation

- The fair value of investments in listed equity securities is determined by reference to Stock Exchange quoted market prices at the close of period end.
- The fair value of investments in Government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the MUFAP website.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.5 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and included in the Income Statement. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

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

3.4 Offsetting of financial assets and liabilities

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

3.5 Provisions

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

3.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

3.7 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which these are approved by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.8 Issue and redemption of units

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

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

3.9 "Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed"

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

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

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on the clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income / (loss) been recognised as per the previous accounting policy, the Income Statement

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

of the Fund would have been higher by Rs 108,603 million in respect of element of income and would have no effect on NAV per unit of the fund. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

3.10 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in the statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.11 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as available for sale is included in other comprehensive income in the period in which it arises.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit / mark-up on bank balances, term deposit receipts, debt and government securities is recognised on an accrual basis.

3.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

3.13 (Loss) / Earnings per unit

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

	Note	2018 (Rupees in '000)	2017
4 BANK BALANCES			
In saving accounts	4.1	649,902	2,218,493
In current accounts	4.2	14,106	10,155
		664,008	2,228,648
4.1	These carry profit at rates ranging between 3.75% and 7.5% (2017: 3.75% to 6.18%) per annum and include Rs 92.07 million (2017: Rs 2.65 million) maintained with MCB Bank Limited (a connected person / related party) which carry profit at the rate of 3.75% (2017: 3.75%) per annum and Rs.22.73 million maintained with Silkbank Limited (a related party) which carries profit at the rate of 7.5% per annum.		
4.2	This includes balance of Rs 4.45 million (2017: Rs 0.63 million) maintained with MCB Bank Limited, (a connected person / related party).		

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018	2017
		(Rupees in '000)	
5 INVESTMENTS			
At fair value through profit or loss - held for trading			
Listed equity securities	5.1	8,413,364	7,481,528
Government securities	5.2	-	-
		8,413,364	7,481,528
Available for sale			
Listed equity securities	5.3	1,309,693	2,327,996
		9,723,057	9,809,524

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

Name of the investee company	Number of shares				Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of paid-up capital of investee company
	As at July 01, 2017	Purchases during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value			
Rupees in "000"										
Automobile Assembler										
Indus Motor Company Limited	127,980	7,200	-	(135,180)	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	272,900	-	-	(272,900)	-	-	-	-	-	-
Ghandhara Industries Limited	67,600	1,150	-	(14,950)	53,800	34,904	38,020	3,116	0.38%	0.25%
Millat Tractors Limited	-	147,120	-	-	147,120	197,996	174,787	(23,209)	1.73%	0.33%
Honda Atlas Cars (Pakistan) Limited	153,300	193,200	-	(231,350)	115,150	86,158	36,432	(49,726)	0.36%	0.08%
						319,058	249,239	(69,819)	2.47%	2.56%
Automobile Parts and Accessories										
General Tyre and Rubber Company of Pakistan Limited	172,400	50,000	-	-	222,400	62,315	36,963	(25,352)	0.37%	0.37%
						62,315	36,963	(25,352)	0.37%	0.38%
Cable and Electrical Goods										
Pak Elektron Limited	2,371,500	4,256,800	-	(6,128,300)	500,000	17,731	17,730	(1)	0.18%	0.18%
TPL Trakker Limited	459,000	-	-	(412,000)	47,000	464	321	(143)	0.00%	0.02%
						18,195	18,051	(144)	0.18%	0.18%
Cement										
D G Khan Cement Company Limited*	1,736,300	5,232,200	-	(6,618,500)	350,000	40,740	40,071	(669)	0.40%	0.08%
Kohat Cement Limited	488,000	530,900	-	(593,000)	425,900	62,390	52,416	(9,974)	0.52%	0.28%
Maple Leaf Cement Factory Limited	2,046,500	9,076,500	-	(7,221,900)	3,901,100	299,467	197,942	(101,525)	1.96%	0.66%
Fauji Cement Company Limited	2,500	7,552,000	-	(7,456,500)	98,000	2,987	2,239	(748)	0.02%	0.01%
Thatta Cement Company Limited	80,000	-	-	(80,000)	-	-	-	-	-	-
Cherat Cement Company Limited	177,800	200,000	-	(377,800)	-	-	-	-	-	-
Dewan Cement Limited	-	4,000,000	-	(1,894,500)	2,105,500	56,588	37,899	(18,689)	0.37%	0.43%
Lucky Cement Limited	678,450	1,183,850	-	(1,561,550)	300,750	191,164	152,760	(38,404)	1.51%	0.09%
						653,336	483,327	(170,009)	4.78%	4.97%
Chemical										
Engro Polymer and Chemicals Limited	6,546,500	9,420,500	-	(11,459,000)	4,508,000	152,614	141,371	(11,243)	1.40%	0.68%
Engro Polymer and Chemicals Limited (RIGHT) (5.1.2)	-	-	1,256,186	-	1,256,186	-	11,080	11,080	0.11%	0.51%
Loite Chemicals Pakistan Limited	-	950,500	-	-	950,500	11,098	11,368	270	0.11%	0.06%
Archroma Pakistan Limited	60,800	-	-	-	60,800	43,338	30,704	(12,634)	0.30%	0.18%
						207,050	194,523	(12,527)	1.92%	2.00%
Glass and Ceramics										
Tariq Glass Industries Limited	673,900	-	-	(270,500)	403,400	44,680	43,228	(1,452)	0.43%	0.55%
						44,680	43,228	(1,452)	0.43%	0.44%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Name of the investee company	Number of shares				Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of paid-up capital of investee company
	As at July 01, 2017	Purchases during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value			
									</	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Name of the investee company	Number of shares				Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of paid-up capital of investee company
	As at July 01, 2017	Purchases during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value			
								Rupees in '000"	%	%
Refinery										
Attock Refinery Limited	296,100	518,400	-	(814,500)	-	-	-	-	-	-
Technology and Communication										
Netsol Technologies Limited	1,168,000	-	-	(1,168,000)	-	-	-	-	-	-
Systems Limited	-	1,127,500	-	-	1,127,500	94,228	114,126	1.13%	1.17%	1.01%
Hum Network Limited	-	12,250,000	-	(2,500,000)	9,750,000	82,712	78,877	0.78%	0.81%	10.32%
						176,940	193,003	1.91%	1.98%	
Textile Composite										
Kohinoor Textiles Mills Limited	250,000	1,498,778	-	(157,400)	1,591,378	156,707	87,510	0.87%	0.90%	0.53%
Gul Ahmed Textile Mills Limited	1,429,900	2,799,000	-	(321,500)	3,907,400	161,041	167,745	1.66%	1.73%	1.10%
Nishat (Chunian) Limited*	2,014,500	-	-	(2,014,500)	-	-	-	-	-	-
Nishat Mills Limited*	200	2,483,100	-	(193,200)	2,290,100	335,286	322,721	3.19%	3.32%	0.65%
						653,034	577,976	5.72%	5.95%	
Leather and Tanneries										
Service Industries Limited	40,700	-	-	-	40,700	56,125	31,948	0.32%	0.33%	0.34%
						56,125	31,948	0.32%	0.33%	
Investment Banks / Investment Companies / Securities Companies										
Arif Habib Limited *	662,000	-	-	(662,000)	-	-	-	-	-	-
As at June 30, 2018						8,772,563	8,413,364	83.2%	86.53%	
As at June 30, 2017						7,657,790	7,481,528	64.31%	76.24%	

* These represent transactions in shares of related

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
5.1.1 Unrealised (diminution) / appreciation in value of investments at fair value through profit or loss - net			
Market value as at June 30	5.1	8,413,364	7,481,528
Carrying value as at June 30	5.1	<u>(8,772,563)</u>	<u>(7,657,790)</u>
		<u>(359,199)</u>	<u>(176,262)</u>

5.1.2 Engro Polymer declared right issue on May 24th, 2018 as per the meeting of board of directors held on March 13th, 2018. 37% of rights share was declared against each share on the number of shares held at May 24th, 2018. Date to subscribe right shares was July 16th, 2018, while trading of rights to subscribe on PSX commenced on June 25th, 2018.

5.1.3 The cost of investment in listed equity securities amounted to 10,910 million (2017: Rs 10,930 million)

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

Tenor	Issue Date	Face value				Balance as at June 30, 2018			Market value as percentage of net assets	Market value as percentage of total investments	
		As at July 01, 2017	Purchases during the year	Sold / matured during the year	As at June 30, 2018	Cost	Market value	Appreciation/(diminution)			
-----Rupees in '000'-----										%	%
Treasury bills 3 Months	1-Feb-18	-	250,000	250,000	-	-	-	-	-	-	
Treasury bills 3 Months	4-Jan-18	-	425,000	425,000	-	-	-	-	-	-	
Treasury bills 3 Months	7-Jun-18	-	800,000	800,000	-	-	-	-	-	-	
Treasury bills 3 Months	7-Dec-17	-	1,352,000	1,352,000	-	-	-	-	-	-	
Treasury bills 3 Months	9-Nov-17	-	250,000	250,000	-	-	-	-	-	-	
Treasury bills 3 Months	12-Apr-18	-	250,000	250,000	-	-	-	-	-	-	
Treasury bills 3 Months	14-Sep-17	-	735,000	735,000	-	-	-	-	-	-	
Treasury bills 3 Months	15-Feb-18	-	2,650,000	2,650,000	-	-	-	-	-	-	
Treasury bills 3 Months	17-Aug-17	-	500,000	500,000	-	-	-	-	-	-	
Treasury bills 3 Months	18-Jan-18	-	2,500,000	2,500,000	-	-	-	-	-	-	
Treasury bills 3 Months	20-Jul-17	-	1,630,000	1,630,000	-	-	-	-	-	-	
Treasury bills 3 Months	22-Jun-17	-	500,000	500,000	-	-	-	-	-	-	
Treasury bills 3 Months	23-Nov-17	-	600,000	600,000	-	-	-	-	-	-	
Treasury bills 3 Months	26-Apr-18	-	250,000	250,000	-	-	-	-	-	-	
Treasury bills 3 Months	26-Oct-17	-	1,000,000	1,000,000	-	-	-	-	-	-	
Treasury bills 3 Months	31-Aug-17	-	1,000,000	1,000,000	-	-	-	-	-	-	
Treasury bills 6 Months	2-Mar-17	-	1,000,000	1,000,000	-	-	-	-	-	-	
Treasury bills 6 Months	25-May-17	-	36,675	36,675	-	-	-	-	-	-	
Total as at June 30, 2018						-	-	-			
Total as at June 30, 2017						-	-	-			

5.3 Listed equity securities - available for sale

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

Name of the investee company	Number of shares					Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of paid-up capital of investee company
	As at July 01, 2017	Purchases during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealised appreciation /(diminution)			
----- Rupees in "000" -----											
Automobile Assembler											
Indus Motor Company Limited	4,150	-	-	(4,140)	10	15	14	(1)	0.00%	0.00%	0.00%
						15	14	(1)	0.00%	0.00%	
Chemical											
Archroma Pakistan Limited	5,050	-	-	-	5,050	2,966	2,550	(416)	0.03%	0.03%	0.01%
ICI Pakistan Limited	108,800	-	-	(44,800)	64,000	27,072	51,296	24,224	0.51%	0.53%	0.07%
						30,038	53,846	23,808	0.54%	0.56%	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Name of the investee company	Number of shares					Balance as at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of paid-up capital of investee company
	As at July 01, 2017	Purchases during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealised appreciation / (diminution)			
						Rupees in "000"			%	%	%
Engineering											
Mughal Iron And Steel Industries Limited *	11,760	-	-	-	11,760	722	722	-	0.01%	0.01%	0.00%
						722	722	-	0.01%	0.01%	
Cement											
Lucky Cement Limited	367,100	-	-	(77,000)	290,100	162,834	147,350	(15,484)	1.46%	1.52%	0.09%
						162,834	147,350	(15,484)	1.46%	1.52%	
Food And Personal Care Products											
Al-Shaheer Corporation Limited	10,455	-	-	-	10,455	285	285	-	0.00%	0.00%	0.01%
						285	285	-	0.00%	0.00%	
Oil and Gas Exploration Companies											
Oil & Gas Development Company Limited	968,800	-	-	-	968,800	144,649	150,765	6,116	1.49%	1.55%	0.02%
Pakistan Oilfields Limited	466,600	-	-	-	466,600	156,370	313,457	157,087	3.10%	3.22%	0.20%
Marl Petroleum Company Limited	215,670	-	-	-	215,670	170,203	324,838	154,635	3.21%	3.34%	0.20%
						471,222	789,060	317,838	7.80%	8.11%	
Pharmaceuticals											
The Searle Company Limited	4,617	-	923	-	5,540	1,250	1,881	631	0.02%	0.02%	0.00%
						1,250	1,881	631	0.02%	0.02%	
Power Generation & Distribution											
Hub Power Company Limited	1,872,400	-	-	-	1,872,400	172,560	172,560	-	1.71%	1.77%	0.16%
Pakgen Power Limited*	15,500	-	-	-	15,500	299	299	-	0.00%	0.00%	0.00%
Altern Energy Limited	327,000	-	-	-	327,000	11,844	12,410	566	0.12%	0.13%	0.09%
						184,703	185,269	566	1.83%	1.90%	
Technology and Communication											
NetSol Technologies Limited	671,000	-	-	(39,500)	631,500	33,675	76,456	42,781	0.76%	0.79%	0.70%
Systems Limited	750	-	-	-	750	39	76	37	0.00%	0.00%	0.00%
						33,714	76,532	42,818	0.76%	0.79%	
Textile Composite											
Kohinoor Textile Mills Limited	939,000	56,340	-	-	995,340	54,734	54,734	-	0.54%	0.56%	0.33%
						54,734	54,734	-	0.54%	0.56%	
As at June 30, 2018						939,517	1,309,693	370,176	12.96%	13.47%	
As at June 30, 2017						1,711,927	2,327,996	616,069	20.01%	23.72%	

* These represent transactions in shares of related parties.

5.3.1 These amounts represent carrying value of these securities as at June 30th, 2018 after impairment (refer note 5.6).

5.3.2 The cost of investment in listed equity securities amounted to Rs 1,098.922 million (2017: Rs1,801.438 million)

5.4 The above include 2,000,000 shares of Hub Power Company Limited and 1,000,000 shares of Oil and Gas Development Company Limited with a market value of Rs 153.9 million and Rs 129.94 million (2017:Rs 117.430 million and Rs 140.690 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by SECP.

The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the fund deposit tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitution petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by CISs. A stay order has been granted by the High Court of Sindh in favour of CISs.

As at June 30, 2018, the following bonus shares of the Fund have been withheld by certain companies at the time of declaration of bonus shares. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Name of the Company	2018		2017	
	Number of shares withheld	Market value as at June 30, 2018	Number of shares withheld	Market value as at June 30, 2017
	(Rupees in '000)		(Rupees in '000)	
The Searle Company Limited	5,086	1,726,697	4,235	2,168,235
Mughal Iron and Steel Industries	11,760	722,299	11,760	949,385
Al-Shaheer Corporation	10,455	284,899	10,455	419,350
Faysal Bank Limited	102,086	2,654,236	-	-
	129,387	5,388,131	26,450	3,536,970

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
5.5 Unrealised appreciation in value of investments classified as available for sale			
Market value of investments	5.3	1,309,693	2,327,996
Carrying amount of investments	5.3	(939,517)	(1,711,927)
		370,176	616,069
Less: Unrealised appreciation in value of investments classified as available for sale at beginning of the year - not considered as impaired		(616,069)	(423,508)
		(245,893)	192,561

5.6 Impairment Loss

For the year ended June 30, 2018 and June 30, 2017, an impairment loss has been recognised in respect of following investments classified as available for sale, as diminution in the value of these securities is perceived significant reduction under the requirements of IAS 39.

	Weighted average cost	For the year impairment loss	Carrying amount as at June 30, 2018
	(Rupees in '000)		
2018			
Mughal Iron And Steel Industries Limited	1,036	314	722
Al-Shaheer Corporation Limited	585	300	285
Hub Power Company Limited	232,462	59,903	172,559
Kohinoor Textile Mills Limited	78,870	24,136	54,734
	312,953	84,653	228,300
2017			
Pakgen Power Limited	353	40	313
	353	40	313

	2018 (Rupees in '000)	2017 (Rupees in '000)
6 DIVIDEND AND PROFIT RECEIVABLE		
Dividend receivable	6,225	22,556
Profit receivable on bank balances	4,754	2,950
	10,979	25,506

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Advance tax	4,154	3,997
Security deposits with National Clearing Company of Pakistan Limited	2,500	2,500
Security deposits with Central Depository Company of Pakistan Limited	500	500
Others	929	314
	<u>8,083</u>	<u>7,311</u>

8 PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY

Management remuneration payable	8.1	17,469	19,427
Sindh sales tax payable on management remuneration	8.2	2,271	2,526
Sales load payable		541	1,635
Payable against allocated expenses	8.3	873	971
Payable against marketing and selling expenses	8.4	10,946	13,338
		<u>32,100</u>	<u>37,897</u>

- 8.1** The Management Company has charged remuneration at the rate not exceeding 2 % per annum based on average net assets for the period. The remuneration is paid to the Management Company on a monthly basis in arrears.
- 8.2** During the year, an amount of Rs.27.271 million (2017: Rs. 27.492 million) was charged on account of sales tax on management fee levied through Sindh Sales Tax on Services Act, 2011, and an amount of Rs.27.525 million (2017: Rs.26.757 million) has been paid to the Management Company which acts as a collecting agent.
- 8.3** In accordance with the provisions of the NBFC Regulations, 2008 (amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, with effect from November 27, 2015 the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.
- 8.4** In connection with Regulation 60(3)(v) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Securities and Exchange Commission of Pakistan has issued circular no. 40 of 2016 dated December 30, 2016 (later amended vide circular no. 05 of 2017 dated February 13, 2017) whereby it has prescribed certain conditions on Asset Management Companies (AMCs) for charging selling and marketing expenses to collective investment schemes (CISs). In accordance with the provisions contained in these circulars, selling and marketing expenses will be allowed initially for a period of three years (from January 1, 2017 till December 31, 2019) to be charged to open end equity, asset allocation and index funds upto a maximum of 0.4% per annum of net assets of the fund or actual expenses, whichever is less.

However, during the year, the SECP has further amended the above mentioned circular No. 40 of '2016 vide its circular NO.5 of 2018 dated June 4, 2018. As per the amendment, the Management 'Company is entitled to a reimbursement of fees and expenses in relation to selling and marketing 'expenses to be charged to all categories of open-end mutual funds (except fund of funds and money 'market funds) up to a maximum of 0.4% per annum of net assets of the fund or actual, whichever is 'less.

	Note	2018 (Rupees in '000)	2017
9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee remuneration payable	9.1	958	1,055
Sindh Sales Tax Payable on trustee remuneration	9.2	125	137
		<u>1,083</u>	<u>1,192</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- 9.1 Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears as per the following tariff structure. There has been no change in the tariff structure during the year.

Net Assets Value (NAV)	Tariff per annum
Up to Rs. 1 billion	Rs. 0.7 million or 0.20% per annum of Net Assets, whichever is higher.
On an amount exceeding Rs. 1 billion	Rs. 2 million plus 0.10% per annum of Net Assets, exceeding Rs 1 billion.

- 9.2 Sindh Sales Tax at 13% (2017: 13%) is charged on Trustee fee.

	Note	2018 (Rupees in '000)	2017
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)			
Annual fee payable to SECP	10.1	9,964	10,045

- 10.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund.

	Note	2018 (Rupees in '000)	2017
11 ACCRUED EXPENSES AND OTHER LIABILITIES			
Federal excise duty and related taxes payable on management remuneration	11.1	54,774	54,774
Federal excise duty and related taxes payable on sales load		3,933	3,933
Provision against Sindh Workers' Welfare Fund	11.2	57,875	57,875
Unclaimed dividend		9,838	9,838
Brokerage		5,344	21,266
Withholding tax on dividend and others		1,446	3,497
Auditors' remuneration		567	579
Printing and related expenditure		40	334
Sale load Payable		16	351
Zakat		5	10
Others		3,667	2,136
		<u>137,505</u>	<u>154,593</u>

- 11.1 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 were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 54.774 million (2017: Rs 54.774 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan.

Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2018 would have been higher by Re 0.5135 per unit (2017: Re 0.4828 per unit).

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

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re 0.543 per unit (2017: Re 0.510).

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2018 and June 30, 2017.

13 AUDITORS' REMUNERATION	2018	2017
	(Rupees in '000)	
Annual audit fee	459	405
Half yearly review fee	312	275
Other certifications and services	128	125
Out of pocket expenses	98	73
	<u>997</u>	<u>878</u>

14 TOTAL EXPENSE RATIO (TER)

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2018 is 3.48% (2017: 3.87%) which includes 0.38% (2017: 0.93%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations.

15 TAXATION

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

16 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons of the Fund include MCB-Arif Habib Savings and Investments Limited (being the Management Company) and its related entities, MCB Financial Services Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors, key management personnel and officers of the Management Company.

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

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

The details of transactions carried out by the Fund with related parties / connected persons and balances with them at the year end are as follows:

16.1 Details of transactions with related parties / connected persons during the year

	Note	2018 (Rupees in '000)	2017
MCB - Arif Habib Savings and Investments Limited - Management Company			
Remuneration of the Management Company (including indirect taxes)		237,046	238,966
Issue of 800,191 units (2017: 3,861,897 units)		74,467	433,776
Redemption of 1,533,784 units (2017: 3,001,452 Units)		142,647	340,000
Payment of conversion cost		-	545
Allocated expenses and related taxes		11,852	11,947
Selling and marketing expenses		41,953	13,338
Dividend paid		-	25,575
Central Depository Company of Pakistan Limited - Trustee			
Remuneration of the Trustee (including indirect taxes)		12,983	13,079
CDS charges		1,680	2,093
Arif Habib Capital Limited			
Brokerage	16.3	3,785	4,420
Next Capital Limited			
Brokerage	16.3	3,805	4,119
Summit Capital (Private) Limited			
Brokerage	16.3	66	-
MCB Bank Limited			
Bank charges		146	125
Profit on bank balances		2,859	453
Dividend income		26,310	9,970
Purchase of securities having face value of Rs 250 million (2017: 295M)		247,109	294,387
Sale of securities having face value of 1,050M (2017: Rs Nil million)		2,030,552	-
Silk Bank Limited			
Purchase of securities having face value of Rs 1,750 million (2017: 1,350M)		1,729,449	1,332,590
Sale of securities having face value of 3,050M (2017: Rs Nil million)		4,348,263	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in '000)	
Nishat Mills Limited Employees Provident Fund Trust - Retirement benefit scheme of a group company		
Issue of units 7,419,727 (2017: 7,896,292 units)	727,766	866,719
Redemption of 4,578,176 units (2017: 7,896,292 units)	445,140	900,062
Dividend paid	-	6,118
Nishat Power Limited Employees Provident Fund Trust - Retirement benefit scheme of a group company		
Issue of 25,324 units (2017: 11,625 units)	2,423	1,306
Redemption of 26,193 units (2017: Nil units)	2,433	-
Dividend paid	-	106
	2018	2017
	(Rupees in '000)	
D. G. Khan Cement Company Limited Employees Provident Fund Trust		
Issue of 53,535 units (2017: 13,319 units)	5,000	1,324
Redemption of Nil units (2017: Nil units)	-	-
Dividend paid	-	1,324
Nishat Mills Limited		
Dividend income	10,092	10,205
Lalpir Power Limited		
Dividend income	-	2,101
Fatima Fertilizer Company Limited		
Dividend income	-	232
Mughal Iron and Steel Industries Limited		
Dividend income	12,251	5,767
Pakgen Power Limited		
Dividend income	31	6,362
Nishat Chunian Limited		
Dividend income	495	14,964
Adamjee Life Assurance Company Limited - IMF		
Issue of units 3,742,621 (2017: 5,080,535 units)	355,000	532,355
Redemption of 920,899 units (2017: 3,774,965 units)	95,000	406,000
Dividend paid	-	156,977
Nishat Power Limited		
Dividend income	-	359

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in '000)	
Adamjee Life Assurance Company Limited - ISF		
Issue of 2,180,536 units (2017: 412,198 units)	215,000	42,500
Redemption of 484,683 units (2017: Nil units)	50,000	-
Adamjee Life Assurance Company Limited - ISF II		
Issue of 188,405 units (2017: 363,704 units)	17,700	37,500
Redemption of 552,109 units (2017: Nil units)	52,102	-
Adamjee Life Assurance Company Limited - NUIL		
Issue of Nil units (2017: 762,995 units)	-	77,189
Redemption of 106,631 units (2017: 1,510,888 units)	11,000	160,000
Dividend paid	-	13,930
Mandate Under Discretionary Portfolio Services		
Issue of 16,918,813 units (2017: 24,189,060 units)	1,661,850	2,661,528
Redemption of 20,514,689 units (2016: 24,179,663 units)	1,977,045	2,693,353
Dividend paid	-	93,027
Directors and executives of the Management Company		
Issue of 109,025 units (2017: 296,867 units)	10,504	31,694
Redemption of 147,843 units (2017: 287,022 units)	8,279	29,848
Dividend paid	-	765
Adamjee Insurance Company Limited Employees Gratuity Fund		
Issue of units 268,322 (2017: 160,144)	26,006	18,236
Redemption of 316,550 units (2017: 42,555)	29,962	5,160
Dividend paid	-	1,068
Adamjee Insurance Company Limited Employees Provident Fund		
Issue of 521,096 units (2017: 523,711 units)	50,496	60,563
Redemption of 610,776 units (2017: 297,914 units)	57,804	35,500
Dividend paid	-	2,052

16.2 Details of balances with related parties / connected persons as at year end

MCB - Arif Habib Savings and Investment Limited - Management Company		
Management remuneration payable	17,469	19,427
Sindh sales tax payable on management remuneration	2,271	2,526
Sales load payable	541	1,635
Payable against allocated expenses	873	971
Payable against marketing and selling expenses	10,946	13,338
Outstanding 2,048,988 (2017: 2,782,581) units	16.4 194,256	285,219

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

		2018	2017
		(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee			
Security deposit		500	500
Trustee remuneration payable		958	1,055
Sindh Sales Tax Payable on trustee remuneration		125	137
MCB Bank Limited			
Bank balance		96,528	3,280
Profit receivable		159	51
Sales load payable		16	351
Silk Bank Limited			
Balance with bank		22,730	-
Profit receivable on bank balances		1,544	-
Next Capital Limited			
Brokerage payable	16.3	800	1,523
Arif Habib Limited			
Brokerage payable	16.3	90	1,817
Adamjee Life Assurance Company Limited - IMF			
Outstanding 19,754,721 (2017: 16,932,999) units	16.4	1,872,858	1,735,661
Adamjee Life Assurance Company Limited - NUIL			
Outstanding 1,409,006 (2017: 1,515,637) units	16.4	133,582	155,355
Adamjee Life Assurance Company Limited - ISF			
Outstanding 2,108,051 (2017: 412,198) units		199,855	42,251
Adamjee Life Assurance Company Limited - ISF II			
Outstanding Nil (2017: 363,704) units		-	37,280
Nishat Power Limited Employees Provident Fund Trust - Retirement benefit scheme of a group company			
Outstanding 10,756 (2017: 11,625) units		1,020	1,192
Adamjee Insurance Company Limited Employees Gratuity Fund			
Outstanding 69,361 (2017: 117,589) units		6,576	12,053
Adamjee Insurance Company Limited Employees Provident Fund			
Outstanding 136,117 (2017: 225,797) units		12,905	23,145

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
Mandate Under Discretionary Portfolio Services			
Outstanding 6,212,085 (2017: 9,807,961) units	16.4	588,940	1,005,333
Directors and executives of the Management Company			
Outstanding 59,882 (2017: 98,640) units	16.4	5,671	10,111
Nishat Mills Limited Employees Provident Fund Trust - Retirement benefit scheme of a group company			
Outstanding 2,841,551 (2017: Nil) units		269,395	-
D.G. Khan Cement Company Limited Employees Provident Fund Trust			
Outstanding 199,265 (2017: 145,730) units	16.4	18,891	14,938

16.3 The amount disclosed represents the amount of brokerage 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.

16.4 This reflects the position of related party / connected persons status as at June 30, 2018.

16.5 The Fund's investment in related parties are disclosed in note 5.

17 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2018, all the financial assets carried on the statement of assets and liabilities are categorised either as loans and receivables or financial assets at fair value through profit or loss or available for sale. All the financial liabilities carried on the statement of assets and liabilities are categorised as financial liabilities measured at amortised cost.

Particulars	June 30, 2018			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total
----- (Rupees in '000) -----				
Financial assets				
Bank balances	664,008	-	-	664,008
Investments	-	8,413,364	1,309,693	9,723,057
Receivable against sale of investments	52,923	-	-	52,923
Dividend and profit receivable	10,979	-	-	10,979
Deposits and other receivables	3,929	-	-	3,929
	<u>731,839</u>	<u>8,413,364</u>	<u>1,309,693</u>	<u>10,454,896</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Particulars	June 30, 2018		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total

(Rupees in '000)

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	32,100	32,100
Payable to Central Depository Company of Pakistan Limited - Trustee	-	1,083	1,083
Payable against purchase of investments	-	165,428	165,428
Accrued expenses and other liabilities	-	19,477	19,477
Payable against redemption of units	-	386	386
	-	218,474	218,474

Particulars	June 30, 2017			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total

(Rupees in '000)

Financial assets

Bank balances	2,228,648	-	-	2,228,648
Investments	-	7,481,528	2,327,996	9,809,524
Receivable against sale of investments	98,104	-	-	98,104
Dividend and profit receivable	25,506	-	-	25,506
Deposits and other receivables	3,314	-	-	3,314
	2,355,572	7,481,528	2,327,996	12,165,096

Particulars	June 30, 2017		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total

(Rupees in '000)

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	37,897	37,897
Payable to Central Depository Company of Pakistan Limited - Trustee	-	1,192	1,192
Payable against purchase of investments	-	335,299	335,299
Accrued expenses and other liabilities	-	32,537	32,537
Payable against redemption of units	-	897	897
	-	407,822	407,822

18 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

The Funds's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The Management Company manages market risk through diversification of the investment portfolio and by monitoring exposure on marketable securities and by following the internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises three types of risk: currency risk, yield/interest rate risk and price risk.

18.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

18.1.2 Interest rate risk

Yield/ interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits. The interest rate risk profile of the Fund, as a result of investment in financial instruments is as follows:

	Note	2018 -----Rupees-----	2017
Variable rate instrument (financial asset)			
Bank balance	4	<u>649,902</u>	<u>2,218,493</u>

a) Sensitivity analysis for variable rate instrument

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 6.50 million (2017: Rs22.18 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

b) Fair value sensitivity analysis for fixed rate instruments

As at reporting date, the Fund does not have any fixed rate instruments.

The composition of the Fund's investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet financial instruments is based on settlement date.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Particulars	As at June 30, 2018					
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
	%	-----			(Rupees in '000)	-----

On-balance sheet financial instruments

Financial assets

Bank balances	3.75% and 7.5%%	649,902	-	-	14,106	664,008
Investments		-	-	-	9,723,057	9,723,057
Receivable against sale of investments		-	-	-	52,923	52,923
Dividend and profit receivable		-	-	-	10,979	10,979
Deposits and other receivables		-	-	-	3,929	3,929
Sub total		649,902	-	-	9,804,994	10,454,896

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	32,100	32,100
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	1,083	1,083
Payable against purchase of investments		-	-	-	165,428	165,428
Accrued expenses and other liabilities		-	-	-	19,477	19,477
Payable against redemption of units		-	-	-	386	386
Sub total		-	-	-	218,474	218,474

On-balance sheet gap

649,902	-	-	9,586,520	10,236,422
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Total interest rate sensitivity gap

649,902	-	-	9,586,520	10,236,422
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Cumulative interest rate sensitivity gap

649,902	649,902	649,902
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Particulars	As at June 30, 2017					
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	(Rupees in '000)				

On-balance sheet financial instruments

Financial assets

Bank balances	3.75% to 6.95%	2,218,493	-	-	10,155	2,228,648
Investments		-	-	-	9,809,524	9,809,524
Receivable against sale of investments		-	-	-	98,104	98,104
Dividend and profit receivable		-	-	-	25,506	25,506
Deposits and other receivables		-	-	-	3,314	3,314
Sub total		2,218,493	-	-	9,946,603	12,165,096

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Particulars	As at June 30, 2017					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
----- (Rupees in '000) -----						
Financial liabilities						
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	-	-	37,897	37,897	
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	1,192	1,192	
Payable against purchase of investments	-	-	-	335,299	335,299	
Accrued expenses and other liabilities	-	-	-	32,537	32,537	
Payable against redemption of units	-	-	-	897	897	
Sub Total	-	-	-	407,822	407,822	
On-balance sheet gap	2,218,493	-	-	9,538,781	11,757,247	
Total interest rate sensitivity gap	2,218,493	-	-	9,538,781	11,757,247	
Cumulative interest rate sensitivity gap	2,218,493	2,218,493	2,218,493			

18.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A reasonably possible change of 5% increase or decrease in fair values at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 486.15 million (2017: Rs 490.48 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

18.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted and arises principally from bank balances, investmentd, profits and other receivables

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

18.2.1 Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2018 was as follows:

	2018		2017	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	664,008	664,008	2,228,648	2,228,648
Investments	9,723,057	-	9,809,524	-
Receivable against sale of investments	52,923	52,923	98,104	98,104
Dividend and profit receivable	10,979	10,979	25,506	25,506
Deposits and other receivables	3,929	3,929	3,314	3,314
	<u>10,454,896</u>	<u>731,839</u>	<u>12,165,096</u>	<u>2,355,572</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in listed equity securities of Rs 9,723.057 million (2017: Rs 9,809.524 million) is not exposed to credit risk.

18.2.2 Bank balances

The Fund held bank balances at June 30, 2018 with banks having following credit ratings:

Rating	2018		2017	
	Rupees in '000	%	Rupees in '000	%
AAA	430,752	64.87%	10,235	0.46%
AA+	3,433	0.52%	2,211,456	99.23%
AA-	203,579	30.66%	2	0.00%
AA	-	0.00%	3,441	0.15%
A-	26,244	3.95%	3,514	0.16%
A	-	-	-	0.00%
	<u>664,008</u>	<u>100.00%</u>	<u>2,228,648</u>	<u>100.00%</u>

Above rates are on the basis of available ratings assigned by PACRA available on SBP website as of June, 2018.

18.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Details of the Fund's concentration of credit risk of financial instruments by economic sectors are as follows:

	2018		2017	
	Rupees in '000	%	Rupees in '000	%
Commercial banks (including profit receivable)	668,762	91.38%	2,231,598	94.74%
Dividend receivable	6,225	0.85%	22,556	0.96%
National Clearing Company of Pakistan Limited (receivable against sale of investments and security deposit)	55,423	7.57%	100,918	4.28%
Central Depository Company of Pakistan Limited (security deposit)	500	0.07%	500	0.02%
Others	929	0.13%	-	-
	<u>731,839</u>	<u>100.00%</u>	<u>2,355,572</u>	<u>100.00%</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

18.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is therefore to invest the majority of its assets in short term instruments in order to maintain liquidity

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month.

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
2018	Rupees in '000				
Financial assets					
Bank balances	664,008	-	-	-	664,008
Investments	9,723,057	-	-	-	9,723,057
Receivable against sale of investments	52,923	-	-	-	52,923
Dividend and profit receivable	10,979	-	-	-	10,979
Deposits and other receivables	3,929	-	-	-	3,929
	10,454,896	-	-	-	10,454,896
2018	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	Rupees in '000				
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	32,100	-	-	-	32,100
Payable to Central Depository Company of Pakistan Limited - Trustee	083	-	-	-	1,083
Payable against purchase of investments	165,428	-	-	-	165,428
Accrued expenses and other liabilities	19,477	-	-	-	19,477
Payable against redemption of units	386	-	-	-	386
	218,474	-	-	-	218,474
Net assets	10,236,422	-	-	-	10,236,422
2017	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	Rupees in '000				
Financial assets					
Bank balances	2,228,648	-	-	-	2,228,648
Investments	9,809,524	-	-	-	9,809,524
Receivable against sale of investments	98,104	-	-	-	98,104
Dividend and profit receivable	25,506	-	-	-	25,506
Deposits and other receivables	3,314	-	-	-	3,314
	12,165,096	-	-	-	12,165,096

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

2017	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	Rupees in '000				
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	37,897	-	-	-	35,371
Payable to Central Depository Company of Pakistan Limited - Trustee	1,192	-	-	-	1,055
Payable against purchase of investments	335,299	-	-	-	335,299
Accrued expenses and other liabilities	32,537	-	-	-	32,537
Payable against redemption of units	897	-	-	-	897
	407,822	-	-	-	405,159
Net assets	11,757,274	-	-	-	11,759,937

18.4 Fair value measurement

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

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

Fair value of the investments is determined as per the policy disclosed in note 3.2.5 to these financial statements.

18.5 Fair value hierarchy

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

- Level 1: Quoted price (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: 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: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2018 and June 30, 2017, the Fund held the following assets measured at fair values:

	As at June 30, 2018			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
At fair value through profit or loss - held for trading				
- Listed equity securities	8,413,364	-	-	8,413,364
Available-for-sale				
- Listed equity securities	1,309,693	-	-	1,309,693
	<u>9,723,057</u>			<u>9,723,057</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

----- As at June 30, 2017 -----				
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
At fair value through profit or loss - held for trading				
- Listed equity securities	7,481,528	-	-	7,481,528
Available-for-sale				
- Listed equity securities	2,327,996	-	-	2,327,996
	<u>9,809,524</u>			<u>9,809,524</u>

18.6 Unit Holders' Fund risk management

The Fund's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders, to maintain a strong base of assets to meet unexpected losses or opportunities and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs 100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

19 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the members of the investment committee of the Fund are as follows:

S.No.	Name	Designation	Experience in years	Qualification
1	Muhammad Saqib Saleem	Chief Executive Officer	21	FCA & FCCA
2	Muhammad Asim	Chief Investment Officer	15	MBA & CFA
3	Awais Abdul Sattar	Head of Research	7	MBA & CFA
4	Saad Ahmed	Asset Class specialist- Fixed Income	13	MBA
5	Muhammad Aitazaz Farooqui	Research Analyst	5	BBA & CFA
6	Syed Abid Ali	Head of Equity	10	MBA

19.1 Syed Abid Ali is the Manager of the Fund. He is also managing MCB Pakistan Asset Allocation Fund, Pakistan Capital Market Fund, Alhamra Islamic Active Allocation Fund and Pakistan Pension Fund.

20 TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2018.

S.No.	Particulars	Percentage
1	Js Global Capital Limited	10.54%
2	Next Capital Ltd	9.68%
3	Arif Habib Limited	9.62%
4	Al Falah Securities Pvt Ltd	9.29%
5	Bipl Securities Limited	5.77%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

S.No.	Particulars	Percentage
6	Foundation Securities Ltd	5.51%
7	Djm Securities Pvt Limited	4.79%
8	Elixir Securities Pakistan Pvt Ltd	4.70%
9	Top Line Securities Pvt Ltd	4.05%
10	Taurus Securities Limited	3.96%

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2017.

S.No.	Particulars	Percentage
1	JS Global Capital Limited	7.98%
2	Arif Habib Limited	6.85%
3	Next Capital Limited	6.38%
4	BMA Capital Management Limited	5.59%
5	Elixir Securities Pakistan (Private) Limited	5.55%
6	Intermarket Securities Limited	5.43%
7	Alfalsh Securities (Private) Limited	5.00%
8	Optimus Capital Management (Private) Limited	4.35%
9	Insight Securities (Private) Limited	4.25%
10	Topline Securities (Private) Limited	3.94%

21 PATTERN OF UNIT HOLDING

Category	As at June 30, 2018			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)				
Individuals	8,074	43,746,275	4,147,391	41.01%
Insurance companies	18	3,684,406	349,302	3.45%
Banks / DFIs	3	107,187	10,162	0.10%
Non Banking Finance Companies (NBFCs)	12	43,031	4,079	0.04%
Retirement funds		1,564,914	148,363	1.47%
Non Profit Organisations	13	2,510,556	238,015	2.35%
Other companies	68	7,091,069	672,273	6.65%
Associated companies	8	28,567,060	2,708,317	26.78%
Directors	1	37,839	3,587	0.04%
Others	206	19,314,209	1,831,095	18.11%
	<u>8,405</u>	<u>106,666,546</u>	<u>10,112,584</u>	<u>100.00%</u>

Category	As at June 30, 2017			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)				
Individuals	7,885	47,847,819	4,904,482	42.17%
Insurance companies	15	3,018,188	309,369	2.66%
Banks / DFIs	4	5,632,591	577,350	4.96%
Non Banking Finance Companies (NBFCs)	11	43,025	4,410	0.04%
Retirement funds	89	17,551,925	1,799,101	15.47%
Non Profit Organisations	13	2,887,484	295,972	2.55%
Other companies	71	9,374,974	960,950	8.26%
Associated companies	9	22,507,860	2,307,093	19.84%
Directors	5	52,518	5,383	0.05%
Others	55	4,537,096	465,060	4.00%
	<u>8,157</u>	<u>113,453,480</u>	<u>11,629,170</u>	<u>100.00%</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

22 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 134th, 135th, 136th, 137th, 138th, 139th, 140th, 141st and 142nd meeting of the Board of Directors were held on July 6, 2017, August 04, 2017, September 07, 2017, October 12, 2017, October 20, 2017, February 02, 2018, February 23, 2018, April 19, 2018 and June 11, 2018 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
Directors					
1	Mian Muhammad Mansha	9	4	5	134th, 135th, 136th, 138th and 142nd
2	Nasim Beg	9	9	-	
3	Ahmed Jahangir	9	9	-	
4	Mirza Qamar Beg	9	7	2	138th and 142nd
5	Syed Salman Shah	9	7	2	134th and 138th
6	Haroun Rashid	9	6	3	135th, 136th and 142nd
7	Samad A Habib	9	5	4	134th, 136th, 138th and 139th
8	Muhammad Saqib Saleem	9	9	-	

23 CORRESPONDING FIGURES

Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications have been made in these financial statements other than those resulting from change as disclosed in note 3.9.

24 GENERAL

Figures have been rounded off to the nearest thousand rupees.

25 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 14, 2018 by the Board of Directors of the Management Company.



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2018**

No. of Unit Holders	Unit Holdings	Total Units Held
7362	0-10000	9,615,643
903	10001 - 100000	24,905,890
130	100001 - 1000000	35,742,364
10	1000001 - Onwards	36,402,649
8405		106,666,546

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2018

Performance Information	2018	2017	2016	2015
Total Net Assets Value – Rs. in million	10,113	11,629	8,018	6,075
Net Assets value per unit – Rupees	94.8056	102.5017	87.09	83.23
Closing Offer Price	98.0195	105.9765	90.69	85.51
Closing Repurchase Price	94.8056	102.5017	87.09	83.23
Highest offer price per unit	109.4173	130.9362	93.98	91.70
Lowest offer price per unit	88.8802	90.7800	76.67	61.04
Highest Redemption price per unit	105.8297	126.6430	90.25	89.25
Lowest Redemption price per unit	85.966	87.7000	73.63	59.41
Distribution per unit – Rs. *		10.00	0.50	4.00
Average Annual Return - %				
One year	-7.51	29.54	5.25	39.35
Two year	11.02	17.40	22.30	37.06
Three year	9.09	24.71	26.46	41.18
Net Income for the year – Rs. in million	(693.69)	2,456.63	171.42	1,570.73
Distribution made during the year – Rs. in million	-	967.09	43.67	273.04
Accumulated Capital Growth – Rs. in million	(693.69)	1,489.54	127.75	1,297.69

* Date of Distribution

2017	
Date	Rate
June 21, 2017	10

2016	
Date	Rate
June 27, 2016	0.5

2014	
Date	Rate
June 27, 2014	16.71

2015	
Date	Rate
June 22, 2015	4.00

2013	
Date	Rate
July 04, 2013	18.61

Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.

PROXY ISSUED BY FUND FOR THE YEAR ENDED JUNE 30, 2018

The Board of Directors of MCB - Arif Habib Savings and Investments Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund did not participate in 3 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Abstain Reason for Abstaining
Number	65	65	0	0	-
(%ages)	100	100	0	0	-

Detailed information regarding actual proxies voted by the Management Company on behalf of the Fund will be provided without any charges on request of unit holders.

MCB-Arif Habib Savings and Investments Limited

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