

Quarterly Report
September 30, 2016
(Unaudited)



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

Rated: AM2++ by PACRA

MCB PAKISTAN ASSET ALLOCATION FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian 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 Bank Al Falah Limited NIB Bank Limited Faysal Bank Limited United Bank Limited Standard Chartered Bank (Pakistan) Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, 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 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 Asset Allocation 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.

EQUITIES MARKET OVERVIEW

The start of the new fiscal year was promising, as the local bourse continued to cherish the inclusion of Pakistan in the MSCI Emerging Market Index. The benchmark as measured by KSE-100 Index gained 7.3% during 1QFY17. While, the Indo-Pak border tension triggered some volatility in the market; overall, the Pakistan Stock Exchange continued its positive momentum, ending at all time high of 40,541 points at the end of September 2016.

Mutual funds and NBFC's were the major buyers during the quarter, buying USD 76 million and 36 million worth of equities respectively. While, foreigners remained net sellers of USD 38 million during the quarter, the selling was specifically limited to certain scrips. Liquidity in the market improved, with average trading volumes going up by 37%, increasing to 310 million shares compared to 226 million shares witnessed during the preceding quarter. A broad based rally in third tier stocks contributed significantly towards this strong volume increase during the end of quarter.

Auto Sector lead the charts during the quarter, gaining a massive 45% as strong demand outlook emanating from renewed interest in auto financing created exuberance. The launch of a new model by Honda also continued to capture investor attention as expectations of robust demand materialized. Alongside, some of the auto manufacturers raised their prices to pass on the earlier impact of yen's appreciation. Oil & Gas Marketing Companies also rallied by 22% during the period, as petroleum sales continued to beat market expectations. The sale of petroleum products broke all the records during the quarter, after they witnessed an increase of 20.6% YoY.

The index heavy weight Commercial Banks also managed to outperform the benchmark by posting a gain of 10%. Foreigners' interest was tilted towards Commercial Banks, after their inclusion in the Emerging Market Index. The performance of cement sector matched the benchmark as local dispatches kept posting growth in double digits. However, the price performance of the sector during the later part of the quarter was partly subdued, owing to skepticism on a wave of expansion announced by a large number of cement companies. Furthermore, potential acquisition of a local cement manufacturer by a Chinese player was viewed negatively by the investors.

On the flip side, Oil & Gas exploration sector underperformed the benchmark, posting a nominal gain of 3%. Underperformance came in after average international crude oil prices retreated by 2% during the quarter to USD 47/BBL. Fertilizer sector also underperformed due to rising urea inventories. ECC's approval for reduction in NFML's imported fertilizer prices also kept the investors interest at bay in the fertilizer sector. Alongside, lower than expected dividend by Engro Corp turned to be a major mood dampener for the sector.

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

FUND PERFORMANCE

The fund posted a return of 5.45% during the period compared to the benchmark return of 3.57%. The fund trimmed its exposure towards equities from 52.5% to 26.9% after the equity market rallied. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks.

On the fixed income side, the exposure towards PIBs was slightly increased while the Exposure in T-bills was marginally reduced.

The Net Assets of the Fund as at September 30, 2016 stood at Rs. 2293 million as compared to Rs.2718 million as at June 30, 2016 registering a decrease of 15.6%. The Net Asset Value (NAV) per unit as at September 30, 2016 was Rs. 83.3652.

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.

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 پاکستان Asset Allocation فنانڈنگ کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار 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 YoY 5.4% کمی ہوئی اور یہ 4.7 بلین ڈالر کی سطح پر آگئیں۔ عالمی سطح پر مجموعی ملکی پیداوار (GDP) کی نیچے 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 غم پیداوار اور پرکھنے 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۔

ایکویٹی مارکیٹ کا جائزہ

سال کا آغاز امید افزا تھا کیونکہ MSCI Emerging Markets Index میں پاکستان کی شمولیت کی بدولت مقامی اسٹاک مارکیٹ کو ہونے والے فوائد کا سلسلہ جاری رہا۔ KSE-100 کا پیمائش کردہ معیار میں مالی سال 2017ء کی پہلی سہ ماہی کے دوران 7.3% اضافہ ہوا۔ اگرچہ پاک بھارت سرحد پر کشیدگی کے باعث مارکیٹ میں تھوڑا بہت عدم استحکام پیدا ہوا لیکن مجموعی طور پر پاکستان اسٹاک ایکسچینج کی مثبت رفتار جاری رہی جو ستمبر 2016ء کے اختتام پر اب تک کے بلند ترین 40,541 پوائنٹس پر ختم ہوئی۔

دوران سہ ماہی Mutual Fundز اور NBFCs اہم ترین خریدار تھے جنہوں نے بالترتیب 76 ملین ڈالر اور 36 ملین ڈالر مالیت کی ایکویٹیز خریدیں۔ اگرچہ دوران سہ ماہی 38 ملین ڈالر کی فروخت کے ساتھ بدستور غیر ملکیوں کے ہاتھوں ہونے والی فروخت کا پلڑا بھاری رہا، لیکن یہ فروخت کچھ خاص scrips تک محدود

ڈائریکٹر رپورٹ

تھی۔ اوسط تجارتی حجم میں 37% اضافے کی بدولت مارکیٹ میں قابلیت نقد میں بہتری ہوئی، چنانچہ 310 ملین حصص کی خرید و فروخت ہوئی جبکہ گزشتہ سہ ماہی کے دوران 226 ملین حصص کی خرید و فروخت ہوئی تھی۔ دوران اختتام سہ ماہی حجم میں اس بھر پور اضافے میں تیسرے درجے کے اسٹاکس میں وسیع پیمانے پر اضافے کا اہم کردار ہے۔

دوران سہ ماہی آٹو کیلٹر 45% ترقی کر کے سب سے آگے رہا کیونکہ آٹو فنانسنگ میں انٹریسٹ کی تازہ شرحوں نے ایک نئی روح پھونک دی۔ ہنڈا نے ایک نیا ماڈل متعارف کرایا جس کی بدولت پختہ مانگ کی توقعات پوری ہوئیں اور سرمایہ کاروں کی توجہ بدستور قائم رہی۔ ساتھ ہی ساتھ کچھ آٹو مینوفیکچررز نے yen کی قدر میں اضافے کے سابقہ اثر کو زائل کرنے کے لئے اپنی قیمتوں میں اضافہ کر دیا۔ آئل اینڈ گیس مارکیٹنگ کمپنیز نے بھی دوران مدت 22% ترقی کی کیونکہ پٹرولیم کی فروخت مارکیٹ کی توقعات سے کہیں زیادہ ہوئیں۔ پٹرولیم مصنوعات کی فروخت میں دوران سہ ماہی YoY 20.6% اضافہ ہوا جس نے تمام ریکارڈ توڑ دیئے۔

بھاری انڈیکس والے کمرشل بینکوں نے 10% ترقی کی، چنانچہ وہ بھی مقررہ معیار سے بہتر کارکردگی کا مظاہرہ کرنے میں کامیاب ہوئے۔ امرجنگ مارکیٹ انڈیکس میں کمرشل بینکوں کی شمولیت کے بعد غیر ملکیوں کی دلچسپی کمرشل بینکوں کی طرف مائل رہی۔ سیمنٹ کے شعبے کی کارکردگی مقررہ معیار کے مطابق تھی کیونکہ مقامی ترسیلات کی ترقی کے اعداد و شمار مسلسل بلند رہے۔ تاہم سیمنٹ کمپنیز کی بڑی تعداد کی اعلان کردہ توسیع کی لہر پر شکوک و شبہات کے باعث سہ ماہی کے اواخر کے دوران اس شعبے کی کارکردگی باعتبار قیمت پست رہی۔ مزید برآں، ایک چینی ادارے کے ایک مقامی سیمنٹ مینوفیکچرر کے متوقع حصول کو سرمایہ کاروں نے منفی نظر سے دیکھا۔

دوسری جانب آئل اینڈ گیس ایکسپلوریشن کے شعبے نے صرف 3% ترقی کر کے مقررہ معیار سے کم کارکردگی کا مظاہرہ کیا۔ اس ناقص کارکردگی کا آغاز اُس وقت ہوا جب خام تیل کی اوسط قیمتیں 2% کم ہو کر 47/BBL ڈالر ہو گئیں۔ کھاد کے شعبے نے بھی مقررہ معیار سے کم کارکردگی کا مظاہرہ کیا جس کی وجہ یورپا کے تجارتی ذخائر میں اضافہ ہے۔ ECC کی طرف سے NFML کی درآمد شدہ کھاد کی قیمتوں میں کمی کی منظوری کے باعث بھی کھاد کے شعبے میں سرمایہ کاروں کی دلچسپی کم رہی۔ مزید برآں، اینگر و کارپوریشن کا متوقع سے کم ڈیویڈنڈ بھی کھاد کے شعبے کی حوصلہ شکنی کا بڑا سبب بنا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 5.45% منافع حاصل کیا، بالمقابل مقررہ معیار 3.57% کے۔ ایکویٹی مارکیٹ میں قیمتوں کے اضافے کے بعد فنڈ نے ایکویٹیز میں اپنی شمولیت کو 52.5% سے کم کر کے 26.9% کر لیا۔ فنڈ نے دفاعی بلند پیداوار اور ترقیاتی اسٹاکس کے درمیان توازن قائم رکھنے پر توجہ مرکوز کی ہے۔

مقررہ آمدنی کی جہت میں پاکستان انویسٹمنٹ بانڈز (PIBs) میں شمولیت میں معمولی اضافہ کیا گیا جبکہ ٹی۔بلز میں شمولیت میں معمولی کمی کی گئی۔ 30 ستمبر 2016ء کو فنڈ کے net اثاثے 2,293 ملین روپے تھے، جبکہ 30 جون 2016ء کو 2,718 ملین روپے تھے، یعنی 15.6% کمی ہوئی۔ 30 ستمبر 2016ء کو Net Asset Value (NAV) فی یونٹ 83.3652 روپے تھی۔

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۔

ڈائریکٹر رپورٹ

کنزیومر 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 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 نجیف برآمدات اور سست ترسیلات زر کے باعث خطرہ لاحق ہے، جو اگرچہ حالیہ 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 پلڑ اور اس کے ساتھ ساتھ انٹریٹ 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 بن 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۔

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، ڈائریکٹر مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹر

محمد ثاقب سلیم

محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

21 اکتوبر 2016ء

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


	Note	(Un-Audited) September 30 2016 (Rupees in '000)	(Audited) June 30, 2016
Assets			
Balances with banks	6	185,826	635,630
Investments	7	2,020,229	2,210,362
Fair value of derivative asset		616	4,466
Dividend and profit receivables		23,321	10,589
Receivable against sale of investment		440,066	3,831
Advances, deposits and prepayments		4,391	4,402
Receivable from National Clearing Company of Pakistan Limited		29,087	14,232
Total assets		2,703,536	2,883,512
Liabilities			
Payable to the Management Company		5,937	5,761
Payable to Central Depository of Pakistan Limited - Trustee		311	356
Payable to Securities and Exchange Commission of Pakistan		612	2,983
Fair value of derivative liability			-
Payable against purchase of investment		345,317	41
Payable against redemption of units		41	99,503
Accrued expenses and other liabilities	10	58,092	56,576
Total liabilities		410,310	165,220
Net assets		2,293,226	2,718,292
Unit holders' fund (as per statement attached)		2,293,226	2,718,292
Contingencies and commitments	11		
(Number of units)			
Number of units in issue (face value of units is Rs. 100 each)		27,508,193	34,384,476
(Rupees)			
Net asset value per unit		83.3652	79.0558

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

	Note	(Un-Audited) September 30 2016	(Un-Audited) September 30 2015
----- (Rupees in '000) -----			
Income			
Capital gain / (loss) on sale of investments		126,124	(17,763)
Dividend income		17,231	8,802
Profit on bank deposits & Placements		5,822	4,132
Income from government securities		9,323	22,210
Income from term finance certificates		2,284	225
Income from spread transactions		1,093	2,392
Other Income		4	15,885
		161,881	35,884
Net unrealised appreciation / (diminution) in the fair value of future contracts		616	(1,257)
Provision for impairment of equity securities classified as available for sale		-	-
Net unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'		2,657	(2,759)
Total income		165,154	31,867
Expenses			
Remuneration of the Management Company		12,886	15,315
Sindh Sales tax and Federal Excise Duty on Management Fee		1,675	4,938
Remuneration of Central Depository Company of Pakistan Limited - Trustee		896	1,159
Sindh Sales tax on remuneration of Trustee	8	117	-
Annual fee to Securities and Exchange Commission of Pakistan		612	727
Auditor's remuneration		178	226
Allocated expenses	9	644	-
Brokerage and settlement charges		4,038	1,418
Other expenses		250	259
Total operating expenses		21,296	24,042
Net income from operating activities		143,858	7,825
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	3.4		
- arising from Capital (loss) / gain and unrealised (loss) / gain on investments		(2,104)	5,475
- arising from other income		(543)	(4,299)
		(2,647)	1,176
Provision for workers' welfare fund	10.2	-	-
Net income for the period before taxation		141,211	9,001
Taxation	12	-	-
Net income for the period after taxation		141,211	9,001
Earnings per unit	13		

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2016**

	<i>Note</i>	(Un-Audited) September 30 2016	(Un-Audited) September 30 2015
		----- (Rupees in '000) -----	
Net income for the period after taxation		141,211	9,001
Other comprehensive income:			
Unrealised (diminution) / appreciation in investments classified as 'available for sale'	7.2	(1,604)	(55,225)
Total comprehensive income / (loss) for the period		<u>139,607</u>	<u>(46,224)</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

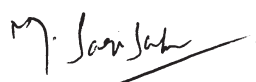


Director

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

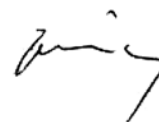
	(Un-Audited) September 30 2016 ------(Rupees in '000)-----	(Un-Audited) September 30 2015
Accumulated loss brought forward	(770,139)	(770,383)
Total net income for the Period	141,211	9,001
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount forms part of the unit holders' fund	122,956	(155,849)
Accumulated loss carried forward	<u>(505,972)</u>	<u>(917,231)</u>

The annexed notes 1 to 16 form an integral part of this 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' FUNDS (UNAUDITED)
FOR THE QUARTER ENDED 30 SEPTEMBER 2016**


	(Un-Audited) September 30 2016 ------(Rupees in '000)-----	(Un-Audited) September 30 2015
Net assets at beginning of the period	2,718,292	2,639,701
Issue of 2,560,482 (2015: 13,396,440) units	207,250	1,036,448
Redemption of 9,436,765 (2015: 6,452,982) units	(774,570)	(497,120)
	(567,320)	539,328
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed		
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		
- arising from Capital (loss) / gain and unrealised (loss) / gain on investments	2,104	(5,475)
- arising from other income	543	4,299
- amount representing income and capital gains transferred to distribution statement	122,956	155,849
	125,603	154,673
Element of (income) and capital (gains) that forms part of unit holders' fund transferred to distribution statement	(122,956)	(155,849)
Net income for the period (excluding net unrealized diminution in fair value of investment classified at 'fair value through profit or loss', future contracts and capital gain on sale of investment)	12,430	29,523
Net unrealised appreciation / (diminution) on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	2,657	(2,759)
Unrealised (diminution) in investments classified as 'available for sale'	(1,604)	(55,225)
Capital gain / (loss) on sale of investments - net	126,124	(17,763)
Total comprehensive income / (loss) for the period.	139,607	(46,224)
Net assets at the end of the period	2,293,226	3,131,629

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED 30 SEPTEMBER 2016

Note	(Un-Audited) September 30 2016	(Un-Audited) September 30 2015
	----- (Rupees in '000) -----	

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation	141,211	9,001
Adjustments for non-cash charges and other items:		
Net unrealised (appreciation) / diminution on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	(2,657)	4,016
Provision for impairment of equity securities classified as available for sale	-	-
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		
- arising from Capital (loss) / gain and unrealised (loss) / gain on investments	2,104	(5,475)
- arising from other income	543	4,299
Net cash generated from operations before working capital changes	141,201	11,842

(Increase) / decrease in assets

Investments - net	191,186	117,292
Receivable against sale of investment	(436,235)	-
Fair value of derivative asset	3,850	-
Profit and other receivable	(12,732)	26,342
Advances and deposits	11	22,273
Receivable from National Clearing Company of Pakistan Limited	(14,855)	-
	(268,775)	165,907

Increase / (decrease) in liabilities

Payable to the Management Company	520	9,331
Payable to Central Depository Company of Pakistan Limited - Trustee	(45)	
Payable to Securities and Exchange Commission of Pakistan	(2,371)	727
Fair value of Derivative Liability	-	
Payable against purchase of investment	345,276	
Payable against redemption of units	(99,462)	
Accrued expenses and other liabilities	1,172	(1,139)
	245,090	8,919

Net cash generated from operating activities

117,516	186,667
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CASH FLOWS FROM FINANCING ACTIVITIES

Receipts from issuance of units	207,250	1,036,448
Payments against redemption of units	(774,570)	(497,120)
Distribution during the period	-	-
Net cash (used in) / generated from financing activities	(567,320)	539,328
Net (decrease) / increase in cash and cash equivalents	(449,804)	725,995
Cash and cash equivalents at beginning of the period	635,630	252,325
Cash and cash equivalents at end of the period	6 185,826	978,320

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Asset Allocation Fund ["the Fund"] was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 17 December 2007. It was constituted under a Trust Deed dated 22 November 2007 between MCB Asset Management Company Limited (MCB-AMC) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

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

The Management Company of the Fund has been licensed to act as Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.

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

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

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2++' (stable outlook) to the Management Company and has assigned a short-term ranking of "4-Star" & long-term of "5-Star" to the Fund.

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

2 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.
- 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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

- 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. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2016.

5. FINANCIAL RISK MANAGEMENT

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

		(Un-Audited) September 30 2016	(Un-Audited) June 30 2016
		------(Rupees in '000)-----	
6. BALANCE WITH BANKS			
Current accounts	15.2	2,657	10,423
Saving accounts	6.1 & 15.2	183,169	625,207
		<u>185,826</u>	<u>635,630</u>

- 6.1** These carry mark-up at rates ranging from 3.75% to 6.25% per annum (30 June 2016: 3.75% to 6.25% per annum).

7. INVESTMENTS

7.1 Held for trading investments

Listed equity securities	7.1.1	347,093	294,656
Listed debt securities	7.1.2	135,068	135,222
Government Securities	7.1.3	248,399	298,413
		<u>730,560</u>	<u>728,291</u>

7.2 Available for sale investments

Listed equity securities	7.2.1	685,656	1,452,524
Government Securities	7.2.2	164,013	29,547
		<u>849,669</u>	<u>1,482,071</u>

7.3 Investment in TDR

Bank al Falah	7.3.1	240,000	
Zarai Tarqati Bank Limited	7.3.1	200,000	-
		<u>2,020,229</u>	<u>2,210,362</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

7.1 Held for trading investments

7.1.1 Listed equity securities

Name of investee company	As at 1 July 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 30 September 2016	Carrying Cost as at 30 September 2016	Appreciation/ (Diminution) as at 30 September 2016	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
(Rupees in '000)										
CABLE & ELECTRICAL GOODS										
PAK ELEKTRON	1,032,500	3,179,000	-	3,665,500	546,000	39,304	38,640	(664)	1.68%	1.91%
TPL TRAKKER LTD	-	1,157,000	-	-	1,157,000	15,655	16,129	473	0.70%	0.53
					1,703,000	54,960	54,769	(191)	2.38%	2.71%
CEMENT										
CHERAT CEMENT	15,000	272,500	-	15,000	272,500	35,584	35,060	(524)	1.53%	1.73%
FAUJI CEMENT CO LTD	-	101,000	-	-	101,000	3,635	3,562	(73)	0.16%	0.18%
LUCKY CEMENT	800	-	-	800	-	-	-	-	0.00%	0.00%
MAPLE LEAF CEMENT FACTORY LTD	-	206,500	-	500	206,000	19,984	19,735	(249)	0.86%	0.98%
					579,500	59,203	58,357	(846)	2.55%	2.89%
COMMERCIAL BANKS										
BANK AL FALAH LIMITED	75,000	-	-	75,000	-	-	-	-	-	-
BANK OF PUNJAB	-	352,500	-	-	352,500	4,702	4,695	(7)	0.20%	0.23%
UNITED BANK LIMITED	25,000	100,000	-	125,000	-	-	-	-	0.00%	0.00
					352,500	4,702	4,695	(7)	0.20%	0.23%
ENGINEERING										
AMRELI STEELS LIMITED	-	52,000	-	-	52,000	3,682	3,707	25	0.16%	0.18%
INTERNATIONAL STEELS LTD	-	229,000	-	217,000	12,000	598	729	131	0.03%	0.04%
MUGHAL IRON & STEEL	282,000	-	-	-	282,000	18,948	24,114	5,166	1.05%	1.19%
					346,000	23,228	28,550	5,322	1.24%	1.41%
FERTILIZER										
ENGRO FERTILIZER LIMITED	399,000	1,655,000	-	1,567,500	486,500	31,209	29,998	(1,211)	1.31%	1.48%
ENGRO CORPORATION LIMITED	113,500	549,600	-	551,100	112,000	33,756	32,620	(1,136)	1.42%	1.61%
FAUJI FERTILIZER BIN QASIM LTD	-	205,500	-	200,000	5,500	292	283	(9)	0.01%	0.01%
FAUJI FERTILIZER COMPANY LTD	-	44,000	-	27,500	16,500	1,799	1,716	(84)	0.07%	0.08%
					620,500	67,056	64,616	(2,440)	2.81%	3.18%
FOOD & PERSONAL CARE PRODUCTS										
ENGRO FOODS LIMITED	5,000	182,500	-	40,000	147,500	20,949	21,581	632	0.94%	1.07%
					147,500	20,949	21,581	632	0.94%	1.07%
OIL & GAS EXPLORATION COMPANIES										
OIL & GAS DEVELOPMENT CO LTD	281,000	127,500	-	356,000	52,500	7,432	7,415	(17)	0.32%	0.37%
PAKISTAN OILFIELDS LIMITED	-	47,000	-	-	47,000	18,270	18,862	592	0.82%	0.93%
PAKISTAN PETROLEUM LTD	500	-	-	500	-	-	-	-	0.00%	0.00
					99,500	25,702	26,277	575	1.14%	1.30%
OIL AND GAS MARKETING COMPANIES										
HASCOL PETROLEUM	-	95,000	-	-	95,000	21,065	20,924	(141)	0.91%	1.04%
PAKISTAN STATE OIL CO LTD.	19,000	93,000	-	35,500	76,500	31,733	31,682	(51)	1.38%	1.57%
SUI NORTHERN GAS	200,000	-	-	200,000	-	-	-	-	-	-
SUI SOUTHERN GAS	65,500	-	-	65,500	-	-	-	-	-	-
					171,500	52,798	52,606	(192)	2.29%	2.61%

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

Name of investee company	As at 1 July 2016	Purchased during the period	Bonus rights issue during the period	Sales during the period	As at 30 September 2016	Carrying Cost as at 30 September 2016	Market value as at 30 September 2016	Appreciation/ (Diminution) as at 30 September 2016	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
PHARMACEUTICALS											
SEARLE COMPANY	25,500	8,000	-	33,500	-	-	-	-	-	-	-
POWER GENERATION & DISTRIBUTION											
HUB POWER COMPANY LTD	-	11,000	-	-	11,000	1,324	1,311	(13)	0.06%	0.06%	0.00
* K-ELECTRIC LTD	4,203,000	1,601,000	-	4,713,000	1,091,000	9,755	10,048	294	0.44%	0.50%	0.00
					1,102,000	11,079	11,359	281	0.50%	0.56%	0.00
REFINERY											
ATTOCK REFINERY LIMITED	-	255,500	-	228,000	27,500	9,115	8,962	(154)	0.39%	0.44%	0.03
					27,500	9,115	8,962	(154)	0.39%	0.44%	0.03
TECHNOLOGY & COMMUNICATIONS											
P.T.C.L "A"	65,000	711,500	-	65,000	711,500	13,162	13,006	(155)	0.57%	0.64%	0.02
TRG PAKISTAN	-	15,500	-	-	15,500	677	711	34	0.03%	0.04%	0.00
					727,000	13,839	13,717	(121)	0.60%	0.68%	0.02
TEXTILE COMPOSITE											
NISHAT (CHUNIAN) LIMITED	-	35,000	-	-	35,000	1,575	1,605	30	0.07%	0.08%	0.01
NISHAT MILLS LTD	300,000	-	-	300,000	-	-	-	-	0.00%	0.00%	0.00
					35,000	1,575	1,605	30	0.07%	0.08%	0.01
Total - 30 September 2016					5,911,500	344,206	347,093	2,888			
Total - 30 June 2016						296,123	294,656	(1,470)			

* The par value of K-Electric is Rs 3.5

Term Finance Certificates (Listed debt Securities)

Name of investee company	Issue Date	As at 1 July 2016	Purchased during the period	Sold/ matured during the period	As at 31 September 2016	Carrying Cost as at 30 September 2016	Market value as at 30 September 2016	Appreciation/ (Diminution) as at 30 September 2016	Market value as percentage of net assets	Market value as percentage of total investments
Certificates having a face value of Rs. 5,000 each unless stated otherwise										
Bank Alfalah Limited-V	20-Feb-13	2,000	-	-	2,000	10,201	10,208	7	0.45%	0.51%
Habib Bank Limited - I	19-Feb-16	1,250	-	-	1,250	124,994	124,860	(134)	5.44%	6.18%
Total - 31 March 2016					3,250	135,195	135,068	(127)	5.89%	6.69%
Total - 30 June 2016						135,003	135,222	219		

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

Name of Security	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Bank Alfalah Limited-V	6 months KIBOR + 1.25%	20-Feb-13	20-Feb-21	AA-
Habib Bank Limited - I	6 months KIBOR + 0.5%	19-Feb-16	19-Feb-26	AAA

7.1.2.1

7.1.2

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

7.1.3 Government Securities

Particulars	As at 1 July 2016	Purchased during the period	Sold during the period	Matured during the period	As at 30 September 2016	Carrying Cost as at 30 September 2016	Market value as at 30 September 2016	Appreciation/ (Diminution) as at 30 September 2016	Market value as a percentage of total investments
(Rupees in '000)									
Treasury bills									
Treasury Bills - 3 Months						248,424	248,399	(25)	0.12
Total - 30 September 2016						248,424	248,399	(25)	0.12
Total - 30 June 2016						298,333	298,413	80	

7.1.3.1 These Treasury bills have a cost of Rs. 248,424 million (30 June 2016: Rs. 198,983 million) maturing up till November 10, 2016

7.2 Available for sale investments

7.2.1 Listed equity securities

Name of investee company	As at 1 July 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 30 September 2016	Carrying Cost as at 30 September 2016	Market value as at 30 September 2016	Market value as percentage of net assets	Appreciation/ (Diminution) as at 30 September 2016	Market value as percentage of issued capital of the investee company
(Number of shares)										
(Rupees in '000)										
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.										
AUTOMOBILE PARTS & ACCESSORIES										
* THAL LIMITED	500	-	-	500	-	-	-	-	-	-
CABLE & ELECTRICAL GOODS										
PAK ELEKTRON	588,750	325,000	-	588,750	325,000	23,307	23,307	-	(307)	-
CEMENT										
CHERAT CEMENT	434,500	9,800	-	444,300	-	-	-	-	-	-
D.G. KHAN CEMENT	315,000	370,000	-	685,000	-	-	-	-	-	-
KOHAT CEMENT LTD	125,000	-	-	125,000	-	-	-	-	-	-
LUCKY CEMENT	122,500	-	-	122,500	-	-	-	-	-	-
MAPLE LEAF CEMENT FACTORY LTD	-	100,000	-	100,000	-	-	-	-	-	-
PAKCEM LIMITED	304	-	-	304	-	-	-	-	-	-
PIONEER CEMENT LTD	-	4,000	-	-	4,000	449	423	0.02%	0.02%	0.00
					4,000	449	423	-	(26)	0.00
CHEMICALS										
ICI PAKISTAN	86,300	-	-	84,300	2,000	979	1,304	0.06%	0.06%	0.00
					2,000	979	1,304	0.06%	0.06%	0.00
COMMERCIAL BANKS										
ASKARI BANK LIMITED	-	600,000	-	-	600,000	11,675	11,946	0.52%	0.59%	0.00
HABIB BANK LIMITED	530,000	213,300	-	743,300	-	-	-	-	-	-
MCB BANK LIMITED	-	200,000	-	200,000	-	-	-	-	-	-
UNITED BANK LIMITED	693,700	720,000	-	1,413,700	-	-	-	-	-	-
					600,000	11,675	11,946	0.52%	0.59%	0.00
ENGINEERING										
CRESCENT STEEL & ALLIED PROD	-	40,700	-	40,700	-	-	-	-	-	0.00
MUGHAL IRON & STEEL	214,500	100,000	-	-	314,500	23,705	26,893	1.17%	1.33%	0.00
					314,500	23,705	26,893	1.17%	1.33%	0.00
FERTILIZER										
ENGRO FERTILIZER LIMITED	1,149,000	971,000	-	420,000	1,700,000	114,133	104,822	4.57%	5.19%	0.00
ENGRO CORPORATION LIMITED	578,600	50,000	-	623,900	4,700	1,524	1,369	0.06%	0.07%	0.00
FATIMA FERTILIZER COMPANY	-	100,000	-	-	100,000	3,402	3,466	0.15%	0.17%	0.00
					1,804,700	119,059	109,657	4.78%	5.43%	0.00

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

Name of investee company	As at 1 July 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 30 September 2016	Carrying Cost as at 30 September 2016	Market value as at 30 September 2016	Appreciation/ (Diminution) as at 30 September 2016	Market value as percentage of net assets	Market value as percentage of investments	Par value as percentage of issued capital of the investee company
(Rupees in '000)											
FOOD & PERSONAL CARE PRODUCTS											
MURREE BREWERY COMPANY	50,000	-	-	50,000	-	-	-	-	-	-	-
SHEZAN INTERNATIONAL	4,650	-	-	-	4,650	5,882	2,338	(3,544)	0.10%	0.12%	0.00
					4,650	5,882	2,338	(3,544)	0.10%	0.12%	0.00
GLASS & CERAMICS											
TARIQ GLASS INDUSTRIES	690,000	-	-	159,000	531,000	33,578	50,854	17,276	2.22%	2.52%	0.00
					531,000	33,578	50,854	17,276	2.22%	2.52%	0.00
INSURANCE											
IGI INSURANCE LIMITED	32,200	-	-	32,200	-	-	-	-	-	-	-
					-	-	-	-	0.00%	0.00%	0.00
OIL & GAS EXPLORATION COMPANIES											
OIL & GAS DEVELOPMENT CO LTD	418,000	442,000	-	610,000	250,000	35,082	35,308	225	1.54%	1.75%	0.00
PAKISTAN OILFIELDS LIMITED	235,000	45,000	-	195,900	84,100	30,366	33,750	3,385	1.47%	1.67%	0.00
					334,100	65,448	69,058	3,610	3.01%	3.42%	0.00
OIL AND GAS MARKETING COMPANIES											
HI-TECH LUBRICANTS	706,500	-	-	706,500	-	-	-	-	-	-	-
PAKISTAN STATE OIL CO LTD.	80,000	115,000	-	105,000	90,000	36,441	37,273	831	1.63%	1.84%	0.00
SUI NORTHERN GAS	8,500	-	-	-	8,500	314	426	112	0.02%	0.02%	0.00
SUI SOUTHERN GAS	-	300,000	-	-	300,000	12,159	12,162	3	0.53%	0.60%	0.00
					398,500	48,914	49,861	946	2.18%	2.46%	0.00
PAPER AND BOARD											
PACKAGES LIMITED	800	-	-	800	-	-	-	-	-	-	-
					-	-	-	-	-	-	-
PHARMACEUTICALS											
ABBOTT LABORATORIES (PAKISTAN)	68,000	40,000	-	-	108,000	76,628	91,638	15,010	4.00%	4.53%	0.00
SEARLE COMPANY	1,210	-	-	-	1,210	456	694	238	0.03%	0.03%	0.00
					109,210	77,084	92,332	15,248	4.03%	4.56%	0.00
Technology and Communication											
HUB POWER COMPANY LTD	212,000	-	-	-	212,000	22,390	25,264	2,874	1.10%	1.25%	0.00
** KOT ADDU POWER CO. LTD	1,101,500	-	-	435,000	666,500	59,705	55,779	(3,925)	2.43%	2.76%	0.00
* K-ELECTRIC LTD	4,439,500	2,500,000	-	2,610,000	4,329,500	36,527	39,875	3,348	1.74%	1.97%	0.00
LALPIR POWER	752,000	-	-	155,000	597,000	20,746	13,235	(7,510)	0.58%	0.65%	0.00
** PAKGEN POWER LIMITED	1,575,500	-	-	250,000	1,325,500	41,441	31,534	(9,907)	1.38%	1.56%	0.00
					7,130,500	180,809	165,687	(15,120)	7.23%	8.19%	0.00
TECHNOLOGY & COMMUNICATIONS											
P.T.C.L "A"	-	700,000	-	-	700,000	12,681	12,796	115	0.56%	0.63%	0.00
SYSTEMS LIMITED	328,366	-	-	50,000	278,366	10,122	19,519	9,397	0.85%	0.97%	0.00
					978,366	22,803	32,315	9,512	1.41%	1.60%	0.00
TEXTILE COMPOSITE											
KOHINOOR TEXTILE MILLS LTD	-	300,000	-	2,000	298,000	23,957	25,330	1,373	1.10%	1.25%	0.00
NISHAT (CHUNIAN) LIMITED	-	1,860,000	-	1,860,000	-	-	-	-	-	-	-
NISHAT MILLS LTD	522,500	175,000	-	522,500	175,000	22,983	24,658	1,675	1.08%	1.22%	0.00
					473,000	46,940	49,988	3,048	2.18%	2.47%	0.00
Total - 30 September 2016					13,009,526	660,633	685,655	25,022			
Total - 30 June 2016						1,426,465	1,452,524	26,059			

* The par value of Thal Limited is Rs 5 and K-Electric of Rs 3.5

** Cost of investment of equity securities is Rs. 42,506 million (30 June 2016: Rs. 1,001,609 million).

** Investments include shares with market value aggregating of Rs. 37,002 million (30 June 2016: 28,924) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

7.2.2 Government Securities

Particulars	As at 1 July 2016	Purchased during the period	Sold during the period	Matured during the period	As at 30 September 2016	Carrying value as at 30 September 2016	Market Value as at 30 September 2016	Appreciation / (diminution) as at 30 September 2016	Market value as a percentage of net assets	Market value as a percentage of total investments
(Rupees in '000)										
Pakistan Investment Bond										
PIB - 5 years	28,000	1,253,000	1,128,000	-	153,000	164,281	164,013	(268)	7.15%	8.12%
Total - 30 September 2016						164,281	164,013	(268)	7.15%	8.12%
Total - 30 June 2016						29,245	29,547	302		

7.3 Term Deposit Receipts - Loans and receivables

7.3.1 Name of Financial institution	Profit / mark-up rate %	Maturity date	At September 30, 2016 ----- (Rs. in '000) -----	Value as a percentage of net assets %	Value as a percentage of investment %
Bank Al Falah	6.20%	23-Nov-16	1,590	0.69	0.79
Zarai Tarqiati Bank Limited	6.50%	7-Mar-17	819	0.36	0.41
Total as at September 30, 2016			2,409	1.05	1.20
Total as at June 30, 2016			-	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

8. SINDH SALES TAX ON REMUNERATION OF TRUSTEE

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

9. ALLOCATED EXPENSES

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

10. ACCRUED EXPENSES AND OTHER LIABILITIES

		(Un-Audited) September 30 2016	(Un-Audited) September 30 2015
		------(Rupees in '000)-----	
Provision for Federal Excise Duty and related taxes on management fee	10.1	19,027	7,573
Provision for Federal Excise Duty on sales load	10.1	16,173	9,807
Provision for Workers' Welfare Fund	10.2	13,732	13,732
Withholding tax payable (deducted on dividend distribution)		-	23,527
Withholding tax payable (deducted on capital gains)		3,405	3,175
Auditors' remuneration payable		117	446
Brokerage payable		5,017	2,584
Others		277	181
		<u>57,748</u>	<u>61,025</u>

- 10.1** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 13 June 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 4 September 2013, a constitutional petition was filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with Collective Investment Schemes through their trustees, challenging the levy of FED. The SHC vide its Order dated 16 July 2016 has disposed of the petition by referring its judgment dated 2 June 2016 whereby it rendered the FED on certain services to be 'ultra vires' in the presence of Sindh Sales Tax Act 2011. 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. Management is however of the view that since the Federal government still has the right to appeal against the Order of the SHC, the previous balance of FED cannot be reversed.

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 13 June 2013 to 30 June 2016 aggregating to Rs. 35.20 million (2016: 35.20 million).

- 10.2** 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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) 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 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 filed by companies other than mutual funds 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 01 July 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management company, as a matter of abundant precaution, has decided to retain the provision for WWF amounting to Rs. 102.91 million in these financial statements pertaining to period 1 July 2011 to 30 June 2015 and have not record any further provision there against. During the period 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 NAV of the Fund would have been higher by Rs. 0.4992 per unit as at 30 September 2016.

11 CONTINGENCIES AND COMMITMENTS

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

12 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.

13 EARNINGS PER UNIT

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the fund including government levies as on September 30, 2016 is 0.83%. Total expense for the period includes 0.09% representing Government levy.

15. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	(Un-Audited) September 30 2016	(Un-Audited) September 30 2015
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments Limited		
Remuneration of the Management Company (including indirect taxes)	14,561	20,252
Allocated expenses (including indirect taxes)	644	-
Central Depository Company of Pakistan Limited		
Remuneration of trustees (including indirect taxes)	1,013	1,159
CDC settlement charges	399	105
MCB Bank Limited		
Dividend income	-	-
Profit on bank deposits	195	553
Bank charges	4	18
Lalpir Power Limited		
Dividend income 10% Dividend announced @ 597,000 shares holding	597	-
Pakgen Power Limited		
Dividend income	1,326	-
Arif Habib Limited*		
Brokerage expense	224	29
Silk Bank Limited		
Purchase of securities		
Face Value 2016: 50,000,000 (2015: Nil)	53,991	303,146
Next Capital Limited*		
Brokerage expense	150	71

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

(Un-Audited) September 30 2016	(Un-Audited) September 30 2015
------(Rupees in '000)-----	

Units sold to:

MCB-Arif Habib Savings and Investments Limited (Units: Nil units)

Key management personnel (Units: 13,738 units)

Mandate under discretionary Portfolio

-	118,152
1,137	1,650
-	-

Units redeemed by:

MCB-Arif Habib Savings and Investments Limited (Units: Nil units)

Key management personnel (Units: 7,975 units)

-	43,000
668	-

15.2 Balance outstanding as at the period / year end

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

MCB-Arif Habib Savings and Investments Limited

Remuneration payable to the Management Company

Sales tax payable on remuneration of Management

Sales load payable

Payable against allocated expenses

3,855	4,600
501	644
1,389	287
193	230

Central Depository Company of Pakistan Limited

Remuneration payable to the Trustee

Sale tax payable on remuneration fee

Security deposits

275	312
35	44
100	100

MCB Bank Limited

Bank deposits

Profit receivable

8,635	374,401
11	56

Sui Northern Gas Pipelines Limited

8,500 shares held by the Fund (30 June 2016: 208,500 shares)

426	7,566
-----	-------

Sui Southern Gas Pipeline Limited

300,000 Shares held by the Fund (30 June 2016 : 65,500)

12,162	1,083
--------	-------

D.G. Khan Cement Company Limited

Nil shares held by the Fund (30 June 2016: 315,000 shares)

-	60,004
---	--------

Nishat Mills Limited

175,000 shares held by the Fund (30 June 2016: 822,500 shares)

24,658	88,748
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Lalpir Power Limited

597,000 shares held by the Fund (30 June 2016: 752,000 shares)

13,235	16,318
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED 30 SEPTEMBER 2016

	(Un-Audited) September 30 2016	(Un-Audited) September 30 2015
	----- (Rupees in '000) -----	
Pakgen Power Limited		
1,325,500 shares held by the Fund (30 June 2016: 1,575,500 shares)	<u>31,534</u>	<u>37,891</u>
Arif Habib Limited		
Brokerage *	<u>224</u>	<u>543</u>
Next Capital Limited		
Brokerage *	<u>150</u>	<u>190</u>
Mcb Arif Habib		
974,696 Units (30 June 2016: 974,696 Units)	<u>81,256</u>	<u>77,055</u>
Adamjee Life Assurance Co. Limited		
200,410 Units (30 June 2016: 200,410 Units)	<u>16,707</u>	<u>16,732</u>
D.G. Khan Cement		
32,774 Units (30 June 2016: 32,774 Units)	<u>2,732</u>	<u>2,736</u>
Adamjee Life Assurance Co. Limited		
335,529 Units (30 June 2016: 335,529 Units)	<u>27,971</u>	<u>28,013</u>

* The amount disclosed represents the amount of brokerage paid or 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.

16 DATE OF AUTHORIZATION FOR ISSUE

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



Chief Executive Officer

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



Director

Please find us on



by typing: **MCB Arif Habib Savings**

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