

Quarterly Report
September 30, 2016
(Unaudited)



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

Rated: **AM2++** by PACRA

MCB
PAKISTAN STOCK MARKET 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 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	Chairman 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 United Bank Limited Bank Al Habib Limited Summit Bank Limited Deutsche Bank AG Standard Chartered Bank (Pakistan) Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350	
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 DIRECTORS 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 Pakistan Stock Market Fund's** accounts review for the quarter ended September 30th, 2016.

EQUITIES 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, PSM posted a return of 8.54% compared to 7.3% witnessed by the KSE100 Index. Overall equity exposure stood at 85.2% at the end of quarter. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments.

The Net Asset of the Fund as at September 30, 2016 stood at Rs. 8841 million as compared to Rs.8018 million as at June 30 2016 registering an increase of 10.26%.

The Net Asset Value (NAV) per unit as at September 30, 2016 was Rs. 94.53 as compared to opening NAV of Rs.87.09 per unit as at June 30, 2016 registering an increase of Rs. 7.44 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.

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

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.

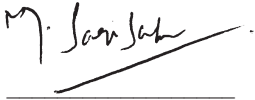
Long term stability in oil prices is expected to provide impetus to exploration & production sector driven by exploration growth. Banks are expected to gain limelight once life after PIB maturity becomes clear and focus is on the attractive Price to Book ratios. The up gradation into the emerging markets 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

عزیز سرمایہ کار

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

ایکویٹیز مارکیٹ کا مجموعی 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 خلیجی معاشیات، جہاں بیرون ملک مقیم پاکستانیوں کی اکثریت برسرِ 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

دورانِ مدت فنڈ نے 8.54% منافع حاصل کیا، بالمقابل KSE-100 انڈیکس کے 7.3% منافع کے۔ ایکویٹی میں مجموعی شمولیت اختتامِ سہ ماہی پر 85.2% کی سطح پر تھی۔ فنڈ خارجی عوامل سے چونکہ رہا اور بنیادی نوعیت کی متعدد پیش رفت کو مد نظر رکھتے ہوئے سرمایہ کاری کی حکمت عملی میں ضروری تبدیلیاں کی گئیں۔

30 ستمبر 2016ء کو فنڈ کے net اثاثے 8841 ملین روپے تھے، جبکہ 30 جون 2016ء کو 8,018 ملین روپے تھے، یعنی 10.26% اضافہ ہوا۔

30 ستمبر 2016ء کو Net Asset Value (NAV) فی یونٹ 94.53 روپے تھی، جبکہ 30 جون 2016ء کو 87.09 روپے تھی، یعنی 7.44 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 پیش 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۔

کنزیومر پرائس انڈیکس کے اوسط کے اس سال 5% سے کم رہنے کا امکان ہے۔ تیل کی قیمتوں اور زرمبادلہ کی شرح میں استحکام کی بدولت افراطِ زر کو اگلی چند سہ ماہیوں 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 سُست ترسیلاتِ 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 کرنی 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 انٹر نیٹ 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 پر مبنی معاشی ترقی کے متبادل بنا رہے گا۔

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 منظرِ 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۔

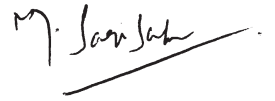
ڈائریکٹرز رپورٹ

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، سیکورٹیز اینڈ ایکسچینج 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		378,088	711,745
Investments	5	8,591,437	7,476,465
Receivable against sale of investments		316,878	159,109
Dividend and profit receivable		90,719	23,678
Prepayments, Advances and security deposits	6	7,294	7,152
Total assets		9,384,416	8,378,149
LIABILITIES			
Payable to the Management Company		17,667	17,015
Payable to the Central Depository Company of Pakistan Limited - Trustee		903	824
Payable to the Securities and Exchange Commission of Pakistan		2,052	6,712
Payable against purchase of investments		320,960	137,105
Accrued expenses and other liabilities	7	201,466	198,221
Payable against redemption of units		386	386
Total liabilities		543,434	360,263
NET ASSETS		8,840,982	8,017,886
Unit holders' funds (as per statement attached)		8,840,982	8,017,886
Contingencies and commitments	8		
(Number of units)			
NUMBER OF UNITS IN ISSUE		93,523,193	92,063,013
(Rupees)			
NET ASSETS VALUE PER UNIT		94.53	87.09

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Director

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

		Three months ended September 30,	
		2016	2015
Note		(Rupees in '000)	
INCOME			
	Capital gain on sale of investments - net	369,162	133,169
	Dividend income and other income	90,184	78,475
	Income from government securities	3,845	940
	Profit on bank deposits	6,151	4,698
		469,342	217,282
5.2 & 5.3	Unrealised (diminution) / appreciation on re-measurement of investments classified as at fair value through profit or (loss) - net	(2,178)	23,557
	Total income	467,164	240,839
EXPENSES			
	Remuneration of the Management Company	43,190	33,197
	Sindh Sales tax and Federal Excise Duty on remuneration of the Management Company	5,615	10,703
	Remuneration of the Central Depository Company of Pakistan Limited - Trustee	2,412	1,911
9	Sindh Sales tax on Remuneration of the Trustee	314	268
	Securities and Exchange Commission of Pakistan - annual fee	2,052	1,577
10	Allocated expense	2,440	-
	Securities transaction cost	5,713	3,807
	Settlement and bank charges	793	682
	Fees and subscriptions	200	70
	Auditors' remuneration	241	254
	Others	128	127
	Total expenses	63,098	52,595
		404,066	188,244
	Net element of income/ (loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed		
	Arising from capital gain/ (loss) and unrealised gain/ (loss)	8,426	25,009
	Arising from other (loss) / gain	(2,100)	(2,748)
7.1	Provision for Workers' Welfare Fund	-	-
	Net income for the period before taxation	410,392	210,505
11	Taxation	-	-
	Net income for the period after taxation	410,392	210,505
Other comprehensive income for the period			
<i>Items that may be reclassified to profit and loss account</i>			
	Net unrealised appreciation / (diminution) in value of investments classified as available for sale - net	295,606	(815,821)
		705,998	(605,316)
Earnings per unit			

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Director

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

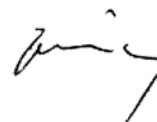
Three months ended September 30,	
2016	2015
------(Rupees in '000')-----	
Undistributed income brought forward	
2,990,795	2,425,103
Net element of income and capital gains included in the prices of units issued less those in units redeemed - transferred from unit holder's fund	
44,101	315,484
Net income for the period	
410,392	210,505
454,493	525,989
Undistributed income carried forward	
3,445,288	2,951,092

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Director

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

	Three months ended September 30,	
	2016	2015
	----- (Rupees in '000) -----	
Net assets at beginning of the period	8,017,886	6,075,006
Issue of 14,507,122 (2015:18,296,157) units	1,323,089	1,513,735
Redemption of 13,046,942 (2015:8,678,297) units	(1,199,666)	(695,096)
	123,423	818,639
Net element of (income)/loss and capital (gains)/losses included in prices of units issued less those in units redeemed :		
- amount representing (income)/loss and capital (gains)/losses transferred to the Income Statement		
Arising from capital (gain)/loss and unrealised (gain)/loss	(8,426)	(25,009)
Arising from other (loss) / gain	2,100	2,748
- amount representing (income)/loss and capital gains/(losses) that forms part of the unit holder's fund transferred to Distribution Statement	(44,101)	(315,484)
	(50,427)	(337,745)
Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income	44,101	315,484
Capital gain on sale of investments - net	369,162	133,169
Unrealised (diminution) / appreciation on re-measurement of investments classified as fair value through profit or loss - net	(2,178)	23,557
Other income for the period - net	43,408	53,779
Unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale during the period' - net	295,606	(815,821)
Total comprehensive income / (loss) for the period	705,998	(605,316)
Net assets at end of the period	8,840,982	6,266,067

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Director

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

Three months ended September 30,	
2016	2015
----- (Rupees in '000) -----	
A. CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period	410,392 210,505
Adjustments for:	
Element of (income)/loss and capital (gains)/losses included in prices of units issued less those in units redeemed	
Arising from capital (gain)/loss and unrealised (gain)/loss	(8,426) (25,009)
Arising from other (loss) / gain	2,100 2,748
Provision for Workers' Welfare Fund	-
Preference shares received as dividend income	(27,791)
Unrealised (appreciation)/diminution on re-measurement of investments classified as at fair value through profit or loss - net	2,178 (23,557)
	406,245 136,896
(Increase) / decrease in assets	
Investments	(821,544) (1,046,800)
Receivable against sale of investments	(157,769) 45,074
Dividend and profit receivable	(67,041) (61,416)
Advances and security deposits	(142) 97
	(1,046,495) (1,063,045)
Increase / (decrease) in liabilities	
Payable to the Management Company	652 (1,124)
Payable to the Central Depository Company of Pakistan Limited - Trustee	79 120
Payable to the Securities and Exchange Commission of Pakistan	(4,660) (2,904)
Payable against purchase of investments	183,855 (140,053)
Accrued expenses and other liabilities	3,245 (17,186)
Payable against redemption of units	- (739)
	183,171 (161,886)
Net cash (used in)/generated from operating activities	A (457,080) (1,088,035)
B. CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received from units sold	1,323,089 1,513,735
Cash paid on units redeemed	(1,199,666) (695,096)
Net cash generated from financing activities	B 123,423 818,639
Net decrease in cash and cash equivalents during the period	A + B (333,657) (269,396)
Cash and cash equivalents at beginning of the period	711,745 390,276
Cash and cash equivalents at end of the period	378,088 120,880

The annexed notes from 1 to 15 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB Pakistan Stock Market Fund (the Fund) was established under a Trust Deed dated executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)].
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centrepoin, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi, Pakistan.
- 1.3** The Fund has been categorised as equity scheme and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange, formerly Karachi Stock Exchange.
- 1.4** The Fund primarily invests in listed equity securities. It also invest in cash instruments and treasury bills not exceeding 90 days in maturities.
- 1.5** The Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2++ dated June 08, 2016 to the Management Company and 4-Star long term & 5-Star short term as performance rating dated August 13, 2015 to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1** This condensed interim financial information has been prepared in accordance with the 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.
- 2.2** 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.
- 2.3** 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.
- 2.4** 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 STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

2.5 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 condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year 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 that disclosed in the financial statements of the Fund as at and for the year ended June 30, 2016.

5. INVESTMENTS

INVESTMENTS		(Unaudited) September, 30 2016	(Audited) June, 30 2016
	Notes	----- (Rupees in '000) -----	
Available for sale			
Listed equity securities	5.1	7,984,418	7,246,274
At fair value through profit or loss - held for trading			
Listed equity securities	5.2	15,059	230,191
Government securities	5.3	591,961	-
		607,019	230,191
		8,591,437	7,476,465

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

5.1. Listed equity securities - Available for sale

Name of the Investee Company	As at July 1, 2016	Purchases during the period	Bonus / right Issue during the period	Sales during the period	As at September 30, 2016	As at September 30, 2016			Market value as percentage of total investments	Market value as percentage of net assets	Market value as percentage of total paid up capital of the investee company
						Carrying Value	Market value	Appreciation/(diminution)			
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
AUTOMOBILE ASSEMBLER											
INDUS MOTORS COMPANY LIMITED	-	650	-	-	650	857	975	118	0.01%	0.01%	0.00
AUTOMOBILES PARTS AND ACCESSORIES											
THAL LIMITED (Par value of Rs. 5)	3,700	-	-	3,700	-	-	-	-	-	-	0.00
CABLE AND ELECTRICAL GOODS											
PAK ELEKTRON	3,252,000	1,900,000	-	2,700,000	2,452,000	161,523	173,528	12,005	1.96%	2.02%	0.49
CHEMICALS											
ARCHROMA PAKISTAN LIMITED	-	34,900	-	-	34,900	20,496	20,625	129	0.23%	0.24%	0.1
ICI PAKISTAN	457,750	-	-	312,900	144,850	61,271	94,470	33,199	1.07%	1.10%	0.16
ITTEHAD CHEMICALS LTD	-	600,000	-	-	600,000	22,239	25,998	3,759	0.29%	0.30%	0.92
LINDE PAKISTAN	41,900	-	-	-	41,900	8,524	6,212	(2,312)	0.07%	0.07%	0.17
CEMENT											
CHERAT CEMENT	1,651,500	634,000	-	149,500	2,136,000	235,139	274,818	39,679	3.11%	3.20%	3.11
DEWAN CEMENT	-	1,300,000	-	-	1,300,000	32,629	34,281	1,652	0.39%	0.40%	0.39
D.G. KHAN CEMENT	421,000	1,960,000	-	1,741,800	639,200	125,627	118,814	(6,813)	1.34%	1.38%	1.34
KOHAT CEMENT LTD	237,200	-	-	237,200	-	-	-	-	-	-	0
LUCKY CEMENT	854,900	100,000	-	557,800	397,100	222,893	268,940	46,047	3.04%	3.13%	3.04
MAPLE LEAF CEMENT FACTORY LTD	-	550,000	-	550,000	-	-	-	-	-	-	0
PIONEER CEMENT LTD	2,936,500	250,000	-	1,918,200	1,268,300	121,484	134,047	12,563	1.57%	1.56%	1.52
COMMERCIAL BANKS											
ASKARI BANK LIMITED	-	2,200,000	-	-	2,200,000	42,808	43,802	994	0.50%	0.51%	0.17
BANK AL HABIB LIMITED	-	5,169,500	-	-	5,169,500	228,938	232,524	3,586	2.63%	2.71%	0.47
HABIB BANK LIMITED	3,581,888	490,000	-	2,183,000	1,888,888	359,999	417,085	57,086	4.72%	4.85%	0.13
HABIB METROPOLITAN BANK	-	2,197,000	-	-	2,197,000	64,936	66,459	1,523	0.75%	0.77%	0.21
MCB BANK LIMITED	274,900	1,437,300	-	1,115,600	596,600	130,039	131,729	1,690	1.49%	1.53%	0.05
MEEZAN BANK LIMITED	-	845,000	-	-	845,000	43,140	46,483	3,343	0.53%	0.54%	0.08
UNITED BANK LIMITED	2,493,300	2,438,600	-	2,076,800	2,855,100	515,886	567,537	51,651	6.42%	6.61%	0.23
ENGINEERING											
AMRELI STEELS LIMITED	1,878,500	1,054,000	-	557,500	2,375,000	119,767	169,314	49,547	1.92%	1.97%	0.80
CRESCENT STEEL & ALLIED PROD	-	307,000	-	307,000	-	-	-	-	-	-	0.00
MUGHAL IRON & STEEL	12,000	1,287,500	-	-	1,299,500	107,431	111,120	3,689	1.26%	1.29%	1.03
FERTILIZER											
ENGRO FERTILIZER LIMITED	3,505,500	4,262,500	-	-	7,768,000	519,942	478,975	(40,967)	-	-	0.58
ENGRO CORPORATION LIMITED	2,108,100	80,000	-	1,221,600	966,500	297,402	281,493	(15,909)	3.18%	3.28%	0.18
FATIMA FERTILIZER COMPANY	-	185,500	-	-	185,500	6,312	6,429	117	0.07%	0.07%	0.01
FOOD AND PERSONAL CARE PRODUCTS											
AL-SHAHEER CORPORATION	9,092	-	-	-	9,092	585	580	(5)	0.01%	0.01%	0.01
MURREE BREWERY COMPANY	112,000	-	-	112,000	-	-	-	-	-	-	0.00

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

Name of the Investee Company	As at July 1, 2016	Purchases during the period	Bonas / right issue during the period	Sales during the period	As at September 30, 2016	As at September 30, 2016			Market value as percentage of net assets	Market value as percentage of total investments	Market value as percentage of total paid up capital of the investee company
						Carrying Value	Market value	Appreciation/(diminution)			
Rupees in '000'											
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
GLASS AND CERAMICS	1,122,000	-	-	-	1,122,000	72,697	107,454	34,757	1.22%	1.25%	1.53
TATARIQ GLASS INDUSTRIES						72,697	107,454	34,757	1.22%	1.25%	
INSURANCE	271,600	-	-	271,600	-	-	-	-	-	-	0.00
IGI INSURANCE LIMITED											
MISCELLANEOUS	-	457,500	-	-	457,500	11,603	12,183	580	0.14%	0.14%	1.18
MMACAPAC FILMS LIMITED						11,603	12,183	580	0.14%	0.14%	
OIL AND GAS EXPOLORATION COMPANIES	230,600	150,000	-	-	380,600	293,980	363,294	69,314	4.11%	4.23%	0.35
MARI PETROLEUM COMP/	4,004,400	605,000	-	1,080,000	3,529,400	526,965	498,457	(28,508)	5.64%	5.80%	0.08
OIL & GAS DEVELOPMENT CO LTD	1,564,900	130,000	-	193,200	1,501,700	498,754	602,647	103,893	6.82%	7.01%	0.63
PAKISTAN OIL FIELDS LIMITED	5,168	-	-	5,168	-	0	-	(0)	-	-	0.00
PAKISTAN PETROLEUM LTD						1,319,700	1,464,399	144,699	16.57%	17.04%	
OIL AND GAS MARKETING COMPANIES	2,060,500	-	-	2,060,500	-	-	-	-	-	-	0.00
HI-TECH LUBRICANTS	915,700	165,000	-	446,500	634,200	239,989	262,648	22,659	2.97%	3.06%	0.23
PAKISTAN STATE OIL CO LTD.	-	3,357,000	-	-	3,357,000	169,864	168,253	(1,611)	1.96%	1.96%	0.53
SUI SOUTHERN GAS	-	1,900,000	-	-	1,900,000	77,553	77,026	(527)	0.87%	0.90%	0.22
PAPER AND BOARD PACKAGES LIMITED	269,750	-	-	269,750	-	-	-	-	-	-	0.00
POWER GENERATION & DISTRIBUTION	327,000	-	-	-	327,000	11,844	12,171	327	0.14%	0.14%	0.09
ALTERN ENERGY LIMITED	-	2,741,500	-	-	2,741,500	342,499	326,705	(15,794)	3.70%	3.80%	0.24
HUB POWER COMPANY LTD	3,393,000	605,000	-	920,000	2,473,000	215,735	206,965	(8,770)	2.34%	2.41%	0.28
KOT ADDU POWER CO. LTD	26,832,500	7,219,500	-	3,000,000	31,052,000	256,285	285,989	29,704	3.23%	3.33%	0.11
K-R-ELECTRIC LTD (par value Rs. 3.5)	8,399,000	-	-	6,298,500	2,100,500	70,415	46,568	(23,847)	0.53%	0.54%	0.55
ALALPH POWER	5,667,500	50,000	-	400,000	5,317,500	163,139	126,503	(36,635)	1.43%	1.47%	1.43
PAKGEN POWER LIMITED						1,059,916	1,004,901	(55,015)	11.37%	11.69%	
PHARMACEUTICALS	165,950	102,500	-	-	268,450	186,150	227,780	41,630	2.58%	2.65%	0.27
ABBOTT LABORATORIES (PAKISTAN)	36,402	-	-	-	36,402	12,352	20,877	8,524	0.24%	0.24%	0.03
SEARLE COMPANY						198,502	248,656	50,154	2.82%	2.89%	
TEXTILE COMPOSITE	973,000	-	-	973,000	-	-	-	-	-	-	0.00
GUL AHMED TEXTILE	-	1,153,500	-	-	1,153,500	92,735	98,048	5,313	1.11%	1.14%	0.41
KOHINOOR TEXTILE MILLS LTD	-	6,804,500	-	1,910,000	4,894,500	198,082	224,462	26,379	2.54%	2.61%	2.04
KNISHAT (CHUNIAN) LIMITED	4,000	1,633,400	-	4,000	1,633,400	220,510	230,146	9,636	2.60%	2.68%	0.46
KNISHAT MILLS LTD						511,327	552,655	41,329	6.25%	6.43%	
TECHNOLOGY AND COMMUNICATIONS	-	381,000	-	-	381,000	12,405	12,386	(19)	0.14%	0.14%	0.36
AVANCEON LIMITED	1,520,000	300,000	-	-	1,820,000	113,688	110,219	(3,469)	1.25%	1.28%	2.04
NETSOL TECHNOLOGIES	-	3,907,000	-	1,000,000	2,907,000	52,566	53,140	574	0.60%	0.62%	0.08
P.T.C.L. 'A'	2,362,250	187,000	-	-	2,549,250	133,098	178,753	45,656	2.02%	2.08%	2.30
SYSTEMS LIMITED						311,757	354,499	42,742	4.01%	4.12%	
TEXTILE SPINNING	-	147,700	-	-	147,700	20,915	25,505	4,590	0.29%	0.30%	2.30
GADDOON TEXTILE						20,915	25,505	4,590	0.29%	0.30%	
Total at September 30, 2016						7,443,689	7,984,418	540,729	84.92%	87.33%	
Total at June 30, 2016						6,822,766	7,346,774	433,508	900%	97%	

* These represent transactions with related parties

* The above include shares with a market value aggregating to Rs. 128.97 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the SECP.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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

Name of the Investee Company	As at July 1, 2016	Purchases during the period	Bonus / right Issue during the period	Sales during the period	As at September 30, 2016	As at September 30, 2016			Market value as percentage of total investments	Market value as percentage of capital of the investee company	
						Carrying Value	Market value	Appreciation/(diminution)			
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
AUTOMOBILE PARTS & ACCESSORIES											
THAL LIMITED (par value of Rs. 5)	93,600	-	-	93,600	-	-	-	-	-	-	-
FERTILIZER											
ENGRO CORPORATION LIMITED	51,700	-	-	-	51,700	17,215	15,058	(2,157)	0.17%	0.18%	0.01
						17,215	15,058	(2,157)	0.17%	0.18%	
INSURANCE											
IGI INSURANCE LIMITED	86,667	-	-	86,667	-	-	-	-	-	-	-
OIL & GAS EXPLORATION COMPANIES											
PAKISTAN PETROLEUM LIMITED	32	-	-	32	-	-	-	-	-	-	-
TEXTILE COMPOSITE											
NISHAT MILLS LIMITED	1,575,000	-	-	1,575,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
						17,215	15,059	(2,157)	0.17%	0.18%	
Total at September 30, 2016						582,641	792,898	210,257	13%	13%	
Total at June 30, 2016											

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

Issue date	Tenor	Face value				As at September 30, 2016			Market value as percentage of net assets	Market value as percentage of total investments
		As at July 1, 2016	Purchases during the period	Sales / matured during the period	As at September 30, 2016	Cost	Market value	Appreciation / (diminution)		
(Rupees in 000)										
									%	%
Treasury bills	3 months	-	595,000	0	595,000	591,981	591,960	(21)	-	-
Treasury bills	6 months	-	400,000	400,000	-	-	-	-	-	-
Treasury bills	12 months	-	600,000	600,000	-	-	-	-	-	-
Total as at September 30, 2016						591,981	591,961	(21)	-	-
Total as at June 30, 2016						-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

		(Un-audited) September, 30 2016	(Audited) June, 30 2016
	Note	----- (Rupees in '000) -----	
5.4 Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available-for-sale' - net			
Market value of investments	5.1	7,984,418	7,246,274
Cost of investments	5.1	7,443,689	6,822,766
		<u>540,729</u>	<u>423,508</u>
Less: Net unrealized appreciation in value of investments classified as 'available for sale' at beginning of the year		423,508	225,208
Unrealised appreciation / (diminution) in value of available for sale investments reclassified to income statement from other comprehensive income - consider as impaired		-	33,033
		<u>117,221</u>	<u>231,333</u>
6. PREPAYMENTS, ADVANCES AND SECURITY DEPOSITS			
Advance tax		3,996	3,896
Security deposits - National Clearing Company of Pakistan Limited		2,500	2,500
- Central Depository Company of Pakistan Limited		500	500
Others		256	256
		<u>7,252</u>	<u>7,152</u>
7. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	7.1	107,634	107,634
Federal Excise Duty and related tax on:			
- Management fee	7.2	54,774	54,774
- Sales load		3,933	3,933
Unclaimed dividend		9,837	9,838
Brokerage		13,875	12,459
Auditors' remuneration		326	639
Withholding tax on dividend and others		8,620	7,004
Printing and related expenditure		514	386
Zakat		581	580
Other		1,372	974
		<u>201,466</u>	<u>198,221</u>
7.1 Provision for Workers Welfare Fund			

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' had been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year had been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honourable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 8, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 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 June 30, 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.

Furthermore, in the Finance Act 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from July 1, 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management Company, as a matter of prudence, has decided to retain the provision for WWF amounting to Rs. 107.63 million in these financial statements pertaining to period July 1, 2011 to June 30, 2015 and have not recognised any further provision there against. During the year ended June 30, 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. 1.15 per unit as at September 30, 2016.

7.2 Federal excise duty and related tax payable

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 prudence, 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. 58.81 million.

8. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at September 30, 2016 and June 30, 2016.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

9. SINDH SALES TAX ON RENUMERATION OF TRUSTEE

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

Accordingly the Fund has made an accrual of Rs. 0.83 million on account of Sindh Sales Tax on services chargeable on custodianship services.

10. ALLOCATED EXPENSE

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 up to a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less.

11. TAXATION

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.

12. EARNINGS PER UNIT

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

13. TOTAL EXPENSE RATIO

"The Total Expense Ratio (TER) of the fund including government levies as on September 30, 2016 is 0.74%. Total expense for the period includes 0.1% representing Government levy.

14. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and unit holders holding more than 10% units of the Fund.

Remuneration to the Management Company and the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and carried out on agreed terms.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

		Quarter ended September 30,	
		2016	2015
		'--- (Rupees in '000) ---	
14.1	Details of transactions with related parties / connected persons		
	MCB - Arif Habib Savings and Investment Limited		
	- Management Company		
	Remuneration including indirect taxes	48,805	43,899
	Issue of Nil units (2015: 256,591) units	-	19,980
	Redemption of 266,809 units (2015: 99,263) units	25,000	-
	Payment of conversion cost	-	1,136
	Allocated expense	2,440	-
	Central Depository Company of Pakistan Limited - Trustee		
	Remuneration of the trustee including indirect taxes	2,726	2,179
	CDS charges	386	6
	Arif Habib Limited		
	Brokerage*	852	679
	Next Capital Limited		
	Brokerage*	844	410
	MCB Bank Limited		
	Bank charges	31	33
	Mark-up income	116	2,717
	Dividend income		-
	Lalpir Power Limited		
	Dividend income	2,101	-
	Pakgen Power Limited		
	Dividend income	5,318	-
	Adamjee life Assurance Company Limited - NUIL Fund		
	Redemption of 533,220 units (2015: Nil) units	50,000	-
	Adamjee life Assurance Company Limited - IMF		
	Issue of 1,062,037 (2015: 2,904,613) units	100,000	250,000
	Redemption of 917,728 (2015: Nil) units	85,000	-
	Directors and executive of the Management Company		
	Issue of 21,699 (2015: 163,653) units	2,015	13,443
	Redemption of 52,416 (2015: 63,478) units	4,837	5,141

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

		Quarter ended September 30,	
		2016	2015
		--- (Rupees in '000) ---	
Mandate Under Discretionary Portfolio Services			
Issue of 416,816 (2015: 34,892) units		39,000	3,020
Redemption of 1,501,217 (2015: 690,066) units		137,946	58,193
*The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them as the ultimate counter parties are not connected persons.			
		(Unaudited) September, 30 2016	(Audited) June, 30 2016
		----- (Rupees in '000) -----	
14.2	Amounts outstanding as at the period / year end		
MCB - Arif Habib Savings and Investment Limited			
- Management Company			
Remuneration payable		14,226	12,793
Sales tax payable on management fee		1,849	1,791
Sales load payable		779	1,092
Sindh sales tax payable on sales load		102	153
Conversion cost payable		-	545
Allocated expense payable		711	641
Central Depository Company of Pakistan Limited - Trustee			
Security deposit		500	500
Remuneration payable		800	824
Sales tax payable		103	-
MCB Bank Limited			
Balance with bank		10,204	106,946
Accrued mark-up		41	123
Next Capital Limited*			
Brokerage payable		844	457
Arif Habib Limited*			
Brokerage payable		852	1,418
Fatima Fertilizer Company Limited			
185,500 shares held (June 30, 2016: Nil)		6,429	-
Nishat Mills Limited			
1,633,400 shares held (June 30, 2016: 1,579,000)		230,146	170,375
Lalpir Power Limited			
2,100,500 shares held (June 30, 2016: 8,399,000)		46,568	182,258
Pakgen Power Limited			
5,317,500 shares held (June 30, 2016: 5,667,500)		126,503	136,303
D.G. Khan Cement Company Limited			
639,200 shares held (June 30, 2016: 421,000 shares)		118,814	80,196
Adamjee life Assurance Company Limited - NUIL Fund			
1,730,310 units held (June 30, 2016: 2,263,530 units)		163,566	216,167

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

	(Unaudited) September, 30 2016	(Audited) June, 30 2016
	----- (Rupees in '000) -----	
Adamjee life Assurance Company Limited - IMF 15,771,737 units held (June 30, 2016: 15,627,429 units)	1,490,902	1,360,993
MCB Arif Habib Savings and Investment Limited 1,655,327 units held (June 30, 2016: 1,922,136 units)	156,478	167,399
D.G Khan Cement Company Limited Employees Provident Fund Trust 132,411 units held (June 30, 2016: 132,411 units)	12,517	11,532
Directors and executive of the Management Company 127,160 units held (June 30, 2016: 143,025 units)	12,020	12,456
Mandate Under Discretionary Portfolio Services 2,947,083 units held (June 30, 2016: 4,031,484 units)	278,588	351,102

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

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on October 21, 2016.

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



Chief Executive Officer



Director

Please find us on



by typing: **MCB Arif Habib Savings**

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