

Half Year Report
December 31, 2015
(Unaudited)



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

Vision

To become synonymous with Savings.

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

MCB
PAKISTAN ASSET ALLOCATION FUND
(FORMERLY MCB DYNAMIC ALLOCATION FUND)

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Mohammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
Audit Committee	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
Company Secretary & Acting Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Asif Mehdi	
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 Bank Al-Falah Limited NIB Bank Limited Faysal Bank Limited United Bank Limited Standard Chartered Bank of Pakistan	
Auditors	KPMG Taseer Haidi & 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 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 + Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Asset Allocation Fund (Formerly: MCB Dynamic Allocation Fund)** accounts review for the first half year ended December 31st, 2015.

ECONOMY AND MONEY MARKET OVERVIEW

Overall economic score card continued to gather stability with the significant drop in Int'l Crude Oil Prices. Inflation continued to soften despite a small portion of recent decline in oil prices is passed through as other commodity prices and overall food sector also contributed to the overall slowdown. Recent drop in crude oil has deferred the earlier anticipated uptick in inflation as the full year FY16 average inflation is now expected to remain below 3%.

External account continued to remain stable where Petroleum Group Imports during the 1HFY16 are lower by approx 39% compared to 1HFY15. However, sizeable increase in imports of food and machinery groups and a significant decline in exports (down 14.5% in 1HFY15 YoY) shaved off approximately the two third of the benefit of drop oil prices. Suffering from weak global demand and relative in-competitiveness the decline was most visible in the other manufacturing sector followed by food and textile sectors. Overall Balance of payment account reported a surplus of near USD 1.5 billion supported by a narrower current account and inflows in financial account. Overall positive external account impact and strong foreign exchange reserves balance of near USD 20.76 Billion along with strict vigilance of SBP kept the rupee relatively stable.

M2 growth returned to positive territory on FY16 to date basis (25-Dec) which reflects the seasonal adjustment where Net Domestic Assets continually supported by a net government borrowing of about PKR 95 billion with a contribution from Net Financial Asset of PKR 168 billion. Money markets remained optimistic about further cut in discount rate and its sustainability in later half of the year. Yield Curve has thus recently witnessed a slight increase in slope with longer dated bonds remaining relatively less responsive to the expected change in policy rate.

EQUITIES MARKET OVERVIEW

The local equity market measured by KSE-100 Index retreated 4.6% during 1HFY15 as it could not bear the brunt of the rout in commodities and global equities. Even a cut in discount rate could not trigger a boost in investor's confidence, as continuous foreign selling forced the local investors to remain cautious. Foreigners sold US\$ 240 million of equities during the period which were primarily absorbed by Companies (US\$ 64.7 million), NBFCs (US\$ 63.4 million) and Individuals (US\$ 52.0 million).

Oil & Gas and Commercial Banks, with a major weight in the index, remained laggards during the period. The market cap of Oil & Gas sector plunged by 26% during the period after the collapse of crude oil, with regional benchmark Arab Light, falling by 49%. Similarly, Commercial banks lost 5% during the period after the central bank reduced the discount rate by 50 bps while the outlook for inflation continues to remain benign.

On the flip side, Pharmaceuticals and Construction & Material remained top performers. Pharmaceuticals gained 20% during the period, after Drug Regulatory Authority of Pakistan ("DRAP") approved the pricing formula for the sector. Alongside, bumper results posted by the pharmaceutical companies boosted investor's sentiment in the sector. Construction and Materials sector also managed to garner investor attention as local dispatches witnessed double digit growth. Moreover, the outlook for infrastructure plays remains robust as flows from China Pakistan Economic Corridor ("CPEC") materialize. The weak performance of commodity prices has hit the major sectors at the bourse as the effect is not limited to Oil. Spillover of weak inflation on banks may continue to keep the sector performance in check.

FUND PERFORMANCE

The fund posted a return of -0.49% during the period under review while since inception return of fund stood at 62.91%. The fund has gradually increased exposure in equities which reached to around 32.4% by the end of the first half of the fiscal year. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks. During the period under review, the fund increased exposure in Power Generation & Distribution, Commercial Banks and Cement while it reduced its exposure in Fertilizer sector.

On the fixed income side, the fund has increased T-Bill exposure to 17.1% while the exposure in PIBs was reduced to 18.7% from 32.5% as at the start of the FY16.

The Net Assets of the Fund as at December 31, 2015 stood at Rs.3,383 million as compared to Rs.2,640 million as at June 30, 2015 registering an increase of 28.14%.

The Net Asset Value (NAV) per unit as at December 31, 2015 was Rs.76.9964 as compared to opening NAV of Rs.77.3785 per unit as at June 30, 2015 registering a decrease of Rs.0.3821 per unit.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

FUTURE OUTLOOK

Crude Oil Prices have created space on fiscal account with lower subsidies and debt servicing burden however major reforms for resolution of circular debt are yet missing which in turn is leaving the chronic issue unresolved. On the other hand, the weak economic outlook of GCC region and Saudi Arabia opens up a potential risk to flow of remittances which contribute more than 60% to the total. Weak exports and potentially weak remittances can be a significant threat to overall stable economic environment and more importantly the exchange rate. Despite real positive interest rates and weak inflationary outlook, we think the emerging risks to current account shall weigh on any considerations for significant monetary easing.

The short term macro stability is expected to provide favorable environment for economic activities to pick up. The average Consumer Price Index is expected to remain around 3% for the year with the second half of fiscal year inflation expected to average around 4%. We expect the inflation to gradually pick up but it is expected to remain well anchored next year assuming oil prices remain at lower levels.

Budgeted target for economic growth appear achievable while fiscal deficit may marginally exceed due to challenges in revenue collection despite significant reduction in subsidies.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with \$46 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower oil prices (oil centric import bill), lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The \$46 billion program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The index heavy sectors are expected to gain lime light in second half of the calendar year with the bottoming out of crude oil prices and interest rate easing cycle.

However, the volatility in global markets lead by slow down in Chinese economy and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our stance of no fundamental weakness in the market with the market premium over the risk free rate increasingly attractive due to recent underperformance.

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,



Saqib Saleem
Acting Chief Executive Officer

February 04, 2016

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN ASSET ALLOCATION FUND (FORMERLY MCB DYNAMIC ALLOCATION FUND)

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Asset Allocation Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2015 in accordance with the provisions of the following:

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

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 18, 2016



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



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Asset Allocation Fund** ("the Fund") (formerly MCB Dynamic Allocation Fund) as at 31 December 2015 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matters

The figures for the quarter ended 31 December 2015 and 31 December 2014 in the condensed interim financial information have not been reviewed by us and we do not express a conclusion on them.

Date: 4 February 2016

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity.

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES


AS AT 31 DECEMBER 2015

	Note	31 December 2015 (Unaudited) (Rupees in '000)	30 June 2015 (Audited)
Assets			
Balances with banks	6	713,077	252,325
Investments	7	2,523,808	2,366,195
Fair value of derivative asset		-	1,257
Dividend and profit receivables		36,451	52,117
Receivable against sale of investment		4,963	-
Advances, deposits and prepayments	8	125,551	4,124
Receivable from National Clearing Company of Pakistan Limited		44,256	41,067
Total assets		3,448,106	2,717,085
Liabilities			
Payable to the Management Company		14,969	14,736
Payable to Central Depository of Pakistan Limited - Trustee		429	297
Payable to Securities and Exchange Commission of Pakistan		1,528	1,326
Fair value of derivative liability		1,888	-
Payable against purchase of investment		1,838	-
Payable against redemption of units		41	41
Accrued expenses and other liabilities	11	44,734	60,984
Total liabilities		65,427	77,384
Net assets		3,382,679	2,639,701
Unit holders' fund (as per statement attached)		3,382,679	2,639,701
Contingencies and commitments	12		
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		43,932,944	34,114,128
		(Rupees)	
Net asset value per unit		76.9964	77.3785

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two Directors authorized in this behalf by the Board of Directors of the Management Company"

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)


FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2015

		Half year ended		Quarter ended	
	Note	31 December 2015	31 December 2014	31 December 2015	31 December 2014
		(Rupees in '000)			
Income					
Capital (loss) / gain on sale of investments		(16,064)	38,079	1,699	27,686
Dividend income		28,560	4,065	19,758	2,696
Profit on bank deposits		15,388	9,137	11,256	3,913
Income from government securities		70,159	22,135	32,070	12,051
Income from term finance certificates		457	1,525	232	769
Income from spread transactions		984	-	(1,408)	-
Other Income		9	11	3	5
		99,493	74,952	63,610	47,120
Net unrealised diminution in the fair value of future contracts		(3,146)	-	(1,889)	-
Provision for impairment of equity securities classified as available for sale	7.1.1.2	(17,592)	-	(17,592)	-
Net unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'		989	22,786	3,748	22,695
Total income		79,744	97,738	47,877	69,815
Expenses					
Remuneration of the Management Company		32,175	8,532	16,860	4,535
Sindh Sales tax and Federal Excise Duty on Management Fee		10,373	2,850	5,435	1,515
Remuneration of Central Depository Company of Pakistan Limited - Trustee		2,157	851	845	451
Sindh Sales tax on remuneration of Trustee	9	250	-	153	-
Annual fee to Securities and Exchange Commission of Pakistan		1,528	405	801	215
Auditor's remuneration		544	367	318	209
Allocated expenses	10	375	-	375	-
Brokerage and settlement charges		2,362	3,293	945	1,998
Other expenses		620	241	361	139
Total operating expenses		50,384	16,539	26,093	9,062
Net income from operating activities		29,360	81,199	21,784	60,753
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		23,628	3,492	18,153	4,006
-from other income		(21,071)	9,548	(16,772)	9,245
		2,557	13,040	1,381	13,251
Provision for workers' welfare fund	10.2	-	(1,884)	-	(1,479)
Net income for the period before taxation		31,917	92,355	23,165	72,525
Taxation	13	-	-	-	-
Net income for the period after taxation		31,917	92,355	23,165	72,525
Earnings per unit	14				

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

Statement under Section 241(2) of the Companies Ordinance, 1984

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**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2015**

	<i>Note</i>	Half year ended		Quarter ended	
		31 December 2015	31 December 2014	31 December 2015	31 December 2014
----- (Rupees in '000) -----					
Net income for the year after taxation		31,917	92,355	23,165	72,525
Other comprehensive income:					
<i>Items that are or may be reclassified subsequently to income statement</i>					
Deficit / Surplus on revaluation of investments classified as 'available for sale' transferred to income statement on disposal		4,093	-	(16,454)	-
Unrealised (diminution) / appreciation in investments classified as 'available for sale'	7.2	(53,769)	8,102	22,003	6,388
Impairment loss arising in the current year on available for sale investments transferred to the Income Statement (recognised in Statement of Comprehensive Income in previous years)	7.1.1.2	1,632	-	1,632	-
Total comprehensive income for the year		(16,127)	100,457	30,346	78,913

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

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**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2015**

	Half year ended		Quarter ended	
	31 December	31 December	31 December	31 December
	2015	2014	2015	2014
	------(Rupees in '000)-----			
Accumulated loss brought forward	(770,383)	(304,929)	(972,456)	(281,801)
Total comprehensive income for the year	(16,127)	100,457	30,346	78,913
Element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing unrealized (diminution) / appreciation	(222,773)	(82,599)	(66,923)	(84,183)
Accumulated loss carried forward	<u>(1,009,283)</u>	<u>(287,071)</u>	<u>(1,009,033)</u>	<u>(287,071)</u>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

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CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)

FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2015


	Half year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	----- (Rupees in '000) -----			
Net assets at beginning of the period	2,639,701	779,117	3,131,629	624,958
Issue of 24,766,969 (2014: 4,629,154) units and 11,370,539 (2014: 1,005,931) units for the half year and quarter respectively	1,921,618	350,975	885,171	111,203
Redemption of 14,948,163 (2014: 1,642,525) units and 8,495,181 (2014: 1,015,416) units for the half year and quarter respectively	(1,159,956)	(121,871)	(662,836)	(50,354)
	761,662	229,104	222,335	60,849
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement				
-from realized / unrealized capital gain	(23,628)	(3,492)	(18,153)	(4,006)
-from other income	21,071	(9,548)	16,772	(9,245)
- amount representing (income) / loss and capital losses / (gains) transferred to distribution statement	222,773	82,599	66,924	23,768
	220,216	69,559	65,543	10,517
Element of (loss) and capital (losses) that forms part of unit holders' fund transferred to distribution statement	(222,773)	(82,599)	(66,924)	(23,768)
Net income for the period (excluding net unrealized appreciation in fair value of investment classified at 'fair value through profit or loss', future contracts and capital gain on sale of investment)	52,717	31,490	2,896	8,933
Net unrealised appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	989	22,786	3,748	22,695
Unrealised (diminution) / appreciation in investments classified as 'available for sale'	(53,769)	8,102	22,003	6,388
Capital gain on sale of investments - net	(16,064)	38,079	1,699	27,686
Total comprehensive income for the period.	(16,127)	100,457	30,346	65,702
Distribution during the period	-	(66,295)	-	-
Net assets at the end of the period	3,382,679	1,029,343	3,382,929	738,258
Net assets value per unit at beginning of the period	77.38	84.28	73.86	72.51
Net assets value per unit at end of the period	77.00	74.37	77.00	74.37

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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



Director



Director

Statement under Section 241(2) of the Companies Ordinance, 1984

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CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2015

Note	Half year ended		Quarter ended	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	------(Rupees in '000)-----			

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation	31,917	92,355	23,165	72,525
Adjustments for non-cash charges and other items:				
Dividend income	(28,560)	(4,065)	(19,758)	(2,696)
Net unrealised diminution in the fair value of future contracts	3,146	-	1,889	-
Net unrealised appreciation on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	(989)	(22,786)	(3,748)	(22,695)
Provision for impairment of equity securities classified as available for sale	17,592	-	17,592	-
Element of income and capital gains included in the prices of units issued less those in units redeemed				
-from realized / unrealized capital gain	(23,628)	(3,492)	(18,153)	(4,006)
-from other income	21,071	(9,548)	16,772	(9,245)
Net cash generated from operations before working capital changes	20,549	52,464	17,759	33,883

(Increase) / decrease in assets

Investments - net	(226,353)	(331,185)	(343,645)	(318,360)
Receivable against sale of investment	(4,963)	140,008	(4,963)	41,066
Fair value of derivative asset	1,257	-	1,257	-
Profit and other receivable	16,810	(6,016)	(9,532)	(15,980)
Advances and deposits	(121,427)	11,036	(126,618)	49,151
Receivable from National Clearing Company of Pakistan Limited	(3,189)	6,965	(20,271)	6,965
	(337,865)	(179,192)	(503,772)	(237,158)

Increase / (decrease) in liabilities

Payable to the Management Company	233	2,000	(9,098)	2,407
Payable to Central Depository Company of Pakistan Limited - Trustee	132	45	132	45
Payable to Securities and Exchange Commission of Pakistan	202	(225)	(525)	(414)
Fair value of Derivative Liability	1,888	(10)	1,888	(10)
Payable against purchase of investment	1,838	27,032	1,838	-
Accrued expenses and other liabilities	(16,250)	4,126	(15,111)	2,716
	(11,957)	32,968	(20,876)	4,744

Dividend income received	28,363	3,642	19,311	2,231
Net cash (used in) / generated from operating activities	(300,910)	(90,118)	(487,578)	(196,300)


CASH FLOWS FROM FINANCING ACTIVITIES

Receipts from issuance of units	1,921,618	350,975	885,171	277,928
Payments against redemption of units	(1,159,956)	(121,871)	(662,836)	(47,918)
Distribution during the period	-	-	-	-
Net cash generated from financing activities	761,662	229,104	222,335	230,010
Net increase in cash and cash equivalents	460,752	138,986	(265,243)	33,710
Cash and cash equivalents at beginning of the period	252,325	96,667	978,320	201,943
Cash and cash equivalents at end of the period	713,077	235,653	713,077	235,653

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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


Director


Director

Statement under Section 241(2) of the Companies Ordinance, 1984

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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Asset Allocation Fund (the Fund) (formerly: MCB Dynamic Allocation Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the BFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2007 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 17 December 2007. It was constituted under a Trust Deed dated 22 November 2007 between MCB Asset Management Company Limited (MCB-AMC) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

Pursuant to 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 Management Company of the Fund has been licensed to act as Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is currently situated at 8th floor, Techno city corporate tower, Hasrat Mohani Road, Karachi, Pakistan. With effect from 08 February, 2016 the registered office of the Management Company will be changed to 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange. (Formerly listed on the Lahore Stock Exchange).

Under circular 7 dated 6 March 2009 issued by the SECP, the Fund is categorised as an Asset Allocation Scheme. The Management Company is in the process of making requisite amendments in relation to categorisation, investment objectives and relevant benchmark in the constitutive documents of the Fund.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2+' (stable outlook) to the Management Company and has assigned a "5-Star" to the Fund.

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 31 December 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 half year ended 31 December 2014.

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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.

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

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

2.4 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 and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2015 except as disclosed in note 3.2.

3.1 Except as disclosed in note 3.2, amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the fund operations and did not result in change to the funds operation and did not result in change in accounting policy of the fund except for, where applicable, change in presentation and additional disclosures.

3.2 Changes in accounting policies

3.2.1 Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Fund has included additional disclosures in this regard (see Note 16).

In accordance with the transitional provisions of IFRS 13, the Fund has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Fund's assets and liabilities.

3.2.2 Element of income

Element of income arising on issuance and redemption of units is bifurcated in to portion attributable to capital gain / losses (realized and unrealized) and other income appearing in book of accounts of the Funds. Accordingly, corresponding figures have been aligned with the current presentation.

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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

		31 December 2015 (Unaudited) (Rupees in '000)	30 June 2015 (Audited)
6. BALANCE WITH BANKS			
Current accounts		8,272	4,925
Saving accounts		<u>704,805</u>	<u>247,400</u>
	<i>6.1</i>	<u><u>713,077</u></u>	<u><u>252,325</u></u>

6.1 These carry mark-up at rates ranging from 4% to 7% per annum (30 June 2015: 4.5% to 9.90% per annum).

7. INVESTMENTS

7.1 Held for trading investments

Listed equity securities	<i>7.1.1</i>	170,099	281,708
Listed debt securities	<i>7.1.3</i>	10,172	10,007
Government Securities	<i>7.1.4</i>	<u>590,959</u>	<u>522,200</u>
		771,230	813,915

7.2 Available for sale investments

Listed equity securities	<i>7.2.1</i>	1,108,768	733,205
Government Securities	<i>7.2.2</i>	<u>643,810</u>	<u>819,075</u>
		1,752,578	1,552,280
		<u><u>2,523,808</u></u>	<u><u>2,366,195</u></u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

7.1 Held for trading investments

7.1.1 Listed equity securities

Name of investee company	As at 1 July 2015	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 December 2015	(Rupees in '000)					Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company	
						Carrying Cost as at 31 December 2015	Market value as at 31 December 2015	Appreciation/ (Diminution) as at 31 December 2015						
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.														
Refinery														
Attock Refinery Limited	-	50,000	-	-	50,000	10,430	10,594	164	0.31%	0.42%	0.06%			
						10,430	10,594	164	0.31%	0.42%	0.06%			
Oil and Gas Exploration Companies														
Oil and Gas Development Company Limited	76,700	141,000	-	(155,200)	62,500	8,889	7,334	(1,555)	0.22%	0.29%	0.00%			
Pakistan Oilfields Limited	-	5,900	-	(5,900)	-	-	-	-	-	-	-			
Pakistan Petroleum Limited	18,000	153,000	-	(171,000)	-	-	-	-	-	-	-			
						8,889	7,334	(1,555)	0.22%	0.29%	0.00%			
Oil and Gas Marketing Companies														
Pakistan State Oil Limited	35,500	95,500	-	(111,000)	20,000	6,539	6,515	(24)	0.19%	0.26%	0.01%			
Sui Northern Gas Pipelines Limited	-	1,000,000	-	(1,000,000)	-	-	-	-	-	-	-			
Sui Southern Gas Limited	163,500	96,500	-	(260,000)	-	-	-	-	-	-	-			
						6,539	6,515	(24)	0.19%	0.26%	0.01%			
Fertilizer														
Dawood Hercules Corporation	-	107,900	-	(107,900)	-	-	-	-	-	-	-			
Engro Corporation Limited	322,000	1,052,200	-	(1,219,200)	155,000	42,983	43,305	322	1.28%	1.72%	0.03%			
Engro Fertilizers Limited	178,500	797,000	-	(725,500)	250,000	21,062	21,033	(29)	0.62%	0.83%	0.02%			
Fauji Fertilizer Bin Qasim Limited	1,286,500	4,399,000	-	(5,685,500)	-	-	-	-	-	-	-			
Fauji Fertilizer Company Limited	-	263,500	-	(163,500)	100,000	11,831	11,798	(33)	0.35%	0.47%	0.01%			
						75,876	76,136	260	2.25%	3.02%	0.06%			
Cement														
Cherat Cement Limited	-	114,500	-	(79,500)	35,000	3,008	3,156	148	0.09%	0.13%	0.02%			
D G Khan Cement Company Limited	-	277,000	-	(277,000)	-	-	-	-	-	-	-			
Fauji Cement Company Limited	208,500	251,500	-	(460,000)	-	-	-	-	-	-	-			
Lucky Cement Limited	-	90,000	-	(50,000)	40,000	20,052	19,802	(250)	0.59%	0.78%	0.01%			
Maple Leaf Cement Factory Limited	112,500	1,612,000	-	(1,224,500)	500,000	35,055	37,290	2,235	1.10%	1.48%	0.09%			
Pioneer Cement Limited	-	107,500	-	(107,500)	-	-	-	-	-	-	-			
						58,115	60,248	2,133	1.78%	2.39%	0.12%			
Automobile Assembler														
Indus Motor Company Limited	-	400	-	(400)	-	-	-	-	-	-	-			
Food and Personal Care Products														
Engro Foods Limited	42,500	110,500	-	(153,000)	-	-	-	-	-	-	-			

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Name of investee company	As at 1 July 2015	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 December 2015	Carrying Cost as at 31 December 2015	Market value as at 31 December 2015	Appreciation/ (Diminution) as at 31 December 2015	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
House hold goods											
Pak Elektron Limited	451,000	1,655,000	-	(2,106,000)	-	-	-	-	-	-	-
Technology and Communication											
Hum Network Limited*	-	35,500	-	-	35,500	589	466	(123)	0.01%	0.02%	0.02%
Pharmaceuticals											
Searl Company Limited	-	20,000	-	(20,000)	-	-	-	-	-	-	-
Power Generation & Distribution											
K-Electric Limited**	-	1,351,500	-	(171,500)	1,180,000	8,860	8,779	(81)	0.26%	0.35%	0.01%
Commercial Banks											
Bank Al-Falah Limited	17,500	1,000	-	(18,500)	-	-	-	-	-	-	-
National Bank of Pakistan Limited	22,500	62,500	-	(84,500)	500	29	27	(2)	0.00%	0.00%	0.00%
United Bank Limited	1,500	23,500	-	(25,000)	-	-	-	-	-	-	-
Total - 31 December 2015						29	27	(2)	0.00%	0.00%	0.00%
Total - 30 June 2015						169,327	170,099	772	4.76%	6.40%	
						280,035	281,708	1,673	10.67%	11.91%	

* Par value of Rs. 1 each

** Par value of Rs. 3.5 each

7.1.1.1 Investments include shares with market value aggregating of nil (30 June 2015: 32,852 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

7.1.1.2 Cost of investment of equity securities is Rs. 199,592 million (30 June 2015: Rs. 301,273 million).

7.1.2 Term Finance Certificates

Name of investee company	Issue Date	As at 1 July 2015	Purchased during the period	Sold / matured during the period	As at 31 December 2015	Carrying Cost as at 31 December 2015	Market value as at 31 December 2015	Appreciation/ (Diminution) as at 31 December 2015	Market value as a percentage of net assets	Market value as a percentage of total investments
Certificates having a face value of Rs. 5,000 each unless stated otherwise										
Bank Alfalah Limited-V	20-Feb-13	2,000	-	-	2,000	10,005	10,172	167	0.30%	0.40%
Total - 31 December 2015						10,005	10,172	167	0.30%	0.40%
Total - 30 June 2015						10,124	10,007	(117)	0.38%	0.42%

7.1.2.1 Significant terms and conditions of Term Finance Certificate and Sukuk Certificate outstanding are as follows:

Name of Security	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Bank Alfalah Limited-V	6 months KIBOR + 12.5%	20-Feb-13	20-Feb-21	AA-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

7.1.3 Government Securities

Particulars	As at 1 July 2015	Purchased during the period	Sold during the period	Matured during the period	As at 31 December 2015	Carrying Cost as at 31 December 2015	Market value as at 31 December 2015	Appreciation/ (Diminution) as at 31 December 2015	Market value as a percentage of total investments
(Rupees in '000)									
Treasury bills									
Treasury Bills - 3 Months	7.3.1	1,175,000	(1,587,500)	(25,000)	-	-	-	-	-
Treasury Bills - 6 Months	7.3.1	1,350,000	(700,000)	(425,000)	250,000	244,487	244,362	(125)	9.68%
Treasury Bills - 1 year	7.3.1	550,500	(200,000)	-	350,500	346,422	346,597	175	13.73%
Total - 31 December 2015						590,909	590,959	50	23.41%
Total - 30 June 2015						457,131	457,031	(100)	19.31%
Pakistan Investment Bond									
PIB - 5 years	65,000	-	(65,000)	-	-	-	-	-	-
Total - 31 December 2015									
Total - 30 June 2015						65,826	65,169	(657)	2.75%
Total Investment in Government Securities - 31 December 2015						590,909	590,959	50	23.41%
Total Investment in Government Securities - 30 June 2015						522,957	522,200	(757)	22.06%

7.1.3.1 These Treasury bills have a cost of Rs. 583,005 million (30 June 2015: Rs. 456,428 million) maturing up till 4 August 2016 and carry effective yield ranging between 6.38% to 6.3841% (30 June 2014: 9.5%) per annum.

7.1.3.2 These Pakistan Investment Bonds have a cost of nil (30 June 2015: 66,113 million).

7.2 Available for sale investments

7.2.1 Listed equity securities

Name of investee company	As at 1 July 2015	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 December 2015	Carrying Cost as at 31 December 2015	Market value as at 31 December 2015	Appreciation/ (Diminution) as at 31 December 2015	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
(Number of shares)											
(Rupees in '000)											
Oil and Gas Exploration Companies											
Oil and Gas Development Company Limited	200,500	339,300	-	(200,000)	339,800	45,510	39,872	(5,638)	1.18%	1.58%	0.01%
Pakistan Oilfields Limited	155,700	-	-	(150,000)	5,700	2,302	1,528	(774)	0.05%	0.06%	0.00%
Pakistan Petroleum Limited	300,000	-	-	(300,000)	-	-	-	-	-	-	-
Refinery						47,812	41,400	(6,412)	1.23%	1.64%	0.01%
National Refinery Limited	2,200	-	-	(2,200)	-	-	-	-	-	-	-
						-	-	-	-	-	-

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.

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FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

Name of investee company	As at 1 July 2015	Purchased during the period	Bonus / rights issue during the period	Sales during the period	As at 31 December 2015	Carrying Cost as at 31 December 2015	Market value as at 31 December 2015	Appreciation/ (Diminution) as at 31 December 2015	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
(Rupees in '000)											
Oil and Gas Marketing Companies											
Pakistan State Oil Limited	88,200	200,000	-	(54,200)	234,000	76,005	76,230	225	2.25%	3.02%	0.09%
Sui Northern Gas Pipelines Limited (Note 7.2.1.3)	-	508,500	-	-	508,500	18,776	12,224	(6,552)	0.36%	0.48%	0.06%
						94,781	88,454	(6,327)	-	-	-
Chemical											
ICI Pakistan Limited	-	86,300	-	-	86,300	42,245	41,771	(474)	1.23%	1.66%	0.09%
						42,245	41,771	(474)	1.23%	1.66%	0.09%
Fertilizer											
Engro Corporation Limited	-	120,000	-	(99,800)	20,200	6,178	5,644	(534)	0.17%	0.22%	0.00%
Engro Fertilizers Limited	-	800,000	-	(160,000)	640,000	60,069	53,843	(6,226)	1.59%	2.13%	0.12%
Fatima Fertilizer Company Limited	489,000	550,000	-	(260,000)	779,000	34,296	34,845	549	1.03%	1.38%	0.04%
Fauji Fertilizer Bin Qasim Limited	-	600,000	-	(600,000)	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	542,600	-	-	(542,600)	-	-	-	-	-	-	-
						100,543	94,332	(6,211)	2.79%	3.73%	0.16%
Cement											
Cherat Cement Limited	-	65,500	-	-	65,500	5,834	5,907	73	0.17%	0.23%	0.04%
D G Khan Cement Company Limited (Note 7.2.1.3)	300,000	352,500	-	(602,500)	50,000	6,868	7,380	512	0.22%	0.29%	0.01%
Fauji Cement Company Limited	-	50,000	-	-	50,000	1,838	1,841	3	0.05%	0.07%	0.00%
Lucky Cement Limited	-	60,000	-	-	60,000	31,910	29,702	(2,208)	0.88%	1.18%	0.02%
Maple Leaf Cement Factory Limited	-	400,000	-	(300,000)	100,000	7,013	7,458	445	0.22%	0.30%	0.02%
Pak Cement Limited	308	-	-	-	308	5	5	-	0.00%	0.00%	0.00%
						53,468	52,293	(1,175)	1.54%	2.07%	0.09%
Engineering											
Anreli Steels Limited	-	25,219	-	-	25,219	1,286	1,515	229	0.04%	0.06%	0.01%
International Steels Limited	1,000,000	200,000	-	-	1,200,000	33,912	29,292	(4,620)	0.87%	1.16%	0.28%
						35,198	30,807	(4,391)	0.91%	1.22%	0.29%
Automobile Assembler											
Indus Motor Company Limited	81,250	49,600	-	(33,520)	97,330	121,797	98,467	(23,330)	2.91%	3.90%	0.12%
Millat Tractors Limited	70,900	-	-	(68,850)	2,050	1,406	1,133	(273)	0.03%	0.04%	0.00%
						123,203	99,600	(23,603)	2.94%	3.94%	0.12%
Food and Personal Care Products											
Al-Shaheer Corporation	-	131,000	-	(131,000)	-	-	-	-	-	-	-
Engro Foods Limited	-	125,000	-	(15,000)	110,000	17,477	16,125	(1,352)	0.48%	0.64%	0.01%
Shezan International Limited	4,650	-	-	-	4,650	4,248	2,844	(1,404)	0.08%	0.11%	0.06%
						21,725	18,969	(2,756)	0.56%	0.75%	0.07%
Paper and Board											
Packages Limited	80,000	200,000	-	(94,150)	185,850	108,416	108,185	(231)	3.20%	4.29%	0.21%
						108,416	108,185	(231)	3.20%	4.29%	0.21%
Automobile Parts and Accessories											
Thal Limited*	-	50,000	-	-	50,000	16,016	12,667	(3,349)	0.37%	0.50%	0.12%
						16,016	12,667	(3,349)	0.37%	0.50%	0.12%

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Name of investee company	As at 1 July 2015	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 December 2015	(Rupees in '000)				Par value as percentage of issued capital of the investee company
						Carrying Cost as at 31 December 2015	Market value as at 31 December 2015	Appreciation/ (Diminution) as at 31 December 2015	Market value as percentage of net assets	Market value as percentage of total investments
Glass and Ceramics										
Tariq Glass Industries	535,500	-	-	-	535,500	31,321	37,405	6,084	1.11%	1.48%
						31,321	37,405	6,084	1.11%	1.48%
Cable and Electrical Goods										
Pak Elektron Limited	402,000	475,000	-	(602,000)	275,000	20,662	17,199	(3,463)	0.51%	0.68%
						20,662	17,199	(3,463)	0.51%	0.68%
Textile Composite										
Nishat Mills Limited	-	400,000	-	(400,000)	-	-	-	-	-	-
						-	-	-	-	-
Technology and Communication										
Hum Network Limited**	-	784,000	-	(35,500)	748,500	13,779	9,835	(3,944)	0.29%	0.39%
Systems Limited	390,368	-	-	-	390,368	17,984	24,605	6,621	0.73%	0.97%
						31,763	34,440	2,677	1.02%	1.36%
Pharmaceuticals										
The Searl Company	-	128,800	32,400	(40,800)	120,400	39,951	47,646	7,695	1.41%	1.89%
						39,951	47,646	7,695	1.41%	1.89%
Power Generation & Distribution										
Hub Power Company Limited	75,500	900,000	-	(75,000)	900,500	95,094	92,391	(2,703)	2.73%	3.66%
Kot Addu Power Company Limited	-	2,212,000	-	(328,000)	1,884,000	174,756	152,604	(22,152)	4.51%	6.05%
K-Electric Company Limited***	-	250,000	-	-	250,000	1,859	1,860	1	0.05%	0.07%
Lalpur Power Limited (Note 7.2.1.3)	800,000	21,000	-	(19,000)	802,000	24,538	23,851	(687)	0.71%	0.95%
Pakgen Power Limited (Note 7.2.1.3)	1,775,500	-	-	-	1,775,500	53,283	52,253	(1,030)	1.54%	2.07%
						349,530	322,959	(26,571)	9.54%	12.80%
Commercial Banks										
Bank Al-Habib Limited	-	150,000	-	-	150,000	6,387	6,240	(147)	0.18%	0.25%
Habib Bank Limited	94	50,000	-	(30,094)	20,000	3,980	4,002	22	0.12%	0.16%
United Bank Limited	-	25,000	-	-	25,000	4,132	3,874	(258)	0.11%	0.15%
						14,499	14,116	(383)	0.41%	0.56%
Non-Life Insurance										
Adamjee Insurance Company Limited	-	295,000	-	-	295,000	15,716	16,670	954	0.49%	0.66%
IGI Insurance Limited	50,000	76,200	-	-	126,200	28,961	29,855	894	0.88%	1.18%
						44,677	46,525	1,848	1.37%	1.84%
Total - 31 December 2015						1,175,810	1,108,768	(67,042)	25.83%	34.64%
Total - 30 June 2015						716,859	733,205	16,346	27.76%	30.99%

* Par value of Rs. 5 each

** Par value of Rs. 1 each

*** Par value of Rs. 3.5 each

7.2.1.1 Cost of investment of equity securities is Rs. 1,264,776 million (30 June 2015: Rs. 751,861 million).

7.2.1.2 Investments include shares with market value aggregating of Rs. 26,920 million (30 June 2015: nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

7.2.1.3 These represent transactions with related parties

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

7.2.1.3 Impairment loss against the following investments have been recognised by the Fund as follows:

	Holding as at 31 December 2015 (Number of shares)	Cost of investment as at 31 December 2015	Market Value as at 31 December 2015 (Rupees in '000)	Impairment loss as at 31 December 2015
Hum Networks Limited	748,500	13,779	9,835	(3,944)
Pakistan Oilfields Limited	5,700	2,237	1,528	(709)
Shezan International Limited	4,650	5,882	2,844	(3,038)
Sui Northern Gas Limited	508,500	18,776	12,224	(6,552)
Thal Limited	50,000	16,016	12,667	(3,349)
	<u>1,317,350</u>	<u>56,690</u>	<u>39,098</u>	<u>(17,592)</u>
				31 December 2015 (Unaudited) (Rupees in '000)
				<u>1,632</u>
				<u>15,960</u>
				<u>17,592</u>

The impairment loss is reconciled as follows:

Unrealised loss recognised in the previous period (in 'Other Comprehensive Income')
Impairment loss recognised in the current period
Total impairment loss for the period recognised in the Income Statement

7.2.2 Government Securities

Particulars	As at 1 July 2015	Purchased during the period	Sold during the period	Matured during the period	As at 31 December 2015	(Rupees in '000)		
						Carrying value as at 31 December 2015	Market Value as at 31 December 2015	Appreciation / (diminution) as at 31 December 2015
							as a percentage of total investments	as a percentage of total investment
Pakistan Investment Bond								
PIB - 3 years	-	500,000	(250,000)	-	250,000	264,073	262,623	(1,450)
PIB - 5 years	400,000	520,000	(575,000)	-	345,000	382,424	381,187	(1,237)
PIB - 10 years	350,000	-	(350,000)	-	-	-	-	-
Total - 31 December 2015						<u>646,497</u>	<u>643,810</u>	<u>(2,687)</u>
							19.03%	25.51%
Total - 30 June 2015						838,379	819,075	(19,304)
							31.03%	34.62%
Total Investment in Government Securities - 31 December 2015						<u>646,497</u>	<u>643,810</u>	<u>(2,687)</u>
							19.03%	25.51%
Total Investment in Government Securities - 30 June 2015						838,379	819,075	(19,304)
							31.03%	49.60%

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

8. ADVANCES AND DEPOSITS

This includes subscription amount of Rs. 125 million in relation to Privately Placed Issue of Term Finance Certificate of Habib Bank Limited.

9. SINDH SALES TAX ON REMUNERATION OF TRUSTEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated 13 June 2015, has amended the definition of service of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 14% on such services is charged on Trustee fee which is now covered under section 2 (79A) of the Sindh Finance Bill 2010 amended upto 2015.

10. ALLOCATED EXPENSES

In the current period, a statutory notification (S.R.O. No. 1160 (I)/2015 dated November 25, 2015) was issued by Securities and Exchange Commission of Pakistan (SECP), which introduced amendments in Non - Banking Finance Companies and Notified Entities Regulations, 2008. As a result of these amendments, the Management Company may charge fees and expenses related to registrar services, accounting, operations and valuation services, related to Collective Investment Schemes (CIS) upto a maximum of 0.1% of average annual net assets of the Scheme. Accordingly, such expenses have been charged effective from 27 November 2015.

		31 December 2015 (Unaudited)	30 June 2015 (Audited)
		(Rupees in '000)	
11. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Federal Excise Duty and related taxes on management fee	11.1	13,442	7,573
Provision for Federal Excise Duty on sales load		15,216	9,807
Provision for Workers' Welfare Fund	11.2	13,732	13,732
Withholding tax payable (deducted on dividend distribution)		-	23,527
Withholding tax payable (deducted on capital gains)		2	3,175
Auditors' remuneration payable		488	446
Brokerage payable		1,679	2,584
Others		175	140
		44,734	60,984

11.1 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% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management services after the eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned tices 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 in this condensed interim financial information aggregating to Rs. 13.442 million as at 31 December 2015. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED not been recorded in the books of account of the Fund, the Net Asset Value of the Fund would have been higher by Rs. 0.306 per unit as at 31 December 2015.

11.2 Through the Finance Act 2015, the definition of Industrial Establishment is amended to exclude the mutual funds and collective investment schemes. The management is of the view that since the change is brought in the definition it would be effective from 01 July 2015. Accordingly the provision for WWF is discontinued from 01 July 2015. However there is no change in the status of petition pending with the Honourable Sindh High Court (SHC) as reported in note 16 to the annual financial statements of the Fund for the year ended June 30, 2015. Since the matter is pending adjudication, the fund has retained a provision for WWF up to 30 June 2015 amounting to Rs. 13.732 millions. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Rs.0.3127 per unit (June 30, 2015: Rs. 0.4025 per unit).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2015.

13. 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 Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Management intends to distribute at least 90% of the income earned by the fund by the year end to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Accordingly, no provision for taxation has been made in this condensed interim financial information.

14. EARNINGS PER UNIT

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

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	Half year ended 31 December		Quarter ended 31 December	
	2015	2014	2015	2014
	----- (Unaudited) -----			
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investments Limited				
Remuneration of the Management Company (including indirect taxes)	42,548	11,382	22,670	6,050
Allocated expenses (including indirect taxes)	375	-	375	-
Central Depository Company of Pakistan Limited				
Remuneration of trustees (including indirect taxes)	2,407	851	998	675
CDC settlement charges	194	184	89	150
MCB Bank Limited				
Dividend income	-	37	-	-
Profit on bank deposits	821	5,329	267	4,821
Bank charges	38	14	20	12
Lalpir Power Limited				
Dividend income	800	-	800	-
Pakgen Power Limited				
Dividend income	1,776	-	1,776	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	Half year ended 31 December		Quarter ended 31 December	
	2015	2014	2015	2014
	(Unaudited)			
	(Rupees in '000)			
Adamjee Insurance Company Limited				
Dividend income	443	-	-	-
D.G. Khan Cement Company Limited				
Dividend income	-	175	-	175
Nishat Mills Limited				
Dividend income	-	388	-	388
Arif Habib Limited				
Brokerage expense	45	-	16	-
Next Capital Limited				
Brokerage expense	97	-	26	-
15.2 Balance outstanding as at the period / year end			31 December 2015 (Unaudited) (Rupees in '000)	30 June 2015 (Audited) (Rupees in '000)
MCB-Arif Habib Savings and Investments Limited				
Remuneration payable to the Management Company			5,839	4,300
Sales tax payable on remuneration of Management			817	645
Sales load payable			-	9,691
Payable against allocated expenses			375	-
Legal and professional charges payable			-	100
Central Depository Company of Pakistan Limited				
Remuneration payable to the Trustee			377	297
Sales tax payable on trustee fees			53	-
Security deposits			100	100
MCB Bank Limited				
Bank deposits			17,496	29,584
Profit receivable			89	409
Sui Northern Gas Pipelines Limited				
508,500 shares held by the Fund (30 June 2015: nil shares)			12,224	-
D.G. Khan Cement Company Limited				
50,000 shares held by the Fund (30 June 2015: 300,000 shares)			7,380	42,831
Lalpir Power Limited				
802,000 shares held by the Fund (30 June 2015: 800,000 shares)			23,851	24,400

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	31 December 2015 (Unaudited) (Rupees in '000)	30 June 2015 (Audited) (Rupees in '000)
Pakgen Power Limited		
1,775,500 shares held by the Fund (30 June 2015: 1,775,500 shares)	52,253	53,283
Arif Habib Limited		
Brokerage *	8	53
Next Capital Limited		
Brokerage *	21	66

* 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.

	Half year ended 31 December 2015		Half ended 31 December 2014	
	Units	(Rupees in '000) (Unaudited)	Units	(Rupees in '000) (Unaudited)
Units sold to:				
MCB-Arif Habib Savings and Investments Limited	1,516,906	118,151,955	-	-
Key management personnel	30,864	2,375,000	64,321	2,611
Nishat Mills Employees Provident Fund Trust	626,530	48,000,000		
Mandate under discretionary Portfolio	-	-	-	-
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	549,625	43,000,000	-	-
Mandate under discretionary Portfolio	-	-	274,648	20,000
Key management personnel	-	-	183	14,000

	Half year ended		Half year ended	
	31 December 2015 (Unaudited)	30 June 2015 (Audited)	31 December 2015 (Unaudited)	30 June 2015 2015 (Audited)
	Units		(Rupees in '000)	
Units held by:				
Security General Insurance Company Limited	4,092,064	4,092,064	315,074	316,638
MCB-Arif Habib Savings and Investments Limited	967,281	-	74,477	-
Mandate under discretionary Portfolio	-	-	-	-
Nishat Mills Employees Provident Fund Trust	626,530	-	48,241	-
D.G. Khan Cement Employees Provident Fund Trust	32,443	32,443	2,498	2,510
Key management personnel	138,158	107,294	10,638	7,703

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

16. FINANCIAL INSTRUMENTS

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

Fair value of underlying financial assets are determined based on requirements of Regulation 66 of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and directives if any, issued by the Securities and Exchange Commission of Pakistan. Fair value of debt instruments other than Government Securities, which are unlisted or listed but not traded regularly on stock exchange be valued at rates notified by Mutual Funds Association of Pakistan. The fair value of financial assets traded in active market i.e. listed securities are based on the quoted market price at determined by stock exchange in accordance with its regulations.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs.

December 31, 2015	Note	Carrying Amount					Fair value			
		HFT	AFS	Trade and other receivables	Cash and cash equivalents	Total	Level 1	Level 2	Level 3	Total

(Rupees in '000)

Financial assets

measured at fair value

Listed equity securities	169,327	1,175,810	-	-	1,345,137	1,278,867	-	-	1,278,867
Listed debt securities	10,005	646,497	-	-	656,502	10,172	-	-	10,172
Government Securities	590,909	-	-	-	590,909	-	1,234,769	-	1,234,769

Financial assets not

measured at fair value

Cash and cash equivalents	16.1	-	-	-	713,077	713,077	-	-	-	-
Trade and other receivables	16.1	-	-	211,099	-	211,099	-	-	-	-

16.1 The Fund has not disclosed the fair values for these financial assets, because their carrying amounts are reasonable approximation of fair value.

16.2 All the financial liabilities of the fund are classified as trade and other payables. The Fund has not disclosed the fair values for these financial liabilities, because their carrying amounts are reasonable approximation of fair value.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

- 16.3** For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the six-month period ended 31 December 2015, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.
- 17. DATE OF AUTHORIZATION FOR ISSUE**
- 17.1** This condensed interim financial information was authorized for issue on February 04, 2016 by the Board of Directors of the Management Company.

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



Director



Director

Statement under Section 241(2) of the Companies Ordinance, 1984

"As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, this condensed interim financial information has been signed by two Directors authorized in this behalf by the Board of Directors of the Management Company"

Please find us on



by typing: **Bachat Ka Doosra Naam**

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