

Quarterly Report
September 30, 2016
(Unaudited)



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

Rated: AM2++ by PACRA

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.

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MCB DCF INCOME FUND

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FUND'S INFORMATION

| | | |
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| 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 Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad | Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director |
| Audit Committee | Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib M.Nasim Beg | Chairman Member Member Member |
| Human Resource & Remuneration Committee | Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir | Chairman Member Member Member |
| Chief Executive Officer | Mr. Muhammad Saqib Saleem | |
| Chief Financial Officer | Mr. Muhammad Asif Mehdi | |
| Company Secretary | Mr. Abdul Basit | |
| 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 Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited Zarai Taraqiati Bank Limited JS Bank Limited | |
| Auditors | Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan. | |
| 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 24th 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 MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB DCF Income Fund accounts review for the quarter ended September 30th, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

The fiscal year kicked off on a positive note with most of major macroeconomic indicators showing signs of stabilization. Inflation as measured by CPI averaged at 3.9% for 1QFY17 compared to 3.5% witnessed during the preceding quarter. Government decision to maintain petroleum prices helped to contain the inflation in low single digits. Alongside, government's renewed focus towards agricultural sector also assisted in controlling food inflation.

Monetary Policy Committee ("MPC") in its first meeting of the current fiscal year maintained a status quo stance, keeping the discount rate at 5.75%. The MPC highlighted encouraging macroeconomic environment supported by record high foreign exchange reserves behind its decision. However, it raised certain red flags on widening of current account deficit owing to declining exports and rising imports.

Current account ("CA") balance witnessed a deficit of USD 1,316 million in the 2MFY17 compared to USD 686 million witnessed during the same period of last year, on the back of rising imports and falling exports. Alongside, remittances came under pressure as they fell by 5.4% YoY to USD 4.7 billion during the 1QFY17. The slowdown in remittances was inevitable owing to a weak global GDP growth along with poor economic dynamics of gulf economies where most of the Pakistani expatriates are employed. Nevertheless, the hit on current account did not affect foreign exchange reserves as strong financial inflows especially CPEC led inflows, managed to offset the impact of weakening current account. Foreign Exchange Reserves increased by USD 500 million during the quarter, to USD 23.6 billion.

PIB yields during the quarter inched up by ~30 bps for 3 year, 5 year and 10 year bonds. Inflation beat the market expectations during most of the months causing the yield curve to shift upwards. Furthermore, the bearish sentiment was also backed by SBP in its MPS, which highlighted its concerns on external account as exports dwindled, while remittances witnessed a slowdown.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.47% as against its benchmark return of 5.84%. Fund's WAM was decreased from 2.8 YTM to 2.1 YTM because of rising interest rate outlook during the year. The fund allocation remained notably in TDRs, TFCs and Cash at the end of the period under review. At period-end, the fund was 24.4% in TFCs, 30% in Cash, 7.3% invested in PIBs, 3% in T-Bills and 11.7% in TDRs.

The Net Assets of the Fund as at September 30, 2016 stood at Rs.6928 million as compared to Rs.6849 million as at June 30 2016 registering an increase of 1.15%.

The Net Asset Value (NAV) per unit as at September 30, 2016 was Rs.107.2397 as compared to opening NAV of Rs. 106.0443 per unit as at June 30, 2016 registering an increase of Rs.1.1954 per unit.

FUTURE OUTLOOK

With a more stabilized economy now on board, the government has unveiled an ambitious plan to revive the growth of the country. For the current fiscal year, the government is envisaging an ambitious growth target of 5.7% compared to 4.7% witnessed during the preceding year. The prospects of improvement in Pakistan's economy look increasingly promising on the back of improved power situation, rising business confidence, and initiation of projects under the USD 46 billion CPEC program.

The average Consumer Price Index is expected to remain below 5% for the year. Stability in oil prices & exchange rate would allow inflation over the next few quarters to remain well anchored in the range of 4.0%-5.0% thus a stable monetary policy environment looks likely.

As of recent, current account has remained vulnerable owing to weak exports and a slowdown in remittances. While this has been offset by strong financial inflows recently, further deterioration in external account can pose threat to the currency and could result in more than expected PKR depreciation, which we consider the only major risk to economy at this juncture of time.

The macro stability along with China Pakistan Economic Corridor is expected to provide impetus to the construction and power space. Furthermore, expansionary cycle along with stable interest rate environment is expected to provide better global positioning compared with other emerging market economies. Construction sector is expected to remain the proxy for infrastructure led economic growth.

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Long term stability in oil prices is expected to provide impetus to exploration & production sector driven by exploration growth. Banks are expected to gain limelight once life after PIB maturity becomes clear and focus is on the attractive Price to Book ratios. The up gradation into the emerging markets index would remain a major impetus for KSE-100 index and could lead to re-rating of market towards higher multiples.

On the fixed income front, market is expected to remain cautious on back of uptick in inflation trajectory and cross border tensions. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
October 21, 2016

ڈائریکٹر رپورٹ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2016ء کو اختتام پذیر ہونے والی مدت کے لئے ایم سی بی ڈی سی ایف انکم فنڈ کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا جائزہ

مالی سال کا آغاز خوش آئند تھا اور کلاں معیشت کی نشاندہی کرنے والے اہم عوامل استحکام کی علامات ظاہر کر رہے تھے۔ CPI کی پیمائش کردہ افراط زر کا اوسط مالی سال 2017ء کی پہلی سہ ماہی میں 3.9% تھا، جبکہ گزشتہ سہ ماہی میں 3.5% تھا۔ پٹرولیم کی قیمتوں کو مستحکم رکھنے کے حکومتی فیصلے سے بھی افراط زر کے اعداد و شمار پست رکھنے میں معاونت حاصل ہوئی۔ مزید برآں، زراعت کے شعبے کی طرف حکومت کی تازہ توجہ کی بدولت اشیائے خورد و نوش کے افراط زر کو قابو میں رکھنے میں مدد ملی۔

مانیٹری پالیسی کمیٹی (MPC) نے رواں مالی سال کے پہلے اجلاس میں ڈسکاؤنٹ کی شرح کو 5.75% کی سطح پر قائم رکھ کر اپنا سابقہ موقف برقرار رکھا۔ MPC نے کلاں معاشیات کے حوصلہ افزا ماحول اور غیر ملکی زرمبادلہ کے ذخائر کی اب تک کی بلند ترین سطح کو اپنے فیصلے کے خصوصی اسباب قرار دیا، تاہم برآمدات میں کمی اور درآمدات میں اضافے کو خطرے کی گھنٹی قرار دیا۔

کرنٹ اکاؤنٹ (CA) میں مالی سال 2017ء کے (2M) میں 1,316 ملین ڈالر خسارہ ہوا، جبکہ گزشتہ سال اسی مدت کے دوران 686 ملین ڈالر خسارہ ہوا تھا، اور اس کی وجہ درآمدات میں اضافہ اور برآمدات میں کمی ہے۔ مزید برآں، ترسیلات زر پر دباؤ پڑا؛ مالی سال 2017ء کی پہلی سہ ماہی کے دوران ترسیلات زر میں 5.4% YoY کمی ہوئی اور یہ 4.7 بلین ڈالر کی سطح پر آگئیں۔ عالمی سطح پر مجموعی ملکی پیداوار (GDP) کی نجیف ترقی اور غلبی معاشیات، جہاں بیرون ملک مقیم پاکستانیوں کی اکثریت برسر روزگار ہے، کے ناتواں محرکات کی وجہ سے ترسیلات زر میں یہ سست روی ناگزیر تھی۔ لیکن کرنٹ اکاؤنٹ پر اس ضرب سے غیر ملکی زرمبادلہ کے ذخائر متاثر نہیں ہوئے کیونکہ مضبوط مالیاتی آمدیات، بالخصوص CPEC پر مبنی مالیات، کی بدولت کمزور ہوتے ہوئے کرنٹ اکاؤنٹ کے اثر کو زائل کر دیا۔ غیر ملکی زرمبادلہ کے ذخائر دوران سہ ماہی 500 ملین ڈالر اضافے کے ساتھ 23.6 بلین ڈالر کی سطح تک پہنچ گئے۔

پاکستان انویسٹمنٹ بانڈز (PIB) کے 3 سالہ، 5 سالہ اور 10 سالہ بانڈز کی آمدنی میں دوران سہ ماہی 30 bps اضافہ ہوا۔ افراط زر کے سبب اکثر مہینوں کے دوران مارکیٹ کی توقعات پوری نہیں ہو سکیں، چنانچہ خیم پیداوار اور پر کی طرف حرکت کر گیا۔ مزید برآں، اسٹیٹ بینک آف پاکستان نے بھی اس غیر ہموار صورتحال کی توثیق کی اور اپنے MPS میں برآمدات میں کمی اور ترسیلات زر میں سستی کے باعث خارجی اکاؤنٹ پر خدشات کا اظہار کیا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 4.47% سالانہ منافع حاصل کیا، بالمقابل مقررہ معیار 5.48% کے۔ 30 ستمبر 2016ء کو فنڈ کا WAM دوران سال انٹریسٹ کی شرح میں اضافے کے رجحان کے باعث 2.8 YTM سے کم ہو کر 2.1 YTM ہو گیا۔ زیر جائزہ مدت کے اختتام پر فنڈ کا

ڈائریکٹرز رپورٹ

قابل ذکر حصہ TDRs، TFCs اور کیش میں مختص تھا۔ اختتام مدت پرفنڈ کی سرمایہ کاری 24% ٹرم فنانس سرٹیفکیٹس (TFCs) میں، 30% نقد میں، 7.3% پاکستان انویسٹمنٹ بانڈز (PIBs) میں، 3% ٹی۔بلز میں اور TDRs 11.7% میں تھی۔

30 ستمبر 2016 کو فنڈ کے net اثاثے 6,928 ملین روپے تھے جبکہ 30 جون 2016 کو 6,849 ملین روپے تھے، یعنی 1.15% اضافہ ہوا۔

30 ستمبر 2016 کو Net Asset Value (NAV) فی یونٹ 107.2397 روپے تھی جبکہ 30 جون 2016 کو 106.0443 روپے فی یونٹ تھی، یعنی 1.1954 روپے فی یونٹ اضافہ ہوا۔

مستقبل کی صورتحال

معیشت کی صورتحال پہلے کے مقابلے میں مستحکم ہونے پر حکومت نے ملکی ترقی کے احیاء کا پُر جوش منصوبہ ظاہر کیا ہے۔ رواں مالی سال کے لئے حکومت نے 5.7% ترقی کا ہدف مقرر کیا ہے جبکہ گزشتہ برس یہ ہدف 4.7% تھا۔ پاکستانی معیشت میں بہتری کے امکانات بہت اُمید افزا نظر آتے ہیں جس کی بناءً بجلی کی بہتر صورتحال، کاروباری اعتماد میں اضافہ اور 46 بلین ڈالر کے CPEC پروگرام کے تحت پراجیکٹس کا آغاز ہے۔

کنزرویٹو پرائس انڈیکس کے اوسط کے اس سال 5% سے کم رہنے کا امکان ہے۔ تیل کی قیمتوں اور زر مبادلہ کی شرح میں استحکام کی بدولت افراط زر کو اگلی چند ماہوں میں 4.0% سے 5.0% کے درمیان قابو میں رکھنے میں مدد ملے گی۔ چنانچہ مانیٹری پالیسی کے لئے ایک مستحکم ماحول کی اُمید کی جاسکتی ہے۔

فی الوقت کرنٹ اکاؤنٹ کو نحیف برآمدات اور سست ترسیلات زر کے باعث خطرہ لاحق ہے، جو اگرچہ حالی ہی میں مضبوط مالی آمدات سے زائل ہو گیا ہے، لیکن اگر خارجی اکاؤنٹ میں مزید کمزوری ہوئی تو کرنسی کو خطرہ لاحق ہو سکتا ہے اور اس کے نتیجے میں پاکستانی روپے کی قدر میں متوقع سے زیادہ کمی آئے گی، اور اسے ہم وقت کے اس موڑ پر معیشت کو لاحق واحد بڑا خطرہ سمجھتے ہیں۔

مجموعی استحکام اور اس کے ساتھ ساتھ چین پاکستان معاشی راہداری متوقع طور پر تعمیر اور بجلی کے شعبے میں تیزی لائیں گے۔ علاوہ ازیں، توسیعی پیکر اور اس کے ساتھ ساتھ انٹریسٹ کی شرح کے مستحکم ماحول سے دیگر ابھرتی ہوئی مارکیٹ کی معیشتوں کے مقابلے میں عالمی سطح پر بہتر درجہ بندی متوقع ہے۔ تعمیر کا شعبہ متوقع طور پر انفراسٹرکچر پرمی معاشی ترقی کے متبادل بنا رہا ہے۔

تیل کی قیمتوں میں طویل المیعاد استحکام متوقع طور پر ایکسپلوریشن اور پیداوار کے شعبے کو ایکسپلوریشن میں ترقی کے ذریعے تحریک فراہم کرے گا۔ بینک متوقع طور پر پاکستان انویسٹمنٹ بانڈز (PIBs) کی maturity واضح ہونے کے بعد منظر عام پر آئیں گے، اور پُرکشش Price to Book ratios پر سب کی توجہ مرکوز ہے۔ ابھرتی ہوئی مارکیٹس میں پاکستان کی دوبارہ درجہ بندی سے غیر ملکی آمدات کے لئے KSE-100 انڈیکس میں تیزی آسکتی ہے اور مارکیٹ کی شرح کے دوبارہ تعین اور اس میں اضافے کی راہ ہموار ہوگی۔

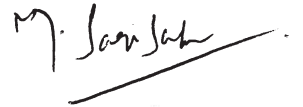
ڈائریکٹرز رپورٹ

مقررہ آمدنی کے میدان میں مارکیٹ متوقع طور پر افراط زر میں اضافے اور سرحدوں پر کشیدگی کے باعث محتاط رہے گی۔ معاشی میدان میں، خاص طور پر ادائیگیوں کے توازن کے حوالے سے، واضح صورتحال سے مقررہ آمدنی کی مارکیٹوں میں مزید شرکت کی طرف راہنمائی حاصل ہوگی۔

اظہار تشکر

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

من جانب ڈائریکٹرز



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

21 اکتوبر 2016ء

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2016

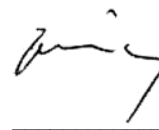
| | | (Un-Audited) September, 30 2016 | (Audited) June 30, 2016 |
|---|------|---------------------------------------|-------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| ASSETS | | | |
| Balances with banks | | 2,429,137 | 2,130,877 |
| Investments | 5 | 4,772,275 | 5,446,142 |
| Profit and other receivables | | 895,865 | 128,824 |
| Fair value of derivative asset | | (8,124) | 5,855 |
| Advances, deposits and prepayments | | 4,270 | 4,284 |
| Total assets | | 8,093,423 | 7,715,982 |
| LIABILITIES | | | |
| Payable to Management Company | | 9,948 | 12,213 |
| Payable to Central Depository Company of Pakistan Limited - Trustee | | 576 | 681 |
| Payable to Securities and Exchange Commission of Pakistan - annual fee | | 1,258 | 8,712 |
| Accrued expenses and other liabilities | 6. | 1,155,574 | 845,704 |
| Total liabilities | | 1,167,356 | 867,310 |
| NET ASSETS | | 6,926,065 | 6,848,672 |
| Unit holders' fund (as per statement attached) | | 6,926,065 | 6,848,672 |
| Contingencies and commitments | | 7 | |
| | | ----- (Number of Units) ----- | |
| NUMBER OF UNITS IN ISSUE | | 64,584,872 | 64,583,116 |
| | | ----- (Rupees) ----- | |
| NET ASSETS VALUE PER UNIT | | 107.2397 | 106.0443 |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.



Chief Executive Officer

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



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

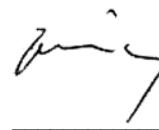
| | | September 30, 2016 | September 30, 2015 |
|---|-----------|------------------------------|-----------------------|
| | Note | ----- (Rupees in '000) ----- | |
| INCOME | | | |
| Income from government securities | | 55,828 | 220,341 |
| Income from term finance certificates | | 41,858 | 38,472 |
| Capital gain on sale of investments - net | | (6,471) | 102,514 |
| Profit on bank deposits and term deposit receipts | | 17,890 | 12,497 |
| Dividend income | | 15,571 | 3,770 |
| Net unrealised diminution / appreciation in the fair value of future contracts | | (8,124) | 1,078 |
| Income/(Loss) from spread transactions | 5.2 | 7,122 | (4,034) |
| Other income | | 10 | 15 |
| Net unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss - held-for-trading' | | (929) | (5,827) |
| Provision against debt securities | 5.3 & 5.4 | (3,228) | (3,068) |
| Total income | | 119,527 | 365,758 |
| EXPENSES | | | |
| Remuneration of Management Company | | 25,150 | 47,003 |
| Sales tax and Federal Excise Duty on Remuneration of Management Company | 7.1 | 3,270 | 15,152 |
| Expenses allocated by Management Company and related sales tax | 8 | 1,895 | - |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee | | 1,577 | 2,958 |
| Sales tax on Remuneration of Central Depository Company of Pakistan Limited - Trustee | 9 | 205 | - |
| Annual fee - Securities and Exchange Commission of Pakistan | | 1,258 | 2,350 |
| Brokerage and settlement charges | | 3,432 | 3,504 |
| Auditors' remuneration | | 202 | 245 |
| Legal and professional charges | | 390 | 100 |
| Others | | 295 | 365 |
| Total expenses | | 37,674 | 71,677 |
| | | 81,853 | 294,081 |
| Net element of income and capital gains included in prices of units issued less those in units redeemed arising from capital gain and unrealised gain arising from other income | | 944 | 5,306 |
| | | 2,965 | 14,310 |
| Provision for Workers' Welfare Fund | 7.2 | - | - |
| Net income for the period before taxation | | 85,762 | 313,697 |
| Taxation | 10 | - | - |
| Net income for the period after taxation | | 85,762 | 313,697 |
| Earnings per unit | 11 | | |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.



Chief Executive Officer

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



Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER ENDED SEPTEMBER 30, 2016

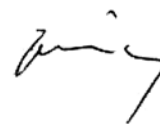
| | | September 30, 2016 | September 30, 2015 |
|---|------|------------------------------|-----------------------|
| | Note | ----- (Rupees in '000) ----- | |
| Net income for the period after taxation | | 85,762 | 313,697 |
| Other comprehensive income: | | | |
| <i>Items that are or may be reclassified subsequently to income statement</i> | | | |
| Net unrealised diminution on re-measurement of investments classified as 'available-for-sale' | 5.5 | (7,987) | (42,957) |
| Total comprehensive income for the period | | <u>77,775</u> | <u>270,740</u> |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.



Chief Executive Officer

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



Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

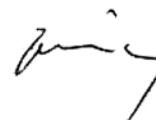
| | September 30, 2016 | September 30, 2015 |
|---|------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| Undistributed income brought forward | 400,889 | 507,966 |
| Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed | (557) | 91,887 |
| Net income for the period | 85,762 | 313,697 |
| Undistributed income carried forward | 486,094 | 913,550 |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

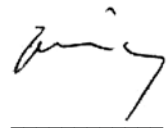
| | September 30, 2016 | September 30, 2015 |
|--|--------------------------------|-----------------------|
| | ----- (Rupees in '000) ----- | |
| Net assets at beginning of the period | 6,848,672 | 11,272,806 |
| Issue of 12,449,517 units (2015: 41,059,538 units) | 1,314,532 | 4,330,451 |
| Redemption of 12,447,761 units (2015: 23,627,706 units) | (1,311,005) | (2,475,771) |
| | 3,527 | 1,854,680 |
| | 6,852,199 | 13,127,486 |
| Element of loss / (income) and capital (losses) / gains included in prices of units issued less those in units redeemed | | |
| - amount representing realised loss and capital losses transferred to income statement arising from capital gain and unrealised gain arising from other income | (944) (2,965) | (5,306) (14,310) |
| - amount representing unrealised (income) / loss that forms part of unit holders' fund - transferred to distribution statement | 557 (3,352) | (91,887) (111,503) |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised income | (557) | 91,887 |
| Net income for the period transferred from the distribution statement | | |
| Capital gain on sale of investments | (6,471) | 102,514 |
| Net unrealised appreciation on re-measurement of investments classified as 'financial assets at 'fair value through profit or loss' | (929) | (5,827) |
| Other net income for the period | 85,175 | 174,053 |
| | 77,775 | 270,740 |
| Net assets at end of the period | 6,926,065 | 13,378,610 |

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.



Chief Executive Officer

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



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | September 30, 2016 | September 30, 2015 |
|--|------------------------------|-----------------------|
| Note | ----- (Rupees in '000) ----- | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income for the period before taxation | 85,762 | 313,697 |
| Adjustments for non - cash and other items | | |
| Net unrealised appreciation in the fair value of investments classified as 'held-for-trading' | 929 | 5,827 |
| Reversal of provision against debt securities | 3,228 | 3,068 |
| Net element of loss / (income) and capital losses / (gains) in prices of units issued less those in units redeemed arising from capital gain and unrealised gain arising from other income | (944) | (5,306) |
| | (2,965) | (14,310) |
| | 86,010 | 302,976 |
| (Increase) / decrease in assets | | |
| Investments - net | 670,822 | (1,628,608) |
| Profit and other receivables | (767,041) | 256,930 |
| Fair value of derivative asset | 13,979 | (1,078) |
| Advance against subscription of term finance certificates | - | - |
| Advances, deposits and prepayments | 14 | 450 |
| | (82,226) | (1,372,306) |
| (Decrease) / increase in liabilities | | |
| Payable to Management Company | (2,265) | (14,142) |
| Payable to Trustee | (105) | 131 |
| Payable to Securities and Exchange Commission of Pakistan - annual fee | (7,454) | (7,270) |
| Payable against redemption of units | - | - |
| Payable against sale of units | - | - |
| Payable against purchase of investments | - | 326 |
| Accrued expenses and other liabilities | 309,870 | (65,708) |
| | 300,047 | (86,663) |
| Net cash generated from operating activities | 303,831 | (1,155,993) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net receipts against issuance of units | 1,314,532 | 4,330,451 |
| Net payments on redemption of units | (1,311,005) | (2,475,771) |
| Net cash generated from / (used in) financing activities | 3,527 | 1,854,680 |
| Net increase / (decrease) in cash and cash equivalents during the period | 307,358 | 698,687 |
| Cash and cash equivalents at the beginning of period | 3,074,731 | 2,327,525 |
| Cash and cash equivalents at the end of period | 3,382,089 | 3,026,212 |

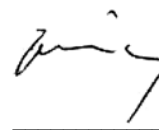
12

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.



Chief Executive Officer

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



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB DCF Income Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 on December 12, 2006.
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3** The registered office of the Management Company is currently situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4** The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferrable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited (formerly: Lahore Stock Exchange (Guarantee) Limited).
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ dated June 08, 2016 to the Management Company and a rating of "A+(f)" dated December 31, 2015 to the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

- 2.1.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 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 NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.
- 2.1.2** 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 2016.
- 2.1.3** The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2016 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2016, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2015.
- 2.1.4** The directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the Fund.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation adopted in preparation of this financial information are same as those applied in preparation of financial statements of the Fund for the period ended June 30, 2016.

3.2 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.

3.3 In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2016.

3.4 The element of income arising on issuance and redemption of units is bifurcated into portion attributable to capital gain / losses (realised and unrealised) and other income appearing in book of accounts of the Fund.

4. FINANCIAL RISK MANAGEMENT

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

| | | (Un-Audited) September 30, 2016 | (Audited) June 30, 2016 |
|--|------|---------------------------------------|-------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| 5. INVESTMENTS | | | |
| 'At fair value through profit or loss' - held-for-trading | | | |
| Government securities | 5.1 | 244,646 | 712,082 |
| Listed equity securities | 5.2 | 1,006,835 | 435,855 |
| Debt securities | | | |
| - Listed | 5.3 | 858,050 | 1,008,726 |
| - Unlisted | 5.4 | 1,116,228 | 1,139,767 |
| | | 1,974,278 | 2,148,493 |
| Available-for-sale | | | |
| Government securities | 5.5 | 593,565 | 1,718,958 |
| Loans and receivables | | | |
| Term Deposit Receipts | 5.6 | 952,950 | 430,754 |
| | | 4,772,275 | 5,446,142 |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

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

| Name of investee company | Note | Face value | | | | Balance as at September 30, 2016 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|---------------------------------------|-------|---------------------|-----------------------------|--------------------------------|-------------------------|----------------------------------|----------------|----------------|--|--|
| | | As at July 01, 2016 | Purchased during the period | Disposed off during the period | Matured during the year | As at September 30, 2016 | Carrying value | Market value | | |
| %(Rupees in '000) | | | | | | | | | | |
| Treasury Bills - 12 months | 5.1.1 | - | 2,550,000 | 1,470,000 | 1,080,000 | - | - | - | - | - |
| Treasury Bills - 6 months | 5.1.1 | 200,000 | 1,500,000 | 1,450,000 | - | 250,000 | 244,725 | 244,646 | (79) | 5.13 |
| Treasury Bills - 3 months | 5.1.1 | 515,000 | 3,149,000 | 3,664,000 | - | - | - | - | - | - |
| Pakistan Investment Bonds - 05 years | | - | - | - | - | - | - | - | - | 0.00 |
| Total as at September 30, 2016 | | 715,000 | 7,199,000 | 6,584,000 | 1,080,000 | 250,000 | 244,725 | 244,646 | (79) | 5.13 |
| Total as at June 30, 2016 | | 1,002,500 | 41,250,060 | 36,840,000 | 4,697,560 | 715,000 | 712,082 | 712,082 | - | 10.40 |
| | | | | | | | | | | 13.07 |

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

5.2 Investments - 'at fair value through profit or loss - held-for-trading'

Listed Equity Securities

Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise

| Name of investee company | Number of shares | | | | | Balance as at September 30, 2016 | | | Market value as a % of net assets of the Fund | % of the paid-up capital of the company |
|---|---------------------|---------------------------|-----------------------------|-----------------------|--------------------------|----------------------------------|------------------|-----------------------------|---|---|
| | As at July 01, 2016 | Purchases during the year | right issue during the year | Sales during the year | As at September 30, 2016 | Cost | Market value | Appreciation / (Diminution) | | |
| | | | | | | (Rupees in '000) | | | % | % |
| CABLE & ELECTRICAL GOODS | | | | | | | | | | |
| Pak Elektron Limited | 2,731,000 | 3,249,000 | - | 5,012,000 | 968,000 | 70,101 | 68,505 | (1,596) | 0.99 | 0.19 |
| TPL Trakker Limited | - | 4,598,000 | - | 290,000 | 4,308,000 | 58,532 | 60,054 | 1,521 | 0.87 | 1.98 |
| | | | | | | 128,633 | 128,559 | (74) | 1.86 | 2.17 |
| CEMENT | | | | | | | | | | |
| Cherat Cement limited | - | 215,000 | - | 97,500 | 117,500 | 15,137 | 15,118 | (20) | 0.22 | 0.07 |
| D.G. Khan Cement Limited** | | 190,500 | | | 190,500 | 35,586 | 35,410 | (176) | 0.51 | 0.04 |
| Fauji Cement Co Limited | 83,500 | 342,000 | - | 344,000 | 81,500 | 2,908 | 2,875 | (34) | 0.04 | 0.01 |
| Maple Leaf Cement Factory Limited | - | 290,500 | - | 8,000 | 282,500 | 27,545 | 27,064 | (482) | 0.39 | 0.05 |
| Pakcem Limited | 10,000 | 37,000 | - | 47,000 | - | - | - | - | - | - |
| Pioneer Cement Limited | - | 21,500 | - | 13,000 | 8,500 | 915 | 898 | (17) | 0.01 | - |
| Power Cement Limited** | - | 396,000 | - | - | 396,000 | 4,439 | 4,400 | (40) | 0.06 | 0.11 |
| | | | | | | 86,531 | 85,764 | (768) | | |
| COMMERCIAL BANKS | | | | | | | | | | |
| Faysal Bank Limited | - | 5,000 | - | 5,000 | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - |
| ENGINEERING | | | | | | | | | | |
| Amreli Steels Limited | - | 124,000 | - | 84,000 | 40,000 | 2,516 | 2,852 | 335 | 0.04 | 0.01 |
| International Steels Limited | - | 84,000 | - | 42,000 | 42,000 | 2,539 | 2,552 | 12 | 0.04 | 0.01 |
| | | | | | | 5,055 | 5,403 | 348 | 0.08 | 0.02 |
| FERTILIZER | | | | | | | | | | |
| Engro Corporation Limited | 145,000 | 1,641,500 | - | 1,213,500 | 573,000 | 173,132 | 166,886 | (6,246) | 2.41 | 0.11 |
| Engro Fertilizer Limited | 1,322,500 | 4,079,500 | - | 4,696,500 | 705,500 | 45,617 | 43,501 | (2,116) | 0.63 | 0.05 |
| Fatima Fertilizer Company Limited** | - | 2,775,500 | - | - | 2,775,500 | 94,346 | 96,199 | 1,852 | 1.39 | 0.13 |
| Fauji Fertilizer Bin Qasim Limited | | 73,500 | - | 3,500 | 70,000 | 3,631 | 3,597 | (34) | 0.05 | 0.01 |
| Fauji Fertilizer Company Limited | 51,000 | 152,500 | - | 128,500 | 75,000 | 8,109 | 7,799 | (311) | 0.11 | 0.01 |
| | | | | | | 324,836 | 317,981 | (6,855) | 4.59 | 0.31 |
| FOOD & PERSONAL CARE PRODUCTS | | | | | | | | | | |
| Engro Foods Limited | 27,000 | 379,500 | - | 169,000 | 237,500 | 33,975 | 34,749 | 773 | 0.50 | 0.03 |
| | - | - | - | - | - | 33,975 | 34,749 | 773 | 0.50 | 0.03 |
| OIL & GAS EXPOLORATION COMPANIES | | | | | | | | | | |
| Oil & Gas Development Co Limited | 40,500 | 280,000 | - | 160,000 | 160,500 | 22,602 | 22,667 | 66 | 0.33 | - |
| Pakistan Oilfields Limited | - | 90,500 | - | 83,500 | 7,000 | 2,757 | 2,809 | 52 | 0.04 | - |
| Pakistan Petroleum Limited | 3,500 | - | - | 3,500 | - | - | - | - | - | - |
| | | | | | | 25,359 | 25,477 | 118 | 0.37 | - |
| OIL AND GAS MARKETING COMPANIES | | | | | | | | | | |
| Hascol Petroleum limited | 7,500 | 103,500 | - | 42,500 | 68,500 | 15,240 | 15,087 | (153) | 0.22 | 0.06 |
| Pakistan State Oil Co Limited | 22,000 | 691,000 | - | 467,000 | 246,000 | 101,865 | 101,878 | 14 | 1.47 | 0.09 |
| Sui Northern Gas Limited** | 160,500 | 451,000 | - | 611,500 | - | - | - | - | - | - |
| Sui Southern Gas Limited** | 1,218,000 | 14,000 | - | 1,232,000 | - | - | - | - | - | - |
| | | | | | | 117,105 | 116,966 | (139) | 1.69 | 0.15 |
| PHARMACEUTICALS | | | | | | | | | | |
| Searle Company Limited | 63,000 | 16,000 | | 79,000 | - | - | - | - | - | - |
| | | | | | | - | - | - | - | - |
| POWER GENERATION & DISTRIBUTION | | | | | | | | | | |
| Hub Power Company Limited | 20,000 | 27,000 | - | 25,000 | 22,000 | 2,657 | 2,622 | (35) | 0.04 | - |
| K-Electric Limited* | 819,000 | 7,981,500 | - | 4,874,500 | 3,926,000 | 35,605 | 36,158 | 554 | 0.52 | 0.01 |
| | | | | | | 38,262 | 38,780 | 518 | 0.56 | 0.01 |
| REFINERY | | | | | | | | | | |
| Attock Refinery Limited | 40,000 | 620,500 | - | 584,000 | 76,500 | 25,305 | 24,930 | (375) | 0.36 | 0.09 |
| | | | | | | 25,305 | 24,930 | (375) | 0.36 | 0.09 |
| TECHNOLOGY & COMMUNICATIONS | | | | | | | | | | |
| HUM Network | - | 181,000 | - | 13,000 | 168,000 | 2,078 | 2,034 | (43) | 0.03 | 0.02 |
| P.T.C.L "A" | 207,000 | 1,190,000 | - | 276,500 | 1,120,500 | 20,392 | 20,483 | 91 | 0.30 | 0.03 |
| TRG Pakistan Limited | - | 4,006,000 | - | - | 4,006,000 | 178,241 | 183,835 | 5,594 | 2.65 | 0.73 |
| | | | | | | 200,711 | 206,353 | 5,642 | 2.98 | 0.78 |
| TEXTILE COMPOSITE | | | | | | | | | | |
| Nishat (Chunian) Limited** | - | 477,000 | - | - | 477,000 | 21,435 | 21,875 | 440 | 0.32 | 0.20 |
| | | | | | | 21,435 | 21,875 | 440 | 0.32 | 0.20 |
| Total as at September 30, 2016 | | | | | | 21,149,000 | 1,007,207 | 1,006,835 | (372) | 13.30 |
| Total as at June 30, 2016 | | | | | | 6,971,000 | 440,216 | 435,855 | (4,361) | |

* These have a face value of Rs.3.5 per share

** These represents transactions with related parties

The movement in equity securities represent spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income due to difference in ready and future stock prices.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

5.3 Debt securities - Term finance certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss - held-for-trading - Listed

| Name of investee company | Number of Certificates | | | | Balance as at September 30, 2016 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|--|------------------------|-----------------------------|---------------------------|----------------------------|----------------------------------|--------------------|--------------|--|--|
| | As at July 01, 2016 | Purchased during the period | Matured during the period | Disposed during the period | As at September 30, 2016 | Carrying value | Market value | | |
| Number of Certificates (Rupees in '000) % | | | | | | | | | |
| Commercial banks | | | | | | | | | |
| Bank Alfalah Limited (February 20, 2013) (refer note 5.3.1) | 72,631 | | | | 72,631 | 370,456 | 370,692 | 236 | 7.77 |
| Habib Bank Limited (February 19, 2016) | 6,000 | | | 1,500 | 4,500 | 449,977 | 449,498 | (480) | 9.42 |
| Faysal Bank Limited (December 27, 2010) | 10,000 | | | | 10,000 | 37,860 | 37,860 | (0) | 0.79 |
| | | | | | | 858,294 | 858,050 | (244) | 17.98 |
| Financial services | | | | | | | | | |
| Saudi Pak Leasing Company Limited (March 13, 2010) (refer note 5.4.1) | 10,000 | - | - | - | 10,000 | 18,733 (18,733) | | | |
| Less: Provision charged during the period | | | | | | (0) | (0) | - | (0.00) |
| Total listed securities | | | | | | 858,294 | 858,050 | (244) | |

5.4 Debt securities - Term finance certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss - held-for-trading - Unlisted

| Name of investee company | Number of Certificates | | | | | Balance as at September 30, 2016 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|--|------------------------|-----------------------------|---------------------------|----------------------------|--------------------------|----------------------------------|--------------|-----------------------------|--|--|
| | As at July 01, 2016 | Purchased during the period | Matured during the period | Disposed during the period | As at September 30, 2016 | Carrying value | Market value | Appreciation / (diminution) | | |
| | | | | | | | | | | |
| Number of Certificates - (Rupees in '000) | | | | | | | | | | |
| Commercial banks | | | | | | | | | | |
| Askari Bank Limited (September 30, 2014) | 56,000 | - | - | - | 56,000 | 285,372 | 285,372 | - | 4.12 | 5.98 |
| Bank Alfalah Limited (December 02, 2009) | 40,250 | - | - | - | 40,250 | 204,147 | 204,501 | 353 | 2.95 | 4.29 |
| Bank Alfalah Limited (December 02, 2009) fixed (June 29, 2012) | 18,235 | - | - | - | 18,235 | 97,579 | 96,410 | (1,169) | 1.39 | 2.02 |
| Standard Chartered Bank (Pakistan) Limited | 41,000 | - | - | 4,000 | 37,000 | 185,420 | 185,799 | 379 | 2.68 | 3.89 |
| Bank Al Habib (March 17, 2016) TFC-II | 54,000 | - | - | - | 54,000 | 269,882 | 269,948 | 66 | 3.90 | 5.66 |
| | | | | | | 1,042,400 | 1,042,029 | (371) | 11.15 | 16.18 |
| Balance carried forward | | | | | | 1,042,400 | 1,042,029 | (371) | | |

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| Name of investee company | Number of Certificates | | | | Balance as at September 30, 2016 | | | Market value as a percentage of net assets | Market value as a percentage of total investment |
|--|------------------------|-----------------------------|---------------------------|----------------------------|----------------------------------|----------------|--------------|--|--|
| | As at July 01, 2016 | Purchased during the period | Matured during the period | Disposed during the period | As at September 30, 2016 | Carrying value | Market value | | |
| | | | | | | | | | % |
| Balance brought forward | | | | | | 1,042,400 | 1,042,029 | | (371) |
| Chemicals and fertilizer | | | | | | | | | |
| Engro Fertilizer Limited (July 09, 2014) Sukuk | 15,800 | - | - | - | 15,800 | 73,683 | 73,820 | 137 | 1.07 |
| | | | | | | 73,683 | 73,820 | 137 | 1.55 |
| Financial services | | | | | | | | | |
| Security Leasing Corporation Limited (March 13, 2008) (refer note 5.4.1) | 10,000 | - | - | - | 10,000 | 4,975 | | | |
| Less: Provision charged during the period | | | | | | (4,745) | | | |
| | | | | | | 230 | 230 | - | 0.00 |
| Security Leasing Corporation Limited - Sukuk (March 18, 2010) (refer note 5.4.1) | 5,000 | - | - | - | 5,000 | 3,062 | | | |
| Less: Provision charged during the period | | | | | | (2,912) | | | |
| | | | | | | 150 | 150 | - | 0.00 |
| Household goods | | | | | | | | | |
| New Allied Electronics Industries (Private) Limited (May 15, 2007) (refer note 5.4.1) | 10,400 | - | - | - | 10,400 | 22,337 | | | |
| Less: Provision held | | | | | | (22,337) | | | |
| | | | | | | - | - | - | - |
| New Allied Electronics Industries (Private) Limited - Sukuk (July 25, 2007) (refer note 5.4.1) | 112,000 | - | - | - | 112,000 | 35,063 | | | |
| Less: Provision held | | | | | | (35,063) | | | |
| | | | | | | - | - | - | - |
| Total unlisted securities | | | | | | 1,116,463 | 1,116,228 | (234) | |
| Total as at September 30, 2016 | | | | | | 1,974,756 | 1,974,278 | (478) | |
| Total as at June 30, 2016 | | | | | | 2,140,668 | 2,148,493 | 7,821 | |

* Nominal value of these term finance certificates is Rs.100,000 per unit.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

5.4.1 Due to continuous default on repayment of coupon by the issuer, the Fund has classified said investment as non-performing debt securities. The Fund has suspended further accrual of mark-up there against.

5.4.2 Details of non-compliant investment with the investment criteria as specified by the Securities and Exchange Commission of Pakistan

In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at September 30, 2016, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

| Name of non-compliant investment | Type of investment | Value of investment before provision | Provision held, if any | Value of investment after provision | Percentage of net assets | Percentage of gross assets |
|---|--|--------------------------------------|------------------------|-------------------------------------|--------------------------|----------------------------|
| | | ----- (Rupees in '000) ----- | | | ----- % ----- | |
| New Allied Electronics Industries (Private) Limited | Term finance certificates | 21,983 | 21,983 | - | - | - |
| New Allied Electronics Industries (Private) Limited | Sukuk certificates | 35,000 | 35,000 | - | - | - |
| Security Leasing Corporation Limited | Privately placed term finance certificates | 4,975 | 4,745 | 230 | - | - |
| Security Leasing Corporation Limited | Sukuk certificates | 3,062 | 2,912 | 150 | - | - |
| Saudi Pak Leasing Company Limited | Term finance certificates | 18,733 | 18,733 | - | - | - |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

5.5 Government securities - 'available for sale'

| Name of investee company | Face value | | | | | Balance as at September 30, 2016 | | | Market value as a percentage of total investment |
|---------------------------------------|---------------------|-----------------------------|--------------------------------|-------------------------|--------------------------|----------------------------------|----------------|-----------------------------|--|
| | As at July 01, 2016 | Purchased during the period | Disposed off during the period | Matured during the year | As at September 30, 2016 | Carrying value | Market value | Appreciation / (diminution) | |
| | | | | | | | | | % |
| | | | | | | | | | ----- |
| Pakistan Investment Bonds - 10 years | 143,000 | 143,000 | 243,000 | - | 43,000 | 53,887 | 53,288 | (599) | 0.77 |
| Pakistan Investment Bonds - 05 years | 726,300 | 1,150,800 | 1,375,800 | - | 501,300 | 541,198 | 540,277 | (921) | 11.32 |
| Pakistan Investment Bonds - 03 years | 705,900 | 100,000 | 805,900 | - | - | - | - | - | - |
| Total as at September 30, 2016 | 1,575,200 | 1,393,800 | 2,424,700 | - | 544,300 | 595,085 | 593,565 | (1,520) | 8.57 |
| | | | | | | | | | ----- |
| Total as at June 30, 2016 | 5,855,600 | 15,359,500 | 19,639,900 | - | 1,575,200 | 1,703,924 | 1,718,958 | 15,034 | 26.00 |
| | | | | | | | | | ----- |

5.6 Term Deposit Receipts - Loans and receivables

| Name of Financial institution | Profit / mark-up rate % | Maturity date | At September 30, 2016 | Value as a percentage of net assets | Value as a percentage of investment |
|---------------------------------------|-------------------------|------------------|-----------------------|-------------------------------------|-------------------------------------|
| | | | | | % |
| | | | | | ----- |
| JS Bank Limited | 7.00% | October 14, 2016 | 300,288 | 4.34 | 6.29 |
| Zarai Tarqiati Bank Limited | 6.50% | March 7, 2017 | 652,662 | 9.42 | 13.68 |
| Total as at September 30, 2016 | | | 952,950 | 13.76 | 19.97 |
| | | | | | ----- |
| Total as at June 30, 2016 | | | 430,754 | 6.29 | 7.91 |
| | | | | | ----- |

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

| | | (Un-Audited) September 30, 2016 | (Audited) June 30, 2016 |
|---|------|---------------------------------------|-------------------------------|
| | Note | ----- (Rupees in '000) ----- | |
| 6. ACCRUED EXPENSES AND OTHER LIABILITIES | | | |
| Provision for Workers' Welfare Fund | 6.1 | 121,190 | 121,190 |
| Federal Excise Duty and other related taxes payable on management fee | 6.2 | 99,060 | 99,060 |
| Federal Excise Duty and other related taxes payable on sales load | 6.2 | 27,933 | 27,933 |
| Auditors' remuneration | | 684 | 599 |
| Withholding tax payable | | 3,079 | 41,598 |
| Payable against redemption of units | | 220 | 9,332 |
| Payable against purchase of investment (Money) | | 54,375 | 497,520 |
| Payable against purchase of investment (Equity) | | 842,430 | 43,056 |
| Others | | 6,603 | 5,416 |
| | | 1,155,574 | 845,704 |

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

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

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order on the FED. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

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

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs. 126.99 million (2016: Rs. 126.99 million).

- 6.2** 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 the 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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.

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. In view of the afore mentioned developments and uncertainties created by the decision of SHC, management company, as a matter of abundant precaution, has decided to charge the entire provision for WWF in these financial statements.

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.

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, 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. Management Company, as a matter of abundant precaution, has decided to retain the provision for WWF amounting to Rs. 121.190 million in these financial statements pertaining to period 1 July 2011 to 30 June 2015 and have not recognised any further provision there against. During the quarter ended 30 September 2016 the Fund charged Rs. Nil on account of WWF. Had the said provision of WWF not been recorded in the books of account of the Fund, the Net Asset Value (NAV) of the Fund would have been higher by Rs. 1.87 per unit as at 30 September 2016.

7. CONTINGENCIES AND COMMITMENTS

There is no change in contingencies and commitments during the quarter ended September 30, 2016 in comparison with June 30, 2016.

8. ALLOCATED EXPENSES

The SECP via SRO 1160 dated November 25, 2015 amended clause 60 of NBFC Regulations, 2008. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less.

9. TOTAL EXPENSE RATIO

"The Total Expense Ratio (TER) of the fund including government levies as on September 30, 2016 is 0.57%. Total expense for the period includes 0.07% representing Government levy.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

10. TAXATION

- 10.1** The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. 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.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders. Accordingly, no provision has been made in this condensed interim financial statement.

11. EARNINGS PER UNIT

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

| | September 30, 2016 | June 30, 2016 |
|--------------------------------------|------------------------------|------------------|
| | ----- (Rupees in '000) ----- | |
| 12. CASH AND CASH EQUIVALENTS | | |
| Bank balances | 2,429,137 | 2,130,877 |
| Treasury bills - 3 months | - | 513,100 |
| Term deposit receipts | 952,950 | 430,754 |
| | <u>3,382,087</u> | <u>3,074,731</u> |

13. TRANSACTIONS WITH CONNECTED PERSONS

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these condensed interim financial information, are as follows:

| | ----- Un-audited ----- quarter ended | |
|--|---|-----------------------|
| | September 30, 2016 | September 30, 2015 |
| | ----- (Rupees in '000) ----- | |
| 13.1 Transactions during the period: | | |
| MCB Arif Habib Savings and Investments Limited - Management Company | | |
| Remuneration of Management | | |
| Company including indirect taxes | 28,420 | 62,155 |
| Expense allocated by Management | | |
| Company including indirect taxes | 1,895 | |
| Central Depository Company of Pakistan Limited - Trustee | | |
| Remuneration for the period | | |
| (including sales tax) | 1,782 | 2,958 |
| Settlement charges | 213 | 215 |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

| | ----- Un-audited ----- quarter ended | |
|---|---|-----------------------|
| | Semptember 30, 2016 | September 30, 2015 |
| | ----- (Rupees in '000) ----- | |
| Group / Associated Companies | | |
| MCB Bank Limited | | |
| Profit on deposit accounts | 96 | 1,132 |
| Bank charges | 5 | 35 |
| Purchase of Secutities Face Value Nil (2015:150,000,000) quarter ended respectively | - | 174,262 |
| Sale of Secutities Face Value Nil (2015: 450,000,000) quarter ended respectively | - | 476,335 |
| Silk Bank Limited | | |
| Purchase of Secutities Face Value Nil (2015:100,000,000) quarter ended respectively | - | 107,997 |
| Sale of Secutities Face Value 550,000,000 (2015: 110,000,000) quarter ended respectively | 826,806 | 240,002 |
| Arif Habib Limited * | | |
| Brokerage expense | 21 | 41 |
| Next Capital Limited * | | |
| Brokerage expense | 49 | 191 |
| Mandate under Discretionary | | |
| Portfolio Services | | |
| Issue of Nil Units (2015: Nil units) for quarter ended respectively | - | - |
| Redemption of 249,803 units (2015: Nil units) for quarter ended respectively | 26,682 | - |
| Key management personnel | | |
| Issue of 71,640 Units (2015: 29,721 units) for quarter ended respectively | 7,632 | 3,160 |
| Redemption of 228,441 units (2015: 52,815 units) for quarter ended respectively | 24,409 | 5,630 |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

| (Un-Audited) September 30, 2016 | (Audited) June 30, 2016 |
|--|--|
| ----- (Rupees in '000) ----- | |

13.2 Amount outstanding as at period / year end:

MCB Arif Habib Savings and Investments Limited

- Management Company

| | | |
|--|-------|-------|
| Remuneration payable to Management Company | 8,101 | 9,976 |
| Sales tax payable on management fee | 1,053 | 1,397 |
| Sales load payable | 225 | 151 |
| Sales tax payable on sales load | 29 | 21 |
| Expense allocated by Management Company | 540 | 666 |
| Legal and professional charges | - | 2 |
| | | - |

Central Depository Company of Pakistan Limited - Trustee

| | | |
|---|-----|-----|
| Security deposit | 200 | 200 |
| Remuneration (including related taxes) and settlement charges payable | 576 | 681 |

Group / Associated Companies

MCB Bank Limited

| | | |
|---------------------------------------|--------|--------|
| Bank balance | 21,065 | 16,385 |
| Profit receivable on deposit accounts | 36 | 43 |

MCB Employees Provident Fund

| | | |
|---|---------|---------|
| 1,183,412 units held as at June 30, 2016 (2016: 1,183,412) | 126,909 | 125,494 |
|---|---------|---------|

MCB Employees Pension Fund

| | | |
|--|---------|---------|
| 1,183,412 units held as at June 30, 2016 (2015:1,183,412) | 126,909 | 125,494 |
|--|---------|---------|

D.G Khan Cement Company Limited -

Employees Provident Fund Trust

| | | |
|--|-----|-----|
| 3,560 units held as at June 30, 2016 (2015: 3,560 units) | 382 | 377 |
|--|-----|-----|

Adamjee Life Assurance Company Limited -

Employees Gratuity Fund

| | | |
|---|-------|-------|
| 26,342 units held as at September 30, 2016 (2016: 26,342) | 2,825 | 2,793 |
|---|-------|-------|

Arif Habib Limited *

| | | |
|-------------------|----|---|
| Brokerage payable | 22 | - |
|-------------------|----|---|

Next Capital Limited *

| | | |
|-------------------|----|----|
| Brokerage payable | 65 | 33 |
|-------------------|----|----|

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Mandate under discretionary portfolio services

| | | |
|--|--------------|--------|
| 60,357 units held as at September 30, 2016 (2016: 310,159 units) | 6,473 | 32,891 |
|--|--------------|--------|

Sui Southern Gas Company Limited

| | | |
|--|---|--------|
| Nil shares held as at September 30, 2016 (2016: 1,218,000 units) | - | 33,532 |
|--|---|--------|

Sui Northern Gas Company Limited

| | | |
|--|---|-------|
| Nil shares held as at September 30, 2016 (2016: 160,500) | - | 5,825 |
|--|---|-------|

D.G Khan Cement Limited

| | | |
|--|---------------|---|
| 190,500 shares held as at September 30, 2016 (2016: Nil) | 35,410 | - |
|--|---------------|---|

Power Cement Limited

| | | |
|--|--------------|---|
| 396,000 shares held as at September 30, 2016 (2016: Nil) | 4,400 | - |
|--|--------------|---|

Fatima Fertilizer Limited

| | | |
|--|---------------|---|
| 2,775,500 shares held as at September 30, 2016 (2016: Nil) | 96,199 | - |
|--|---------------|---|

Nishat (Chunian) Limited

| | | |
|--|---------------|---|
| 477,000 shares held as at September 30, 2016 (2016: Nil) | 21,875 | - |
|--|---------------|---|

Key management personnel

| | | |
|---|--------------|--------|
| 22,720 units held as at September 30, 2016 (2016: 179,521 units) | 2,437 | 19,037 |
|---|--------------|--------|

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

14 GENERAL

14.1 Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. The effect of rearrangement / reclassification is not considered to be material.

14.2 This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on October 21, 2016.



Chief Executive Officer

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



Director

Please find us on



by typing: **MCB Arif Habib Savings**

MCB-Arif Habib Savings and Investments Limited

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