



MCB-ARIF HABIB
Savings and Investments Limited

QUARTERLY REPORT

SEPTEMBER
2018
(UNAUDITED)

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

PAKISTAN INCOME ENHANCEMENT 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
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	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance 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	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centerpoint, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Dear Investor,

On behalf of the Board of Directors, we are pleased to present **Pakistan Income Enhancement Fund** accounts review for the quarter ended September 30, 2018.

MARKET & ECONOMIC REVIEW

Economy and Money Market Review

First quarter of FY19 has been a run of political uncertainty, external pressures and economic slowdown. Given the uptick in oil prices, increasing trend in inflation, continuity of external worries, The Monetary Policy Committee of State Bank of Pakistan opted for 100 bps increase in each of the two meetings conducted in this quarter. The major reason was due to the emergence of inflationary pressures with core inflation expected to creep up with the advent of higher oil and gas prices. Moreover, the MPC highlighted the precarious external account position and need for slowdown in GDP growth to arrest the dwindling foreign exchange reserves.

CPI for the 1QFY19 was registered at 5.6% as the impact of low base kicked in. Higher international oil prices, weaker currency and upward revision in domestic gas prices is expected to jack up overall inflation figure in FY19, which is expected to average ~8.1% compared to last year's inflation of 3.8%. Meanwhile, core inflation is expected to jump above 8.5%.

The external account position kept on highlighting worrisome position for the economy. Current account witnessed a deficit of USD 2.7 billion in first two months of FY19 compared to USD 2.5 billion in the same period last year. A surge in international oil prices is masking the improvement in non oil imports caused by remedial measures, thus causing the current account deficit to remain high. However, the lagged impacts of currency adjustments and monetary tightening are becoming visible as reflected by balance of trade (data of Pakistan Statistical Bureau) declining by 1.6% in the quarter led by decline in non-oil imports. Despite receiving inflows from China, foreign reserves declined by an average of ~USD 115 mn per week. State Bank's foreign exchange reserves stood at USD 8.41 billion reflecting import cover based on SBP's reserves has reached an alarming level of lesser than 2 months imports.

Rising interest rates, rupee adjustment and external pressures are having impact on growth trajectory of economy as reflected by large scale manufacturing index which posted a meager increase of 0.5% YoY in the month of July'18 broadly supported by production of petroleum products.

Subsequent to monetary tightening by State Bank, bond yield curve showed an upward trajectory where most of the activity took place in floater PIBs. During 1QFY19 State Bank of Pakistan conducted 3rd Floater PIB auction which witnessed a healthy participation of PKR 151 billion out of which bids worth PKR 108 billion were accepted at a rate of benchmark + 70 bps. Concerns over external front kept market participants shy away from longer tenor Treasury bills with persistence towards accumulation in papers having maturity below or equal to 3 months.

Liquidity remained comfortable throughout 1QFY19 owing to regular OMOs conducted by SBP, while scarcity of Shariah Compliant avenues continued in period under review as there was no fresh issuance of Ijara Sukuk despite ample liquidity in the market.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.66% as against its benchmark return of 8.50%. At period-end, the fund was 39.2% invested in Cash and 56.5% in TFCs.

The Net Assets of the Fund as at September 30, 2018 stood at Rs. 877 million as compared to Rs. 1,350 million as at June 30, 2018 registering a decrease of 35.04%.

The Net Asset Value (NAV) per unit as at September 30, 2018 was Rs. 53.7311 as compared to opening NAV of Rs. 55.8399 per unit as at June 30, 2018 registering a decrease of Rs. 2.1088 per unit.

MARKET & ECONOMY - FUTURE OUTLOOK

The government has announced to approach the IMF for an economic program to support the fragile external account situation. The program would lead to required remedial actions of rupee adjustment, monetary tightening, expenditure curtailment to slow down growth, control the import bill and arrest foreign reserves decline.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2018

For the next year, the economic growth is expected to slow down as currency adjustments and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy will 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, 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 would be difficult to manage where we expect fiscal deficit to hover around 5.5% of GDP. Expenditure constraints would lead to public sector development program curtailments amid higher domestic debt servicing cost due to interest rate increase.

Given pressures on the external front along with rising inflation, State Bank is expected to further tighten the monetary policy by at least 100 bps already increased.

The equity market would follow developments on the economic front. Swift economic policy actions would be required to arrest the precarious economic standing and would guide market towards better multiples. 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 market multiples (~7.5x) 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.

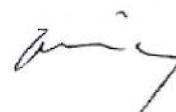
ACKNOWLEDGMENT

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
October 22, 2018



Nasim Beg
Vice Chairman / Director

منجانب ڈائریکٹرز،

سید احمد علی

محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

22 اکتوبر، 2018ء

نسیم بیگ

نسیم بیگ

ڈائریکٹر/نائب چیئرمین

22 اکتوبر، 2018ء

اقتصادی اصلاح کے لئے بہتر حکومتی نظام اور طویل مدتی امکانات پر خوشگوار اشتراک کرتے ہیں۔ تاہم یہ راستہ سخت اور ممکنہ غیر مقبول پالیسی کے اقدامات میں امکانات کا امکان ہے۔ پاکستان تحریک انصاف کی ابتدائی منصوبہ بندی کو دیکھتے ہوئے کچھ پالیسیوں کی ترقی کی توقع کی جاسکتی ہے لیکن غیر معمولی معاشی حالات کو پورا کرنے کے لئے ہم سوچتے ہیں کہ دونوں خساروں کو حل کرنے کے لئے فوری طور پر اقدامات کیے جاتے ہیں۔

مالیاتی ادارے کے لئے یہ انتظام کرنا مشکل ہوگا کہ ہم مالی خسارے کے متوقع ہو سکتے ہیں یا مجموعی گھریلو مصنوعات (GDP) کی 5.5 فی صد کی کمی ہو رہی ہے۔ اخراجات میں اضافے، گھریلو قرضوں کی قیمتوں میں اضافے کی وجہ سے عوامی شعبے کی ترقی کے پروگرام میں کمی کا سبب بنے گا۔

بڑھتی ہوئی افراط زر کے ساتھ ساتھ بیرونی فرنٹ پر دیئے جانے والے دباؤ پر اسٹیٹ بینک سے کم از کم 100 بنیادی پوائنٹس (bps) میں پہلے ہی اضافہ ہوا ہے۔

ایکویٹی مارکیٹ میں اقتصادی محاذ پر پیش رفت کرے گی۔ فوری معیشت کے اقدامات ناقابل اعتماد اقتصادی موقف کو روکنے کے لئے ضروری ہوگی اور مارکیٹ میں بہتر ملحقہ کی راہنمائی کرے گی۔ وسیع تر شرائط پر ہم یقین رکھتے ہیں کہ گزشتہ دو سال میں مارکیٹ کی کارکردگی (چوٹی کی سطح سے تقریباً 20 فی صد) نے سیاسی اور اقتصادی سمت پر خدشات کی عکاسی کی ہے اور یہ بھی سائیکل اسٹاک کی کارکردگی میں عکاسی کرتی ہے، جہاں اسٹاک کی قیمتوں میں اضافہ بھی تیز ہوگا۔ ہم اپنے موقف کا دوبارہ تسلسل جاری رکھیں گے کہ موجودہ مارکیٹ کے ملحقات (تقریباً 7.5 اوقات) تھوڑی دیر میں ممکنہ پیشکش کرتے ہیں جو طویل مدتی سرمایہ کاروں کے لئے آرام دہ ہے۔ ہم یقین رکھتے ہیں کہ اسٹاک میں اسٹیٹس صرف آہستہ آہستہ انکشاف کریں گا جس سے اعتماد میں آئیں گے اور اقتصادی پالیسیوں کو متوقع طور پر نظر انداز کرتے ہیں۔ لہذا آگے آگے اسٹاک مریض سرمایہ کاروں کے لئے انعامات کے ساتھ طویل مدتی سرمایہ کاری کا موقع پیش کرتے ہیں۔ ہم ملک کے اقتصادی اشارے میں رجحانات کو ٹریک کرتے ہیں اور اس کے مطابق اپنے پورٹ فولیو کو ایڈجسٹ کرتے ہیں۔ ہمارے اوپر سے نیچے کا تجزیہ سے شعبوں نے فائدہ اٹھایا ہے جو کرنسی کی قیمتوں میں اضافے اور اعلیٰ سود کی شرح سے فائدہ اٹھایا۔ تاہم ہم انفرادی کمپنی کو متحرک نظر انداز نہیں کر سکتے، جو ان کی قیمتوں کے ساتھ سیکورٹی انتخاب میں اہم کردار ادا کر سکتا ہے۔

اظہار تشکر:

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، ان کی مسلسل حمایت اور تعاون کے لئے پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ کے شکر گزار ہیں۔ ڈائریکٹرز بھی کمپنی میں ان کے اعتماد کے لئے ان کے عزم اور لگن اور حصص یافتگان کے لیے کمپنی کے ملازمین کی کوششوں کی تعریف کرتے ہیں۔

بڑھتی ہوئی سود کی شرح، منی ایڈجسٹمنٹ اور بیرونی دباؤ معیشت کی ترقی کے اثرات پر اثر انداز کر رہی ہیں، جس میں بڑے پیمانے پر مینوفیکچرنگ انڈیکس کی طرف اشارہ کیا گیا جس سے پٹرولیم کی مصنوعات میں جولائی 2018 کے مہینے میں 0.5 فیصد اضافہ ہوا۔

اسٹیٹ بینک کی جانب سے مالیاتی تنصیبات کے بعد بانڈ کی پیداواری گراف نے ایک ایسی پیش رفت ظاہر کی، جہاں پاکستان کی سرمایہ کار بانڈز (PIB) میں زیادہ سے زیادہ سرگرمی ہوئی۔ مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی کے دوران، اسٹیٹ بینک آف پاکستان نے تیسرے فلوٹر پاکستان سرمایہ کاری بانڈ (PIB) کی نیلامی کا اہتمام کیا جس میں 151 ارب روپے کی بڑی شراکت کی۔ جس میں سے 108 بلین روپے کا معیار +70 بنیادی پوائنٹس (bps) کی قیمتوں میں منسلک کیا گیا تھا۔ خارجہ محاذ کے بارے میں خدشات نے مارکیٹ کے شرکاء کو طویل عرصے سے خزانہ بلوں سے لے کر رکھا ہے جس میں جمع ہونے والی کاغذات میں 3 مہینے کے برابر یا مساوی ہونے کے سلسلے میں مسلسل اضافہ ہوتا ہے۔

اسٹیٹ بینک آف پاکستان نے باقاعدہ اوپن مارکیٹ آپریشنز (OMOs) کے ذریعہ مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی میں آرام دہ اور پرسکون رہا، جبکہ شرعی مطابقت پذیر راستے کی کمی کا جائزہ لینے کے دوران جاری رہا کیونکہ بازار میں کافی ہالچل کے باوجود Ijara Sukuk کا کوئی تازہ اجراء نہیں ہوا تھا۔

فنڈ کی کارکردگی:

جائیداد کے تحت مدت کے دوران، فنڈ نے سالانہ واپسی 4.66 فیصد کی بناء پر 8.50 فیصد کی اس کی ریٹرن کے خلاف کیا۔ عرصے کے اختتام میں فنڈ میں 39.2 فیصد کیش اور (TFCs) میں 56.5 فیصد کی سرمایہ کاری ہوئی تھی۔

ستمبر 30، 2018ء کے طور پر فنڈ کے نیٹ اثاثے 8.77 ملین روپے کے مقابلے میں جون 30، 2018ء میں 1.350 ملین کی تعداد میں 35.04 فیصد کمی آئی۔

30 ستمبر، 2018ء کو فی یونٹ نیٹ اثاثہ قدر (NAV) فی یونٹ روپے تھا۔ 53.7311 روپے کے نئے کھولنے کے مقابلے میں 30 جون، 2018ء کو فی یونٹ میں 55.8399 فی یونٹ کی کاررجان درج ہے۔

مارکیٹ اور اقتصادی - مستقبل کے حل:

حکومت نے بین الاقوامی مالیاتی فنڈ (IMF) سے متعلق معاشی پروگرام کے نازک بیرونی اکاؤنٹ کی صورتحال کی حمایت کرنے کا اعلان کیا ہے۔ پروگرام کو منی ایڈجسٹمنٹ، مالیاتی سختی، اور اخراجات میں کمی کی ضرورت ہوتی ہے، ترقی کو سست کرنے، درآمدات کے بل کو کنٹرول کرنے اور غیر ملکی ذخائر کو کم کرنے میں کمی کی ضرورت ہوتی ہے۔

اگلے سال کے لئے اقتصادی ترقی میں کمی کی توقع کی جاسکتی ہے کیونکہ کرنسی ایڈجسٹمنٹ اور مانیٹری پالیسی کی کھپت کے نمونے پر مل جائے گی۔ تاہم معیشت کی دستاویزات کے ساتھ ساتھ بجلی کی فراہمی میں اضافے کو اس اہم مرحلے کے دوران معاشی مینیجرز کو ایک مہلت فراہم ہوگی۔ ہم نئی حکومت کی طرف سے اقتصادی محاذ پر دائمی مسائل کو حل کرنے کے لئے زیادہ توجہ مرکوز کریں گے اور مخلص کوششوں کے درمیان

عزیز سرمایہ کار!

بورڈ آف ڈائریکٹرز کی جانب سے پاکستان انکم انچاسمنٹ فنڈ کے 30 ستمبر، 2018 کو اختتام پزیر ہونے والے سہ ماہی اکاؤنٹس کا جائزہ پیش خدمت ہے۔

مارکیٹ اور اقتصادی جائزہ:

معیشت اور منی مارکیٹ کا جائزہ:

مالی سال 2018-19 کی پہلی سہ ماہی میں (1QFY19) سیاسی غیر یقینی، بیرونی دباؤ اور اقتصادی کمی کا شکار ہو گیا ہے۔ تیل کی قیمتوں میں اضافہ، بیرونی افواج کی مسلسل تسلسل، بڑھتی ہوئی رجحان میں اضافہ، اسٹیٹ بینک آف پاکستان کے مونیٹری پالیسی کمیٹی (MPC) نے اس سہ ماہی میں منعقد ہونے والے دونوں اجلاسوں میں 100 بنیادی پوائنٹس (bps) کے اضافے کے لئے انتخاب کیا۔ اہم وجہ یہ تھی کہ انفراسٹرکچر کے دباؤ کے نتیجے میں بنیادی افراط زر کے ساتھ اعلیٰ تیل اور گیس کی قیمتوں کی آمد کے ساتھ پیدا ہونے کی امید ہے۔ اس کے علاوہ، مونیٹری پالیسی کمیٹی (MPC) نے غیر ملکی خارجہ اکاؤنٹ کی حیثیت کو کم کرنے کے لئے غیر ملکی ادارے کی حیثیت اور مجموعی گھریلو مصنوعات (GDP) کی ترقی میں کمی کی ضرورت پر زور دیا ہے۔

مالی سال 2018-19 کی پہلی سہ ماہی کے لئے صارفین کی قیمت انڈیکس (CPI) 5.6 فیصد کے اثرات کے طور پر رجسٹر کیا گیا تھا۔ عالمی بین الاقوامی قیمتوں میں اضافہ، گھریلو گیس کی قیمتوں میں کمزور کرنسی اور اوپر کی نظر ثانی کی امید ہے، مالی سال 2018-19 (مجموعی طور پر انفراسٹرکچر کے اعداد و شمار کو جیک)، جو گزشتہ سال کی شرح 3.8 فی صد کی شرح سے تقریباً 8.1 فیصد ہوا ہے۔ دریں اثنا، بنیادی افراط زر کی شرح 8.5 فیصد سے زائد ہے۔

معیشت کے لئے تشویشناک پوزیشن کو نمایاں کرنے پر بیرونی اکاؤنٹ کی حیثیت رکھتی ہے۔ موجودہ اکاؤنٹ نے مالی سال 2018-19 کے پہلے دو مہینوں میں 2.7 ارب امریکی ڈالر کا خسارہ دیکھا تھا جو گزشتہ سال اسی مدت میں 2.5 بلین ڈالر ہوا تھا۔ بین الاقوامی آئل کی قیمتوں میں اضافے کی وجہ سے نجی درآمدات کی وجہ سے غیر تیل کی درآمد میں بہتری آرہی ہے، اس وجہ سے موجودہ اکاؤنٹ کے خسارے کو زیادہ رہنے کا باعث بنتا ہے۔ تاہم، کرنسی کے ایڈجسٹمنٹ کے نقطہ نظر اور مالیاتی سختی کی وجہ سے تجارت کی توازن (پاکستان کے اعداد و شمار، بیورو کے اعداد و شمار) کے طور پر ظاہر ہوتا ہے کہ غیر تیل درآمد میں کمی کی وجہ سے سہ ماہی میں 1.6 فی صد کمی ہوئی۔ چین سے آمدنی حاصل کرنے کے باوجود، ہر ہفتے غیر ملکی ذخائر تقریباً 115 ملین امریکی ڈالر سے کم ہو گئے۔ اسٹیٹ بینک کے غیر ملکی کرنسی کے ذخائر 8.41 بلین ڈالر پر کھڑے ہوئے ہیں جو اسٹیٹ بینک کے ذخائر کی بنیاد پر درآمد کا احاطہ کرتا ہے، اس سے دو ماہ کے مقابلے میں زیادہ خطرناک حد تک پہنچ گئی ہے۔

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2018

		(Unaudited) September 2018	(Audited) June 2018
	Note	(Rupees in '000)	
ASSETS			
Balances with banks	5	363,271	646,442
Investments	6	547,368	675,658
Dividend and profit receivable		9,480	13,220
Advances, deposits and prepayments		3,333	3,054
Advance against subscription of Term Finance Certificate		-	22,000
Receivable from National Clearing Company of Pakistan Limited		1,963	22,963
Total assets		925,415	1,383,337
LIABILITIES			
Payable to Management Company		1,039	2,535
Payable to Central Depository Company of Pakistan Limited - Trustee		139	190
Payable to Securities and Exchange Commission of Pakistan		190	1,378
Payable against redemption of units		2,079	2,079
Accrued expenses and other liabilities	7.	45,344	27,162
Total liabilities		48,790	33,344
NET ASSETS		876,624	1,349,993
Unit holders' fund (as per statement attached)		876,624	1,349,993
Contingencies and Commitments	8		
(Number of units)			
NUMBER OF UNITS IN ISSUE		16,315,055	24,176,126
(Rupees)			
NET ASSET VALUE PER UNIT		53.7311	55.8399

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

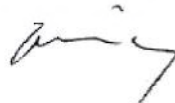
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

		Quarter ended 30 September	
		2018	2017
	Note	(Rupees in '000)	
INCOME			
Income from government securities		641	1,195
Income from Term Finance Certificates		11,104	10,240
Profit on bank deposits		7,299	8,723
Capital (loss) / gain on sale of investments - net		(215)	(455)
Income from Term Deposit Receipts		-	3,090
Markup income on margin trading system		-	3,400
Gain on spread transactions		-	61
Amortization on commercial papers		1,705	3,798
Unrealised (diminution) / appreciation on re-measurement of investments classified as at fair value through profit or loss - net		(3,295)	2,206
Other income		6	310
Total income		17,245	32,569
EXPENSES			
Remuneration of Management Company		2,975	4,589
Sales tax and Federal Excise Duty on remuneration of Management Company		387	597
Remuneration of Central Depository Company of Pakistan Limited - Trustee		415	567
Sindh Sales tax on remuneration of Trustee		54	74
Securities and Exchange Commission of Pakistan - annual fee		190	311
Allocated expenses including indirect taxes		286	469
Securities transaction cost		109	299
Fees and subscription		170	84
Legal and professional charges		44	53
Auditors' remuneration		132	183
Bank charges		39	56
Other expenses		25	423
Total expenses		4,825	7,705
Net income from operating activities		12,420	24,864
Provision / (reversal) of SWWF / WWF		249	497
Net income for the period before taxation		12,171	24,367
Taxation	9	-	-
Net income for the period		12,171	24,367
Allocation of net income for the year:			
Net income for the period		12,171	24,367
Income already paid on units redeemed		(2,498)	(4,395)
		9,673	19,972
Accounting income available for distribution			
- Relating to capital gains		-	1,436
- Excluding capital gains		9,673	18,536
		9,673	19,972
Earnings per unit			

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

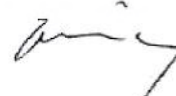
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

		Quarter ended 30 September	
	Note	2018	2017
		(Rupees in '000)	
Net income for the period after taxation		12,171	24,367
Net unrealised diminution on re-measurement of investments previously classified as 'available-for-sale'		40	(83)
Total comprehensive income for the period		12,211	24,284

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

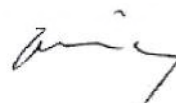
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Quarter ended September				
	2018				2017
	(Rupees in '000)				
	Capital Value	Undistributed income	Unrealised appreciation / (diminution) on FVTOCI (Previously: AFS)	Total	Total
Net assets at beginning of the period	1,204,082	145,951	(40)	1,349,993	1,688,066
Issue of 3,434,123 units (2017: 10,507,926 units) including additional units					
- Capital value (at net asset value per unit at the beginning of the period) of Rs. 55.8399	182,376	-	-	182,376	
- Element of income	875	-	-	875	
	183,251	-	-	183,251	561,473
Redemption of 11,295,194 units (2017: 13,074,466 units)					
- Capital value (at net asset value per unit at the beginning of the period) of Rs. 55.8399	(599,854)	-	-	(599,854)	
- Element of income	(409)	(2,498)	-	(2,907)	
	(602,761)	(2,498)	-	(602,761)	(698,924)
Total comprehensive income for the period	-	12,171	40	12,211	24,284
Final Distribution for the year ended June 30, 2018 (including additional units) at the rate of Rs. 2.7329 per unit (Declared on July 04, 2018)	(14,799)	(51,272)	-	(66,071)	-
	(14,799)	(39,101)	40	(53,860)	24,284
Net assets at end of the period	769,773	104,352	-	876,624	1,574,899
Undistributed income brought forward					
- Realised		149,836			59,471
- Unrealised		(3,885)			35,208
		145,951			94,679
Accounting income available for distribution					
- Relating to capital gains	-				1,436
- Excluding capital gains	9,673				18,536
	9,673				19,971
Cash distribution during the period		(51,272)			-
Undistributed income carried forward		104,352			114,650
Undistributed income carried forward					
- Realised		107,647			112,444
- Unrealised		(3,295)			2,206
		104,352			114,650
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				55.8399	53.0957
Net assets value per unit at end of the period				53.7311	53.8863

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

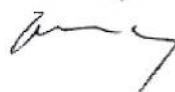
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Quarter ended September 2018	September 2017
Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	12,171	24,367
Adjustments for non cash and other items:		
Unrealised diminution / (appreciation) on re-measurement of investments classified as at fair value through profit or loss - net	3,295	(2,206)
Provision / (reversal) of Sindh worker's welfare fund - net	249	-
	15,715	22,160
decrease / (Increase) in assets		
Investments - net	149,903	16,235
Dividend and profit receivable	3,740	3,511
Advances, deposit and prepayments	(279)	(317)
Advance against subscription of Term Finance Certificate	22,000	-
Receivable against margin trading system	-	(100,933)
Receivable from National Clearing Company of Pakistan Limited	21,000	30,789
Receivable against sale of equity securities - net	-	66,813
	196,365	16,098
(decrease) / Increase in liabilities		
Payable to Management Company	(1496)	(186)
Payable to Central Depository Company of Pakistan Limited - Trustee	(51)	(32)
Payable to Securities and Exchange Commission of Pakistan	(1,188)	(1,515)
Payable against purchase of equity securities	-	(39,299)
Accrued expenses and other liabilities	17,932	(4,436)
	15,197	(45,468)
Net cash generated from operating activities	227,277	(7,210)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(66,071)	-
Cash received from sale of units	183,251	561,473
Cash paid for redemption of units	(602,761)	(698,923)
Net cash used in financing activities	(485,581)	(137,450)
Net increase / (decrease) in cash and cash equivalents during the period	(258,304)	(144,659)
Cash and cash equivalents at beginning of the period	646,442	642,493
Cash and cash equivalents at end of the period	388,138	497,834

14.

The annexed notes from 1 to 16 form an integral part of these condensed interim 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 CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Income Enhancement Fund (the Fund) was established through 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 July 14, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 26, 2008 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, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3** The Fund is an open-ended mutual fund and has been categorised as 'Aggressive Fixed Income Scheme' by the Board of Directors of the Management Company in pursuant to Circular 7 of 2009, dated 6 March 2009 issued by the SECP, and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unit holders are divided into plan 'A' and plan 'B'. The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend. The units are listed on Pakistan Stock Exchange (PSX).
- 1.4** The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions, spread transactions and transaction under Margin Trading System.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated October 08, 2018 to the Management Company and "A+(f)" as stability rating dated June 30, 2018 to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1** This Condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Companies Act 2017 along with part VIIIA of the repealed Companies ordinance, 1984 ; and
 - 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.

- 2.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.
- 2.3** In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at September 30, 2018.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

- 2.4** These condensed interim financial statements are unaudited. 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 and rounded to the nearest thousand rupees, unless otherwise specified.
- 2.5** The "date of initial application" of IFRS 9 is the date when the entity first applies its requirements. Therefore, the beginning of an interim or annual reporting period i.e July 01, 2018 is the date of initial application and applied prospectively because it is not possible to do so with out the use of hindsight and is impracticable, therefore comparative figures are not restated. The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at September 30, 2018 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2018, whereas the comparatives in the condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement have been extracted from the unaudited condensed interim financial information of the Fund for the quarter ended September 30, 2017.

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGMENTS AND CHANGES THEREIN

- 3.1** The accounting policies, financial risk management objectives and policies, basis of accounting estimates applied and methods of computation adopted in the preparation of the condensed interim financial statement and all standards, interpretations and amendments to published approved accounting standards are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018, except with respect to adopt of adoption of IFRS- 9 as explained in detail in note 3.2.
- 3.2** In July 2014 IASB issued a revised version of IFRS 9 'Financial Instruments' which supersedes all its previous versions and is mandatorily effective for periods beginning on or after January 1, 2018. The SECP has adopted the IFRS 9 effectively from July 1, 2018 and will be applicable for the Fund as well. Further, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. From July 01, 2018 the Fund has adopted IFRS-9 as per approved accounting and reporting standards as applicable in Pakistan.

Key requirements of IFRS 9:

- Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. However, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Classification and measurement:

Classification and Measurement of Financial Assets and Financial Liabilities after the adoption of IFRS-9 is discussed as under:

- Listed equity securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;
- Listed equity securities classified as 'at Available for sale' investments carried at fair value have been re-designated & will be measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;
- Debt securities (Listed / Unlisted) and government securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;
- all financial assets classified as Loans and receivable as on June 30, 2018 have now been re-classified as Amortized cost. These assets under IFRS - 9 will continue to be measured on the same bases as was adopted under IAS 39.
- "All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39."

		(Unaudited) September 2018	(Audited) June 2018
		(Rupees in '000)	
5. BALANCES WITH BANKS	Note		
In current account		659	1,579
In deposit accounts		362,612	644,863
		363,271	646,442
		(Unaudited) September 2018	(Audited) June 2018
		(Rupees in '000)	
6. INVESTMENTS	Note		
<i>At fair value through profit or loss</i>			
Government securities	6.1	24,867	42,927
Listed debt securities	6.2	180,254	170,096
Unlisted debt securities	6.3	342,247	343,529
		547,368	556,552
<i>At fair value through OCI</i>			
Government securities		-	811
AMORTISED COST			
Commercial papers	6.4	-	118,295
		-	118,295
		547,368	675,658

6.1 Government securities - at fair value through profit or loss

* This is 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 the Securities and Exchange Commission of Pakistan.

	(Unaudited) September 2018	(Audited) June 2018
Note		

6.2.1 252,824 242,666

6.2.1

(72,570)	(72,570)
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(72,570)

(72,570)	-	-
(72,570)	-	-

(72,570) (72,570)

180,254 170,096

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

6.2.1 Listed debt securities - Term Finance Certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of Certificates				At September 30, 2018			Market value**** as a percentage of total investment
	At July 1, 2018	Purchase during the period	Matured during the period	Disposed off during the period	At September 30, 2018	Carrying value***	Market value	
								-----Rupees in '000----- ----- % -----
Commercial Banks								
Askari Bank Limited (30-9-14 issue)	8,300	-	-	-	8,300	41,434	41,655	221 5
Bank Alfalah Limited (20-02-13 issue)	6,581	-	-	-	6,581	33,017	32,845	(172) 4
Bank of Punjab (23-12-16 issue)**	975	-	-	(100)	875	85,808	84,168	(1,640) 10
Bank of Punjab (23-12-16 issue)**	-	220	-	-	220	22,000	21,586	(414) 2
Real Estate investment and services								
Pace Pakistan Limited (15-02-08 issue)	15,000	-	-	-	15,000	-	-	- -
- Redeemable amount						72,570	72,570	- -
- Due but not received						72,570	72,570	- -
As at September 30, 2018						254,829	252,824	(2,005)
As at June 30, 2018						246,372	242,666	(3,706)

** Face value of the investment is Rs. 100,000

*** Carrying value before provision

**** Market value after provision

(Unaudited) (Audited)
September 2018 June 2018
Note
(Rupees in '000)

6.3 Unlisted debt securities

Term finance certificate

Provision against Eden Housing Limited

Book value as at:

6.3.1	352,498	353,780
	(10,251)	(10,251)
	<u>342,247</u>	<u>343,529</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

6.3.1 Term Finance Certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of Certificates			As at September 30, 2018			Market value** as a percentage of total investment
	As at July 1, 2018	Purchase during the period	Matured during the period	Disposed during the period	As at September 30, 2018	Appreciation / (diminution)	
					Carrying value*	Market value	Market value** as a percentage of net assets
							----- Rupees in '000 ----- % -----
Commercial Banks							
Bank Al Habib Limited (17-03-16 issue)	17,000	-	-	-	17,000	84,487	9.64
Jahangir Siddiqui & Company Limited (18-07-2017 issue)	25,000	-	-	-	25,000	124,688	14.22
Fertilizer							
Dawood Hercules Corporation Limited (16-11-2017 issue)	1,320	-	-	-	1,320	132,072	15.07
Construction and Material							
Byco Petroleum Limited (18-01-2017 issue)	10	-	-	-	10	1,000	2
Eden Housing Limited - Sukuk - (31-03-2008 issue)							0.11
- Due but not received	10,415	-	-	-	10,415	10,251	-
As at September 30, 2018						354,123	352,498
							(1,625)
As at June 30, 2018						353,879	353,780
* Carrying value before provision							(99)
** Market value after provision							

6.4 Commercial papers - Amortised cost

Particulars	Profit / mark-up rates	Issue date	Maturity date	Face value	Amortised cost	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
							----- Rupees in '000 -----
As at September 30, 2018				-	-	-	-
As at June 30, 2018				120,000	118,295		

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

6.5 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

"In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at September 30, 2018, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the Circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates. The Fund holds 100% provision against such investment as enumerated below:"

Category of non-compliant investment	Type of Investment/ Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in debt securities	a) Pace Pakistan Limited (note 6.2)	72,570	72,570	-	0.08	0.08
	b) Eden Housing Limited (note 6.3)	10,251	10,251	-	0.01	0.01

7. ACCRUED EXPENSES AND OTHER LIABILITIES

	Note	(Unaudited) September 2018 (Rupees in '000)	(Audited) June 2018
Provision for Sindh workers' welfare fund	7.1	5,286	5,037
Provision for federal excise duty and related taxes on	7.2		
- Management fee		16,590	16,590
- Sales load		4,746	4,746
Dividend payable to unitholders		-	-
Brokerage		7	24
Capital gain tax		120	85
Auditors' remuneration		492	360
Printing and related expenditure		65	40
Zakat		14	-
Other		18,024	280
		45,344	27,162

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

7.1 Provision for Sindh Workers' Welfare Fund

There is no change in the status of the SWWF as reported in the annual financial statements of the Fund for the year ended June 30, 2018. The aggregated balance of SWWF in the book of accounts of funds as of September 30, 2018 is Rs. 5.29 million. Had this provision not been made, the NAV of the fund would have been higher by Rs. 0.32.

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

7.2 Federal Excise Duty and related tax payable

In view of the pending decision and as a matter of prudence, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013 to June 30, 2015. However, the Management Company of the Fund has not made any further provision for FED after the year ended June 30, 2015. The aggregate balance of FED provision in the books of accounts of the Fund as on September 30, 2018 was Rs. 16.59 million. The impact of decrease in NAV per unit is Rs. 1.02 as at September 30, 2018.

8. CONTINGENCIES AND COMMITMENTS

There are no contingencies as at September 30, 2018 (June 30, 2018: nil).

9. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly, no provision for taxation has been made in these condensed interim financial statements.

10. ALLOCATED EXPENSES

SRO 1160 dated November 25, 2015 issued by SECP has amended Clause 60 of NBFC Regulations, 2008. The new regulation has entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund is charging such expenses at a rate of 0.1% of average annual net assets which is less than the actual expenses allocable to the Fund.

11. TOTAL EXPENSE RATIO

The expense ratio of the Fund for the period is 1.63%, the total expense ratio includes 0.10% representing government levy and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an aggressive fixed income fund.

12. EARNINGS PER UNIT

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

13. TRANSACTIONS WITH CONNECTED PERSONS

Related parties / connected persons of the Fund include the Management Company, its parent and the related subsidiaries of the parent, associated companies / undertakings of the Management Company, its parents and the related subsidiaries, other funds managed by the Management Company, post employment benefit funds of the Management Company, employment funds of the parent, subsidiaries and its associated undertakings. It also includes the Central Depository Company of Pakistan Limited being the Trustee of the Fund, the directors and

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

officers of the Management Company and any person or Company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with the 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 connected persons / related parties and balances with them at the period end, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

	(Unaudited) September 2018	(Unaudited) September 2017
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(Rupees in '000)

13.1 Details of transactions with connected persons are as follows:

MCB - Arif Habib Savings and Investments Limited - Management Company

Remuneration including indirect taxes	3,361	5,186
Allocated expenses including indirect taxes	286	415

Central Depository Company of Pakistan Limited - Trustee

Remuneration and settlement charges for the period	469	641
CDS charges	7	166

MCB Bank Limited

Profit on bank deposits	6	3
Bank charges	3	9

Silk Bank Limited

Profit on bank deposits	3,078	-
Bank charges	19	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

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

For the Quarter Ended ended September 30, 2018									
	As at July 01, 2018	Issuance (including additional units)	Bonus	Redeemed	As at September 30, 2018	As at July 01, 2018	Issuance*	Bonus	As at September 30, 2018
					----- (Rupees in '000) -----				
Associated Companies:									
Fatima Fert Limited Management Staff Gratuity Fund	183,107	9,423	-	192,530	-	9,847	224	10,300	-
Mandate Under Discretionary Portfolio Services	1,515,710	67,274	-	1,582,010	974	81,514	3,572	-	1,584
Key management personnel	17	-	-	-	17	-	-	-	-
Unit holders holding 10% or more units	3,929,900	181,132	-	4,111,032	-	211,158	6,350	-	-
Security General Insurance Company Ltd	36,603	1,884	-	-	38,487	1,968	44	-	2,067
Security General Insurance Co. Ltd. Employees Provident Fund Trust									
For the Quarter Ended ended September 30, 2017									
	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017	As at July 01, 2017	Issued for cash	Bonus	As at September 30, 2017
					----- (Rupees in '000) -----				
Associated Companies:									
Adamjee Life Assurance Company Limited - Conventional Business	819,194	-	-	-	819,194	10,943	-	-	10,943
Adamjee Insurance Company Limited - Employees Provident Fund	206,090	-	-	-	206,090	43,496	-	-	43,496
Mandate Under Discretionary Portfolio Services	3,534,865	-	-	272,859	3,262,006	190,773	-	-	176,273
Key management personnel	-	69,777	-	-	69,777	-	3,759	-	3,759
Unit holders holding 10% or more units	5,839,596	-	-	5,614,456	225,140	310,058	-	-	10,058
Security General Insurance Company Ltd	-	-	-	-	-	-	-	-	-
Security General Insurance Co. Ltd. Employees Provident Fund Trust									
Additional units are issued at zero cost.									

* Additional units are issued at zero cost.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	(Unaudited) September 2018	(Audited) June 2018
13.3 Amounts outstanding at period end		
	(Rupees in '000)	
MCB - Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable	855	1,170
Sale tax payable on remuneration to the Management Company	111	152
Sales load payable	-	2
Sindh Sales tax payable on sales load	-	-
Allocated expenses payable excluding related taxes	73	115
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes payable	123	168
Sindh Sales tax payable on remuneration of Trustee	16	22
Security deposits	200	200
MCB Bank Limited		
Bank balance	676	1,599
Profit receivable on bank deposits	-	-
Silk Bank Limited		
Bank deposit held	200,987	364,904
Accrued profit on bank profit	950	1,171
14. Cash and cash equivalents at end of the period:	(Unaudited) September 2018	(Unaudited) September 2017
	(Rupees in '000)	
Balances with banks	363,271	497,834
Treasury bills - 3 months	24,867	-
	388,138	497,834

15. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and disclosure. No significant rearrangement or reclassification has been made in this condensed interim financial information, except for the impacts of change in accounting policies as disclosed in note 3.2.

16. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 22, 2018 by the Board of Directors of the Management Company.

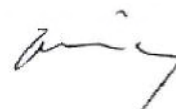
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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