

Quarterly Report

September 30, 2015
(Unaudited)



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

AM2 Plus by PACRA

**PAKISTAN
CAPITAL MARKET FUND**

CONTENTS

Fund's Information	178
Report of the Directors of Management Company	179
Condensed Interim Statement of Assets and Liabilities	181
Condensed Interim Income Statement (Un-audited)	182
Condensed Interim Statement Of Comprehensive Income (Un-audited)	183
Condensed Interim Distribution Statement (Un-audited)	184
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	185
Condensed Interim Cash Flow Statement (Un-audited)	186
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	187

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Financial Officer	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited United Bank Limited Bank Al-Habib Limited Standard Chartered Bank Pakistan Limited Habib Metropolitan Bank Limited Bank Alfalah Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 + Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 31, 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Capital Market Fund's** accounts review for the first quarter ended September 30th, 2015.

Economy and Money Market Overview

Benefits of more than 50 percent drop year on year in crude oil prices are visible in the macroeconomic score card positively nudging the Balance of Payment, Foreign Exchange Reserves, Inflation, Interest rates and the Fiscal deficit. A net benefit of more than USD 1 billion is visible in the trade account during first two months of fiscal year which has offset the otherwise slower exports. In the same period, Balance of Payment Account also remained stable where a near USD 394 million Current Account deficit has been largely offset by Financial and Capital Account Inflows. During the same period last year, the country had a negative balance of payment of near USD 729 million mainly derived from a current account deficit of about USD 1,456 million. With controlled current account deficit, the support of IMF tranche, CSF flows and multilateral flows, reserves remained firm near USD 18.5 billion (Sep-18) mark giving resilience to PKR which underwent relatively lesser depreciation in the fragile environment prevailing in the emerging markets. Although, the local fuel prices were cushioned by increase in taxes, yet the drop in crude oil along with other commodity prices, kept the inflation contribution from food and other sectors at lower levels. During the first quarter, headline inflation average remained near 1.6% which along with strong external account position, created comfortable space for another 50 basis point cut in policy rate in September monetary policy. M2 growth remained mildly negative on FY15 to date basis (18-Sep) which reflects the seasonal adjustment where NDA continually supported by a net govt. borrowing of about PKR 255 billion with a muted contribution from NFA in absence of any major net inflows. Money markets remained cautiously optimistic about further cut in discount rate and its sustainability. Yield Curve has thus recently witnessed a slight increase in slope with longer dated bonds remaining relatively less responsive to the change in policy rate. Increasingly the markets continue to remain cautious primarily due to low quality of market liquidity which has been reliant on OMO injections and the expected uptick in inflation as 2nd half FY16 inflation is expected to remain near 6% largely due to low base effect.

Equities Market Overview

The bourse underperformed during the quarter with KSE 100 Index closing about 6.1% lower at the end of first quarter. The quarter began with the overall positive momentum carried forward through FY-15 on the back of positive macroeconomic direction and stable valuations at KSE. However after crossing 36,000 in early August, the index could not sustain the momentum initially due to political noise while later after showing some recovery, the negative spell that started in global emerging market struck harder at the local bourse. Despite a growing stable macro environment and another 50 basis points cut in policy rate, concerns of foreign selling coupled with speculation and fears of a fall out of wider scope investigations into corruption cases from politicians to defaulted stock market brokers stalled the buying activity from investors. During the quarter, the participation at KSE remained commensurate KSE100 Index direction as the volumes that averaged above 400 million till early August, dropped to below 250 million shares during remaining quarter which fell further to 183 million in September, worst month during the quarter in which KSE 100 index shed more than 7%. Foreign investors withdrew more than USD 105 million during the quarter, about USD 82 million were withdrawn in the first two months while September remained relatively calm mainly due to lack of liquidity and a bigger correction at the local bourse. Oil & Gas, Banks and Telecom with high concentration of foreign investors remained among the key laggards.

Fund Performance

During the period under review PCMF delivered a return of -4.74% as against its benchmark return of -3.80%, an underperformance of 0.94%. On the equities front, the overall allocation increased during the period to 67.4% from 57.3% in June 2015. The fund increased its exposure mainly in Power Generation & Distribution and Fertilizer sectors while exposure was decreased in Oil & Gas Exploration sector.

On the fixed income side, the fund built its exposure to Treasury Bills to 19.8% and marginally decreased the exposure in TFCs to 0.4%.

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 31, 2015

The Net Assets of the Fund as at September 30, 2015 stood at Rs. 760 million as compared to Rs. 682 million as at June 30, 2015 registering an increase of 11.44%. The Net Asset Value (NAV) per unit as at September 30, 2015 was Rs. 10.05.

Future Outlook

Oil prices have improved the economic scorecard significantly particularly the external account and inflation while providing an opportunity to address the chronic energy issues along with fiscal management. Most of the indicators have improved passively however critical indicators which still lack significant improvement include Credit off take and Capital Expenditure along with FDI. Despite conducive macro environment, growth is yet to pick up and we hope the China Pakistan Corridor provides the required growth impetus for investment to pick up. Government still remains significantly dependent on domestic borrowing to fund fiscal deficit and still progress has remained slow on key reforms including energy, privatization and revenue generation. Security situation has also improved which however remains a long and continuing challenge with potential risks to infrastructure plans going forward.

With stable macro environment and pace expected to pick up on the infrastructure projects, we expect the environment to remain conducive for capital markets. We expect the full year inflation to remain below 4.5% as remainder year inflation is expected to gradually pick up and thus provides a stable interest rate outlook. Budgeted target for economic growth appear achievable while fiscal deficit may marginally exceed due to challenges in revenue collection despite significant reduction in subsidies. With Policy Rate at 6% and SBP committed to contain the money market volatility and liquidity through continuous OMO support, we expect stable environment for short term papers and medium term bonds while longer dated bonds would respond to further confirmations on external account including trade account and exchange rate which in turn would remain dependent on commodity prices and multilateral flows.

Volatility in global markets particularly emerging equity markets and commodities may affect the short term returns however direct affect remains muted for Pakistan. Global slowdown poses a challenge for exports particularly textiles while significantly lower oil prices can affect the worker remittances from Middle East in particular. Given the steep drop in crude oil prices, the risks remain manageable however sustained degradation shall be a bigger challenge. A disconnect in current improvement in macro economic variables and KSE performance offers an opportunity for investors to add equities which offer higher return potential on risk adjusted basis for long term investors. Improved outlook on GDP growth, Current Account and controlled fiscal balance in a low inflationary environment supports the case for equities where a PE of 9x prospective earnings along with a dividend yield of 6% with a regional valuation discount in excess of 32% affirms case for higher return potential. We expect infrastructure linked sectors including Cements, Steel, Power and Consumption driven sectors to drive returns while Oil & Gas and Banking Sectors remain attractive on long term valuations.

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,




Yasir Qadri
Chief Executive Officer
Dated: October 16, 2015

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2015

	Un-Audited September 30, 2015	Audited June 30, 2015
Note	-----Rupees in '000-----	
ASSETS		
Balances with banks	28,163	240,948
Dividend and profit receivable	7,651	1,314
Investments	739,638	468,715
Advances and Deposits	5,059	5,001
Total assets	780,511	715,978
LIABILITIES		
Payable to the Management Company	1,639	1,291
Payable to Central depository Company Of Pakistan Limited - Trustee	146	96
Payable to the Securities and Exchange Commission of Pakistan	167	394
Dividend payable	2,783	2,783
Payable against purchase of investments	-	8,512
Payable against redemption of units	216	216
Accrued expenses and other liabilities	16,005	20,799
Total liabilities	20,956	34,091
NET ASSETS	759,556	681,887
Unit holders' funds	759,556	681,887
-----Number of units-----		
Number of units in issue	75,568,844	64,639,267
-----Rupees-----		
NET ASSET VALUE PER UNIT	10.05	10.55

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


 Chief Executive Officer


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


 Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 30, 2015	September 30, 2014
Note	-----Rupees in '000-----	
INCOME		
Capital gain on sale of investments - net	4,930	1,678
Dividend income	7,154	2,015
Income from government securities	3,707	1,167
Income from term finance certificates	150	813
Profit on bank deposits	1,145	1,156
Other Income	7	7
	<u>17,093</u>	<u>6,835</u>
Net unrealised (diminution) / appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	<u>(553)</u>	8,686
Total income	<u>16,540</u>	15,521
OPERATING EXPENSES		
Remuneration of Management Company	3,916	1,853
Sindh Sales Tax and Federal excise Duty on Management Fee	1,263	619
Remuneration of Central Depository Company of Pakistan Limited- Trustee	448	185
Annual fee - Securities and Exchange Commission of Pakistan	167	79
Brokerage Expense	259	396
Auditors' remuneration	168	124
Other Expenses	245	223
Total operating expenses	<u>6,466</u>	3,479
Net income from operating activities	<u>10,075</u>	12,042
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		
- from realized / unrealized capital gain / (loss)	75	(129)
- from other income	830	6
	<u>905</u>	<u>(123)</u>
Provision for Workers' welfare fund	7.2 -	(238)
Net income for the period before taxation	<u>10,980</u>	11,681
Taxation	8 -	-
Net income for the period after taxation	<u>10,980</u>	<u>11,681</u>

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


 Chief Executive Officer

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


 Director

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 30, 2015	September 30, 2014
Note	-----Rupees in '000-----	
Net income for the period after taxation	10,980	11,681
Other comprehensive income for the period		
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(49,718)	86
Total comprehensive (loss) / income for the period	(38,738)	11,767
Earnings per unit	9	

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


 Chief Executive Officer

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


 Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 30, 2015	September 30, 2014
	-----Rupees in '000-----	
Accumulated gain / (loss) carried forward	35,731	(37,684)
Total comprehensive (loss) / income for the period	(38,738)	11,767
Element of income and capital gains included in prices of units issued less those in units redeemed	7,111	1,009
	(31,627)	12,776
Accumulated gain / (loss) carried forward	4,104	(24,908)

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


 Chief Executive Officer

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


 Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	September 30, 2015	September 30, 2014
	-----Rupees in '000-----	
Net assets at the beginning of the period	681,887	364,636
Issue of 13,893,564 units (2014: 2,820,268 units).	148,314	25,981
Redemption of 2,963,987 units (2014: 3,378,529 units).	(31,001)	(30,973)
	117,312	(4,992)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(905)	123
- amount representing (income) that forms part of unit holders' fund - transferred to distribution statement	(7,111)	(1,009)
	(8,016)	(886)
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income	7,111	1,009
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(49,718)	86
Net unrealised (diminution) / appreciation in fair value of investments classified as financial assets 'at fair value through profit or loss'	(553)	8,686
Capital Gain on sale of investment- net	4,930	1,678
Other operating Income	6,603	1,318
Net comprehensive (loss) / income for the period	(38,738)	11,767
Net assets at the end of the period	759,556	371,534

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


MCB-Arif Habib Savings and Investments Limited
(Management Company)
Chief Executive Officer


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 30, 2015	September 30, 2014
	-----Rupees in '000-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	10,980	11,682
Adjustments:		
Net unrealised diminution/ (appreciation) on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	553	(8,686)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(905)	123
	10,628	3,119
(Increase)/ Decrease in assets		
Receivable against issue of units	-	9,941
Investments - net	(321,194)	9,624
Profit and dividend receivable	(6,337)	(459)
Advances, deposits and prepayments	(58)	4,399
	(327,589)	23,505
Increase / (decrease) in liabilities		
Payable to the Management Company	348	(16)
Payable to the Trustee	50	2
Annual fee payable to the Securities and Exchange Commission of Pakistan	(227)	(225)
Payable against purchase of investments	(8,512)	-
Accrued expenses and other liabilities	(4,794)	703
	(13,135)	463
Net cash (outflow) / inflow from operating activities	(330,097)	27,086
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipts against sale of units	148,314	25,981
Net payments against redemption of units	(31,001)	(30,973)
Net cash inflow / (outflow) on financing activities	117,312	(4,992)
Net (decrease) / increase in cash and cash equivalents during the period	(212,784)	22,094
Cash and cash equivalents at the beginning of the period	240,948	41,664
Cash and cash equivalents as at the end of the period	28,164	63,758

The annexed notes from 1 to 11 form an integral part of these condensed interim financial statements.


Chief Executive Officer

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


Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Market Fund (PCMF) was established under a trust deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003.

During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund is listed on all three stock exchanges in Pakistan. The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by SECP. The registered office of the management company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

The Board of Directors have approved that the Fund should be categorised as "Balanced Scheme" as per the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated 6 March 2009.

Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

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 purchase transactions.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2+' positive outlook to the Management Company and Fund performance ranking of 4-star for Short term and 3-star for long term.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2015.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2015 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2015, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the quarter ended 30 September 2014.

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 is unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

The Directors of the asset management company declare that this condensed interim financial information gives a true and fair view of the Fund.

This condensed interim financial information have been prepared on the basis of historical cost convention except that investments have been included at fair value.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

3 SIGNIFICANT ACCOUNTING POLICIES

"The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2015."

"Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not result in change to the Fund's operation or a change in accounting policies of the Fund."

4 ESTIMATES AND JUDGEMENTS

"The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2015."

5 FINANCIAL RISK MANAGEMENT

"The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2015."

6 INVESTMENTS

		Un-Audited September 30, 2015	Audited June 30, 2015
		----- Rupees in '000 -----	
Financial assets 'at fair value through profit or loss'			
- Listed equity securities	6.1	62,135	91,252
- Term Finance Certificates - listed	6.2	3,257	3,736
- Government securities	6.3	154,380	29,954
		219,772	124,942
Investment classified as available for sale'			
- Government securities	6.4	56,118	24,639
- Listed equity securities	6.5	463,748	319,134
		519,866	343,773
		739,638	468,715

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Listed equity securities - 'at fair value through profit or loss'

Name of the Investee company	As at July 1, 2015	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2015	Balance as at September 30, 2015			Market value as percentage of investments of net assets	Market value as percentage of total paid up capital of the investee company	
						Carrying Value	Market value	Appreciation / (Diminution)			
-----Number of shares----- Rupees in '000 -----											
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs 10 each unless stated otherwise											
OIL AND GAS											
PAKISTAN PETROLEUM LIMITED	1,630	-	-	-	1,630	268	194	(74)	0.03	0.00	
						268	194	(74)			
CHEMICALS											
ENGRO CORPORATION LIMITED	5,600	-	-	-	5,600	1,662	1,671	9	0.23	0.00	
						1,662	1,671	9			
CONSTRUCTION AND MATERIALS											
MAPLE LEAF CEMENT FACTORY LIMITED	341,500	-	-	311,500	30,000	2,357	2,056	(301)	0.28	0.06	
						2,357	2,056	(301)			
AUTOMOBILE AND PARTS											
PAK SUZUKI MOTOR COMPANY LIMITED	33,000	-	-	-	33,000	14,385	13,681	(704)	1.85	0.01	
						14,385	13,681	(704)			
PERSONAL GOODS											
BATA PAKISTAN LIMITED	2,880	-	-	-	2,880	10,752	8,554	(2,198)	1.16	0.04	
						10,752	8,554	(2,198)			
BANKS											
SONERI BANK LIMITED	40,000	-	-	-	40,000	497	532	35	0.07	-	
HABIB METROPOLITAN BANK LIMITED	325,500	-	-	75,000	250,500	7,515	7,247	(268)	0.98	0.04	
						8,012	7,779	(233)			
ENGINEERING											
CRESCENT STEEL & ALLIED PRODUCTS LIMITED	135,500	-	-	-	135,500	7,058	11,249	4,191	1.52	0.00	
CRESCENT STEEL & ALLIED PRODUCTS LIMITED (Rights)	-	-	33,875	-	33,875	-	1,047	1,047	0.14	0.00	
						7,058	12,296	5,238			
INDUSTRIAL METALS AND MINNING											
INTERNATIONAL INDUSTRIES LIMITED	28,500	-	-	28,500	-	-	-	-	0.00	0.00	
						-	-	-			
GENERAL INDUSTRIALS											
PACKAGES LIMITED	150	-	-	-	150	89	80	(9)	0.01	0.00	
THAL LIMITED *	22,800	-	-	-	22,800	6,508	5,768	(740)	0.78	0.00	
						6,597	5,848	(749)			
CABLE & ELECTRICAL GOODS											
PAK ELEKTRON LIMITED	139,500	-	-	-	139,500	11,542	10,056	(1,486)	1.36	0.00	
						11,542	10,056	(1,486)			
Total as at September 30, 2015											
						62,633	62,135	(498)			
Total as at June 30, 2015											
						63,128	91,252	28,124			

Investments include listed equity securities with market value of Rs. 17.99 millions (June 30, 2015: Rs Nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

* Par Value of Re. 5 each.

6.1

6.1.1

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	Note	Un-Audited September 30,	Audited June 30,
6.2 Term Finance Certificates - 'at fair value through profit or loss'			

Name of the investee company	Issue date	As at July 1, 2015	Purchases during the period	Sales / matured during the period	As at September 30, 2015	September 30, 2015			--- Market Value ---	
						Carrying Value	Market value	Appreciation / (Diminution)	As a percentage of total investments	As a percentage of net assets
----- Number of certificates -----						----- Rupees in '000 -----				
Maple Leaf Cement Factory Limited	3-Dec-07	2,000	-	-	2,000	3,328	3,257	(71)	1.48	0.43
Total as at September 30, 2015						3,328	3,257	(71)		
Total as at June 30, 2015						3,323	3,736	413		

6.3 Government securities - 'at fair value through profit or loss'

Particulars	Face value					September 30, 2015			Market value as a percentage of total investments	Market value as a percentage of net assets
	As at July 1, 2015	Purchases during the period	Sales during the period	Matured during the period	As at September 30, 2015	Carrying Value	Market value	Appreciation / (Diminution)		
----- Rupees in '000 -----										
Market Treasury Bills										
Treasury Bill - 3 Months	-	380,000	175,000	50,000	155,000	154,364	154,380	16	70.25	20
Treasury Bill - 06 Months	30,000	-	-	30,000	-	-	-	-	-	-
						154,364	154,380	16		
Total as at September 30, 2015						154,364	154,380	16		
Total as at June 30, 2015						63,128	91,252	28,124		

6.4 Government Securities - 'available-for-sale'

Particulars	Face value					September 30, 2015			Market value as a percentage of total investments	Market value as a percentage of net assets
	As at July 1, 2015	Purchases during the period	Sales during the period	Matured during the period	As at September 30, 2015	Carrying Value	Market value	Appreciation / (Diminution)		
----- Rupees in '000 -----										
Pakistan Investment Bonds - 5 Years	-	50,000	-	-	50,000	56,131	56,118	(13)	7.59	0.07
Pakistan Investment Bonds - 10 Years	25,000	-	25,000	-	-	-	-	-	-	-
Total as at September 30, 2015						56,131	56,118	(13)		
Total as at June 30, 2015						24,688	24,639	(49)		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

6.5 Listed equity securities - 'available for sale'

Name of the Investee company	As at July 1, 2015	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2015	September 30, 2015			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (Diminution)			
Number of shares-----Rupees in '000-----											
OIL AND GAS	20,000	13,000	-	-	33,000	18,266	16,508	(1,758)	2.23	2.17	0.04
	155,000	-	-	-	155,000	28,512	19,324	(9,188)	2.61	2.54	0.00
	94,800	25,000	-	50,000	69,800	24,436	20,516	(3,920)	2.77	2.70	0.03
	96,000	-	-	55,000	41,000	6,983	4,885	(2,098)	0.66	0.64	0.00
	25,000	-	-	-	25,000	10,208	7,210	(2,998)	0.97	0.95	0.01
	-	218000	-	-	218,000	7,650	6,852	(798)	0.93	0.90	0.03
						96,055	75,295	(20,760)			
ENGINEERING	-	59,500	-	25,000	34,500	3,050	2,864	(186)	0.39	0.38	0.06
	-	-	8,625	-	8,625	-	267	267	0.04	0.04	
						3,050	3,131	80			
CHEMICALS	31,000	-	-	-	31,000	12,409	14,920	2,511	2.02	1.96	0.03
	77,200	44,000	-	76,000	45,200	13,352	13,487	134	1.82	1.78	0.01
	-	300,000	-	-	300,000	14,426	13,884	(542)	1.88	1.83	0.01
	165,700	-	-	-	165,700	23,378	20,456	(2,922)	2.77	2.69	0.01
	-	564,000	-	300,000	264,000	16,008	15,880	(128)	2.15	2.09	0.03
	3,000	-	-	-	3,000	622	322	(300)	0.04	0.04	0.01
	-	122,000	-	35,800	86,200	10,552	9,082	(1,470)	1.23	1.20	0.02
	-	340,000	-	-	340,000	33,089	30,532	(2,557)	4.13	4.02	0.03
						123,836	118,562	(5,274)			
PAPER AND BOARD	34,600	-	-	-	34,600	6,342	7,439	1,097	1.01	0.98	0.13
	29,000	24,000	-	-	53,000	29,790	28,276	(1,514)	3.82	3.72	0.06
						36,131	35,715	(417)			
CONSTRUCTION AND MATERIAL	-	100,000	-	-	100,000	8,908	8,622	(286)	1.17	1.14	0.06
	90,000	-	-	49,700	40,300	5,323	5,522	199	0.75	0.73	0.01
	100,000	-	-	75,000	25,000	1,102	1,714	611	0.23	0.23	0.00
	110,000	205,000	-	-	315,000	29,081	27,323	(1,758)	3.69	3.60	0.14
						44,413	43,181	(1,233)			

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Name of the Investee company	As at July 1, 2015	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2015	September 30, 2015			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (Diminution)			
Number of shares-----Rupees in '000-----											
GENERAL INDUSTRIES	105,000	-	-	-	105,000	7,097	10,500	3,403	1.42	1.38	0.09
	110,000	-	-	-	110,000	6,450	7,970	1,519	1.08	1.05	0.15
						13,547	18,470	4,922			
AUTOMOBILE AND PARTS	15,000	-	-	-	15,000	15,756	15,021	(735)	2.03	1.98	0.02
	-	25,000	-	-	25,000	7,958	6,325	(1,633)	0.86	0.83	0.03
						23,714	21,346	(2,368)			
TRANSPORTATION	30,600	-	-	-	30,600	3,373	2,768	(605)	0.37	0.36	0.02
						3,373	2,768	(605)			
TECHNOLOGY AND COMMUNICATION	-	513,000	-	-	513,000	8,919	8,372	(546)	1.13	1.10	0.05
	117,165	33,500	-	-	150,665	6,673	9,954	3,282	1.35	1.31	0.14
						15,591	18,327	2,735			
FOOD PRODUCERS	-	40,000	-	-	40,000	3,617	3,284	(333)	0.44	0.43	0.04
	3,500	-	-	-	3,500	4,429	2,660	(1,769)	0.36	0.35	0.04
	350,000	-	-	350,000	-	-	-	-	0.00	0.00	0.00
						8,045	5,944	(2,101)			
HOUSEHOLD GOODS	13,000	110,000	-	-	123,000	10,376	8,867	(1,509)	1.20	1.17	0.03
						10,376	8,867	(1,509)			
ELECTRICITY	46,513	75,000	-	-	121,513	11,492	11,937	445	1.61	1.57	0.01
	-	164,000	-	-	164,000	15,608	15,539	(69)	2.10	2.05	0.02
	630	1,600,000	-	-	1,600,630	13,479	11,300	(2,178)	1.53	1.49	0.01
	365,000	150,000	-	-	515,000	17,123	15,023	(2,100)	2.03	1.98	0.14
	300,000	230,000	-	-	530,000	16,532	14,814	(1,719)	2.00	1.95	0.14
						74,234	68,613	(5,621)			
COMMERCIAL BANKS	-	75,000	-	-	75,000	7,739	6,975	(764)	0.94	0.92	0.01
	216	44,000	-	-	44,216	9,510	8,741	(769)	1.18	1.15	0.00
	50,000	204,300	-	175,000	79,300	13,127	11,635	(1,492)	1.57	1.53	0.01
						30,376	27,351	(3,025)			

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

Name of the Investee company	As at July 1, 2015	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2015	September 30, 2015			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (Diminution)			
-----Number of shares----- Rupees in '000 -----											
NON LIFE INSURANCE COMPANIES											
Adanjee Insurance Company Limited	-	70,000	-	70,000	-	-	-	-	-	0.00	0.00
IGI Insurance Limited	30,000	30,000	-	16,800	43,200	10,135	9,447	(689)	1.28	1.24	0.04
						10,135	9,447	(689)			
MISCELLANEOUS											
Shifa International Hospitals	-	25,400	-	-	25,400	6,978	6,734	(244)	0.91	0.89	0.05
						6,978	6,734	(244)			
Total as at 30 September 2015											
						499,856	463,748	(36,108)			
Total as at 30 June 2015											
						305,490	319,134	13,664			

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

		Un-Audited September 30, 2015	Audited June 30, 2015
		----- Rupees in '000 -----	
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Federal Excise Duty and related taxes	7.1	3,823	3,109
Provision for Federal Excise Duty on Sale load		144	99
Provision for Workers' Welfare Fund	7.2	10,732	10,732
Withholding tax payable (deducted on dividend distribution)		-	5,469
Withholding tax payable (deducted on capital gains)		5	298
Brokerage payable		645	292
Auditor's remuneration payable		125	368
Credit rating fee		115	82
Payable to National Clearing Company Limited		19	20
Others		396	330
		16,005	20,799

7.1 Federal Excise Duty on remuneration of Management Company

The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% on the services rendered by asset management companies. In this regard, a Constitutional Petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the Eighteenth Amendment. The SHC in its short order dated 4 September 2013 directed the Federal Board of Revenue (FBR) not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in these financial statements aggregating to 3.83 million. In case, the suit is decided against the Fund it would be paid to management company, who will be responsible for submitting the same to taxation authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the Net Assets Value (NAV) of the Fund would have been higher by Re. 0.05 per unit as at 30 September 2015.

7.2 Provision for Worker Welfare Fund

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year have been brought within the scope of the WWF Ordinance. Thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication. Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However, on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

Further, in May 2014, the Honourable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the Ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money Bill under the constitution and, hence, the amendments made through the Finance Acts were declared as 'Ultra Vires'.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs.10.732 million (2015: Rs.10.732 million) in these financial statements. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Re.0.142 per unit.

Furthermore, in the Finance Act, 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from 01 July 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management company, as a matter of abundant precaution, has decided to retain the provision for WWF in these financial statements.

8 TAXATION

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

Certain mutual Funds have received show cause notices and demand orders from tax authorities under Section 122 (1) and 122(5A) of the Income Tax Ordinance for tax years 2008 onwards. In the said notices and orders, the Tax Department considers that the distribution of bonus shares should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. The reasons cited for this view are that tax has not been deducted on bonus units and the bonus issue is only exempt from tax where it results in increase in capital. As clause (99) of Part I of Second Schedule to the Income Tax Ordinance, 2001 which provides for tax exemption in respect of mutual funds does not specifically provides any mode of distribution of profit nor places any restriction on distribution by way of bonus units, whereas under clause (100) which provides for tax exemption for Modarabas it has been specifically specified that distribution by way of bonus shares would not be considered as distribution in calculation of 90% distribution to claim exemption from tax. The mutual fund industry has consistently made distributions by way of issue of bonus units and the issue was never raised before. Finance Act 2014, effective from 1 July 2014, now includes a specific provision clause (99) similar to clause (100) where it has been specified that issue of bonus units would not be considered for calculating 90% distribution required to claim exemption from tax. Several asset management companies on behalf of the mutual funds have filed a petition in the Sindh High Court against the demands raised in this respect and have obtained a stay order against the payment of tax demand.

The management based on the tax advice obtained by Mutual Funds Association of Pakistan considers that if any orders passed by the Department would be incorrect and based on erroneous understanding of the law. These would be annulled at appellate forums and the funds would not be liable to such taxes.

9 EARNINGS PER UNIT

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

10 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

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

Other transactions with connected persons are in the normal course of business, and are carried out on agreed terms.

Details of transactions with the connected persons and balances with them as at period end are as follows:

10.1 Transactions during the period

	September 30, 2015	September 30, 2014
	-----Rupees in '000-----	
MCB Arif Habib Savings & Investments Limited		
- Remuneration of management company including indirect taxes	5,178	2,472
Arif Habib Limited - Brokerage house		
- Brokerage expense*	35	25
Next Capital Private Limited - Brokerage House		
- Brokerage expense*	52	-
MCB Bank Limited		
- Bank Charges	11	6
- Profit on deposit account	742	906
- Dividend Income	-	9
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration for the period	448	185
- CDS charges	17	11
Directors and executives of the Management Company		
- Redemption of 16,362 units (2014: 8,871 Units)	170	80

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

10.2 Amounts outstanding as at period / year end	Un-Audited September 30, 2015 -----Rupees '000-----	Audited June 30, 2015
MCB Arif Habib Savings & Investments Limited		
- Remuneration Payable to the Management Company	1,273	977
- Sales tax on management fee	178	147
- Sales load payable	166	58
- Sales tax on Sale load	23	9
- Legal and professional charges payable	-	100
MCB Bank Limited		
- Bank Balance	4,963	228,970
- Profit receivable on deposit accounts	107	301
Arif Habib Limited - Brokerage House		
- Brokerage Payable	23	8
Next Capital Private Limited - Brokerage House		
- Brokerage Payable	30	13
Fatima Fertilizer Company Limited		
- 300,000 shares held by the fund (2015: Nil shares)	13,884	-
Lalpir Power Limited		
- 515,000 shares held by the fund (2015: Nil shares)	15,023	-
Pakgen Power Limited		
530,000 shares held by the fund (2015: Nil shares)	14,814	-
D.G. Khan Cement Company Limited		
- 40,300 shares held by the fund (2015: 90,000 shares)	5,522	12,849
Nishat Mills Ltd. Employees Provident Fund Trust		
- 15,507,222 units held (2015: 15,507,222)	155,848	163,601
Directors and executives of the Management Company		
- 1,182 units held (2015: 17,544 units)	12	185
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration Payable to the trustee	127	96
- Security Deposit	300	300

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

11 DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

This condensed interim financial information was authorised for issue on **October 16, 2015** by the Board of Directors of the Management Company.



Chief Executive Officer

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



Director

www.jamapunji.pk



سرمایہ کاری سمجھداری کے ساتھ



Be aware, Be alert, Be safe

Learn about investing at
www.jamapunji.pk

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator
(based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

jamapunji.pk

[@jamapunji_pk](https://twitter.com/jamapunji_pk)

*Mobile apps are also available for download for android and ios devices



find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

Head Office: 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: 11-11-622-24 (11-11-MCB-AH): Karachi, Lahore, Islamabad.

UAN: 111-468-378 (111-INVEST): Karachi, Lahore, Islamabad & Multan.

BACHAT CENTER: 0800-622-24 (0800-MCB-AH), Fax: (+92-21) 32276898, 32276908

URL: www.mcbah.com, Email: info@mcbah.com