

**Quarterly Report**  
**September 30, 2016**  
**(Unaudited)**



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

Rated: **AM2++** by PACRA

# **PAKISTAN CAPITAL MARKET FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 24 <sup>th</sup> Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi	
<b>Company Secretary</b>	Mr. Abdul Basit	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al Falah Limited United Bank Limited Standard Chartered Bank (Pakistan) Limited Bank Al Habib Limited NIB Bank Limited	
<b>Auditors</b>	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350	
<b>Legal Advisor</b>	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	AM2 ++ Asset Manager Rating assigned by PACRA	

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

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Capital Market Fund's accounts review for 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

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### FUND PERFORMANCE

During the period under review, the fund posted a return of 6.27% compared to 5.62% posted by the benchmark.

On the equities front, the overall allocation was slightly increased to 64.6% from 63.8%. Exposure in cash was reduced drastically from 12.4% to 3.6% at the end of the period under review. The fund decreased its exposure in Power Generation & Distribution, cements and commercial banks while increasing its exposure in government securities.

On the fixed income side, the fund had increased its exposure in T-Bills to 29% as of 30th September, 2016. The fund's exposure in PIBs was maintained at 0%.

The Net Assets of the Fund as at September 30, 2016 stood at Rs. 603 million as compared to Rs. 627 million as at June 30, 2016 registering a decrease of 3.82%.

The Net Asset Value (NAV) per unit as at September 30, 2016 was Rs.11.36 as compared to opening NAV of Rs.10.69 per unit as at June 30, 2016 showing an increase of Rs. 0.67 per unit.

### FUTURE OUTLOOK

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

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

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

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

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 پاکستان کیپیٹل مارکیٹ فنڈ 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 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 سُست 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 دورانِ 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 دورانِ سہ ماہی 30 bps اضافہ ہوا۔ افراط زر کے سبب اکثر مہینوں کے دوران مارکیٹ کی توقعات پوری نہیں ہو سکیں، چنانچہ ختم 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 سُستی کے باعث خارجی اکاؤنٹ پر خدشات کا اظہار کیا۔

### ایکویٹی مارکیٹ کا جائزہ

سال کا آغاز اُمید افزا تھا کیونکہ MSCI امرجنگ مارکیٹ انڈیکس 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

## ڈائریکٹر رپورٹ

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۔

دورانِ سہ ماہی Mutual فنڈز اور NBFCs اہم ترین خریدار تھے جنہوں نے بالترتیب 76 ملین ڈالر اور 36 ملین ڈالر مالیت کی ایکویٹیز خریدیں۔ اگرچہ دورانِ 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 تھی۔ اوسط تجارتی حجم میں 37% اضافے کی بدولت مارکیٹ میں قابلیتِ 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۔ دورانِ اختتام سہ ماہی حجم میں اس بھر پور اضافے میں تیسرے درجے کے اسٹاکس میں وسیع پیمانے پر اضافے کا اہم کردار ہے۔

دورانِ سہ ماہی آٹو سیکٹر 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 دورانِ مدت 22% ترقی کی کیونکہ پٹرولیم کی فروخت مارکیٹ کی توقعات سے کہیں زیادہ ہوئیں۔ پٹرولیم مصنوعات کی فروخت میں دورانِ سہ ماہی 20.6% YoY 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۔ امریکن 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 مینوفیکچر 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 یورپ 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، اینیگر 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 6.27% منافع حاصل کیا، بالمقابل مقررہ معیار 5.62% کے۔

## ڈائریکٹر رپورٹ

ایکویٹیز کے میدان میں مجموعی شمولیت کو 63.8% سے بڑھا کر 64.6% کر دیا گیا۔ نقد میں شمولیت کو 12.4% سے بڑے پیمانے پر کم کر کے زیر جائزہ مدت کے اختتام پر 3.6% کر دیا گیا۔ فنڈ نے بجلی کی پیداوار اور تقسیم، سیمنٹ اور کمرشل بینکوں کے شعبے میں اپنی شمولیت کو کم کیا، جبکہ حکومتی سیکورٹیز میں اپنی شمولیت میں اضافہ کیا۔

مقررہ آمدنی کی جہت میں فنڈ نے 30 ستمبر 2016ء پر ٹی۔بلز میں اپنی شمولیت کو بڑھا کر 29% کر دیا تھا۔ پاکستان انویسٹمنٹ بانڈز (PIBs) میں فنڈ کی شمولیت 0% پر برقرار رہی۔

30 ستمبر 2016ء کو فنڈ کے net اثاثے 603 ملین روپے تھے، جبکہ 30 جون 2016ء کو 627 ملین روپے تھے، یعنی 3.82% کمی ہوئی۔

30 ستمبر 2016ء کو Net Asset Value (NAV) فی یونٹ 11.36 روپے تھی، جبکہ 30 جون 2016ء کو 10.69 روپے فی یونٹ تھی، یعنی 0.67 روپے فی یونٹ اضافہ ہوا۔

### مستقبل کی صورتحال

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

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

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

## ڈائریکٹرز رپورٹ

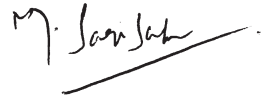
تیل کی قیمتوں میں طویل المیعاد استحکام متوقع طور پر ایکسپلوریشن اور پیداوار کے شعبے کو ایکسپلوریشن میں ترقی کے ذریعے تحریک فراہم کرے گا۔ بینک متوقع طور پر پاکستان انویسٹمنٹ بانڈز (PIBs) کی maturity واضح ہونے کے بعد منظر عام پر آئیں گے، اور پُرکشش Price to Book ratios پر سب کی توجہ مرکوز ہے۔ اُبھرتی ہوئی 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، سکیورٹیز 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) -----	
<b>ASSETS</b>			
Balances with banks		23,152	80,904
Dividend and profit receivables		4,194	1,599
Investments	5	594,398	566,333
Advances deposits and prepayments		5,073	5,057
Receivable against sale of investment		8,536	-
<b>Total assets</b>		<u>635,352</u>	<u>653,893</u>
<b>LIABILITIES</b>			
Payable to the Management Company		1,235	1,332
Payable to the Central Depository Company of Pakistan Limited - Trustee		112	119
Payable to the Securities and Exchange Commission of Pakistan		134	647
Payable against purchase of investment		8,611	-
Payable against redemption of units		216	1,218
Accrued expenses and other liabilities	6	21,958	23,655
<b>Total liabilities</b>		<u>32,265</u>	<u>26,971</u>
<b>NET ASSETS</b>		<u>603,087</u>	<u>626,922</u>
<b>Unit holders' funds (as per statement attached)</b>		<u>603,087</u>	<u>626,922</u>
<b>Contingencies and commitments</b>	10		
		(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<u>53,109,479</u>	<u>58,632,774</u>
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		<u>11.36</u>	<u>10.69</u>

The annexed notes from 1 to 13 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 (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

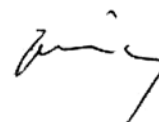
		Quarter ended September 30,	
		2016	2015
		(Rupees in '000)	
Note			
<b>INCOME</b>			
	Dividend income	4,024	7,154
	Income from government securities	2,488	3,707
	Profit on bank deposits	793	1,145
	Income from term finance certificate	-	150
	Capital gain on sale of investments - net	21,904	4,930
	Income on deposit with NCCPL against exposure margin	5	7
		<b>29,214</b>	<b>17,093</b>
	Unrealised appreciation / (diminution) on re-measurement of investments classified as at fair value through profit or loss - net	(93)	(553)
	<b>Total income</b>	<b>29,120</b>	<b>16,540</b>
<b>EXPENSES</b>			
	Remuneration of the Management Company	3,142	3,916
	Sindh Sales tax and Federal Excise Duty on remuneration of the Management Company	409	1,263
	Remuneration of the Central Depository Company of Pakistan Limited - Trustee	314	411
	Sales tax on remuneration of the trustee	41	37
	Securities and Exchange Commission of Pakistan - fee	134	167
	Allocated expense	178	-
	Securities transaction cost	463	259
	Settlement and bank charges	170	119
	Fees and subscription	66	61
	Auditors' remuneration	133	168
	Printing and related cost	79	65
	Legal and professional charges	15	-
	<b>Total expenses</b>	<b>5,144</b>	<b>6,466</b>
		<b>23,976</b>	<b>10,074</b>
	Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:		
	- arising from capital (loss) / gain and unrealised (loss) / gain	(806)	75
	- arising from other income	13	830
		<b>(793)</b>	<b>905</b>
	<b>Net income for the period before taxation</b>	<b>23,183</b>	<b>10,980</b>
	Taxation	-	-
	<b>Net income for the period after taxation</b>	<b>23,183</b>	<b>10,980</b>
	<b>Earnings per unit</b>		

The annexed notes from 1 to 13 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 COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

		<b>Quarter ended September 30,</b>	
		<b>2016</b>	<b>2015</b>
<b>Note</b>	<b>----- (Rupees in '000) -----</b>		
<b>Net income for the period after taxation</b>	<b>23,183</b>	<b>10,980</b>	
<b>Other comprehensive income for the period</b>			
<i>Items that may be reclassified to profit and loss account</i>			
Unrealised appreciation / (diminution) in value of investments classified as available for sale - net	<b>14,292</b>	<b>(49,718)</b>	
<b>Total comprehensive income for the period</b>	<b>37,475</b>	<b>(38,738)</b>	

The annexed notes from 1 to 13 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 (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

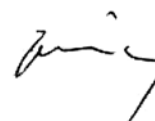
	Quarter ended September 30,	
	2016	2015
	----- (Rupees in '000) -----	
Undistributed income brought forward	13,284	35,731
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred from unit holders' fund	(6,075)	7,111
Net income for the period	23,183	10,980
	17,109	18,091
Undistributed income carried forward	30,393	53,822

The annexed notes from 1 to 13 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 (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	Quarter ended September 30,	
	2016	2015
	------(Rupees in '000)-----	
<b>Net assets at beginning of the period</b>	<b>626,922</b>	<b>681,887</b>
Issue of 3,221,563 units (2015: 13,893,564)	<b>35,782</b>	148,314
Redemption of 8,744,858 units (2015: 2,963,987)	<b>(97,885)</b>	(31,001)
	<b>(62,103)</b>	117,312
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 realised capital (gains) / losses transferred to the income statement:		
- arising from capital (loss) / gain and unrealised (loss) / gain	<b>806</b>	(75)
- arising from other income	<b>(13)</b>	(830)
- Amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	<b>6,075</b>	(7,111)
	<b>6,868</b>	(8,016)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	<b>(6,075)</b>	7,111
Capital (loss) / gain on sale of investments - net	<b>21,933</b>	4,930
Unrealised appreciation on re-measurement of investments classified as at fair value through profit or loss - net	<b>(122)</b>	(553)
Other income for the period - net	<b>1,373</b>	6,603
Unrealised (diminution) / appreciation on re-measurement of investments classified as available for sale - net	<b>14,292</b>	(49,718)
Total Comprehensive Income / (loss) for the period	<b>37,475</b>	(38,738)
<b>Net assets at end of the period</b>	<b>603,087</b>	<b>759,556</b>

The annexed notes from 1 to 13 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 CASHFLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

	Quarter ended September 30,	
	2016	2015
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	23,183	10,980
<b>Adjustments for:</b>		
Unrealised appreciation in value of investments classified as at fair value through profit or loss - net	122	553
- Amount representing (income) / loss and realised capital (gains) / losses transferred to the income statement:		
- arising from capital (loss) / gain and unrealised (loss) / gain	806	(75)
- arising from other income	(13)	(830)
	<u>24,099</u>	<u>10,628</u>
<b>(Increase) / decrease in assets</b>		
Investments	(13,896)	(321,194)
Dividend and profit receivables	(2,595)	(6,337)
Advances deposits and prepayments	(16)	(58)
Receivable against issue of units	(8,536)	-
	<u>(25,042)</u>	<u>(327,589)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(97)	348
Payable to the Central Depository Company of Pakistan Limited - Trustee	(8)	50
Payable to the Securities and Exchange Commission of Pakistan	(514)	(227)
Payable against redemption of units	(1,002)	-
Payable against purchase of investment	8,611	(8,512)
Accrued expenses and other liabilities	(1,697)	(4,794)
	<u>5,294</u>	<u>(13,135)</u>
<b>Net cash generated from / (used in) operating activities</b>	<u>4,350</u>	<u>(330,096)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units sold	35,782	148,314
Cash paid on units redeemed	(97,885)	(31,001)
<b>Net cash (used in) / generated from financing activities</b>	<u>(62,103)</u>	<u>117,312</u>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	<u>(57,753)</u>	<u>(212,784)</u>
Cash and cash equivalents at beginning of the period	80,904	240,948
<b>Cash and cash equivalents at end of the period</b>	<u>23,152</u>	<u>28,164</u>

The annexed notes from 1 to 13 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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Capital Market Fund (the Fund) was established under a Trust Deed 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 on October 27, 2003. The Investment Adviser of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003 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 currently situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.
- 1.3 During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund has been categorised as "Balanced Scheme" and offers units for public subscription on continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on Pakistan Stock Exchange, formerly listed on Karachi, Lahore and Islamabad stock exchanges.
- 1.4 The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse purchase transactions.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned as asset manager of "AM2++" to the Management Company and long term stability rating of 3-star and short term rating of 4-star 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. BASIS OF PREPARATION

#### 2.1 Statement of compliance

- 2.1.1 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.
- 2.1.2 This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2016.
- 2.1.3 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2016 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2016, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2015.
- 2.1.4 The directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the Fund.

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

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

## **3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

**3.2** The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

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

## **4. FINANCIAL RISK MANAGEMENT**

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

		(Un-audited) September 30, 2016	(Audited) June 30, 2016
		---- (Rupees in '000) ----	
5.	INVESTMENTS	Note	
<i>At fair value through profit or loss</i>			
	Listed equity securities	5.1	6,844
	Government securities	5.2	184,072
			<hr/>
			190,916
			15,113
			148,962
			<hr/>
			164,075
<i>Available for sale</i>			
	Listed equity securities	5.3	403,482
			<hr/>
			594,398
			402,258
			<hr/>
			566,333

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

## 5.1 Listed equity securities 'at fair value through profit or loss'

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

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 a percentage of total investments	Market value as a percentage of total paid up capital of the investee company				
						Carrying Value	Market value	Appreciation / (diminution)						
Number of shares						Rupees in '000'					%			
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise														
GENERAL INDUSTRIALS														
Packages Limited	150			150	-	-	-	-	-	-	-	-	-	-
CHEMICALS														
Engro Corporation Limited	5,600				5,600	1,865	1,631	(234)	0.27	0.27				0.27
						1,865	1,631	(234)	0.27	0.27				
PERSONAL GOODS														
Bata Pakistan Limited	1,240				1,240	5,056	5,208	152	0.86	0.88				0.02
						5,056	5,208	152	0.86	0.88				
TEXTILE COMPOSITE														
Nishat Mills Limited ***	75,000			75,000	-	-	-	-	-	-				
OIL AND GAS														
Pakistan Petroleum Limited	30				30	5	5	0	0.00	0.00				0.00
						5	5	0	0.00	0.00				
Total as at September 30, 2016														
						6,925	6,844	(81)	1.14	1.15				
Total as at June 30, 2016														
						13,828	15,113	1,285	2.42	2.67				

\*\*\* These include transaction with related parties.

## 5.2 Government securities - 'at fair value through profit or loss'

Issue date	Face value					As at September 30, 2016				Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchased during the period	Disposed during the period	Matured during the period	As at September 30, 2016	Carrying value	Market value	Appreciation / (Diminution)			
Rs. in Lakhs (Rupees in '000)											
											9%
Treasury bills - 12 months	50,000				50,000	49,795	49,791	(4)	8.26	8.38	
Treasury bills - 6 months	50,000		15,000	35,000	-	-	-	-	0.00	0.00	
Treasury bills - 3 months	100,000	135,000	-	100,000	135,000	134,289	134,281	(8)	22.27	22.59	
Total as at September 30, 2016						184,084	184,072	(12)	30.53	30.97	
Total as at June 30, 2016						148,933	148,962	29	23.76	26.30	

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

## 5.3 Listed equity securities - 'Available for sale'

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

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 a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)	Market value as percentage of net assets	
										Rupees in '000'
										%
<b>AUTOMOBILE AND PARTS</b>										
INDUS MOTORS COMPANY LIMITED	-	6,000	-	-	6,000	7,943	9,002	1,059	1.49	1.51
						<b>7,943</b>	<b>9,002</b>	<b>1,059</b>	<b>1.49</b>	<b>1.51</b>
<b>CONSTRUCTION AND MATERIAL</b>										
CHERAT CEMENT LIMITED	190,000	-	-	190,000	-	-	-	-	0.00	0.00
DEVAN CEMENT LIMITED	-	230,000	-	-	230,000	6,048	6,065	17	1.01	1.02
D.G. KHAN CEMENT ***	-	187,000	-	139,000	48,000	9,082	8,922	(160)	1.48	1.50
LUCKY CEMENT LIMITED	45,200	-	-	37,000	8,200	4,704	5,554	850	0.92	0.93
MAPLE LEAF CEMENT FACTORY LIMITED	-	100,000	-	100,000	-	-	-	-	0.00	0.00
PIONEER CEMENT LIMITED	79,000	24,500	-	103,500	-	-	-	-	0.00	0.00
						<b>19,834</b>	<b>20,541</b>	<b>707</b>	<b>3.41</b>	<b>3.46</b>
<b>CHEMICALS</b>										
ARCHROMA PAKISTAN LIMITED	-	8,900	-	-	8,900	4,798	5,260	461	0.87	0.88
ICI PAKISTAN LIMITED	40,900	-	-	30,900	10,000	4,243	6,522	2,279	1.08	1.10
LINDE PAKISTAN LIMITED	3,000	-	-	-	3,000	622	445	(177)	0.07	0.07
ENGRO FERTILIZER LIMITED	230,000	206,500	-	-	436,500	29,215	26,915	(2,300)	4.46	4.53
ENGRO CORPORATION LIMITED	142,900	-	-	109,300	33,600	10,591	9,786	(805)	1.62	1.65
						<b>49,469</b>	<b>48,927</b>	<b>(542)</b>	<b>8.11</b>	<b>8.23</b>
<b>COMMERCIAL BANKS</b>										
ASKARI BANK LIMITED	-	300,000	-	-	300,000	5,837	5,973	136	0.99	1.00
BANK AL HABIB LIMITED	-	290,000	-	-	290,000	12,734	13,044	310	2.16	2.19
HABIB BANK LIMITED	200,600	55,000	-	205,900	49,700	9,536	10,974	1,438	1.82	1.85
HABIB METROPOLITAN BANK LIMITED	-	205,000	-	-	205,000	6,060	6,201	142	1.03	1.04
MCB BANK LIMITED ***	25,000	59,000	-	69,000	15,000	3,267	3,312	45	0.55	0.56
MEEZAN BANK LIMITED	-	67,500	-	-	67,500	3,516	3,713	197	0.62	0.62
UNITED BANK LIMITED	174,800	50,000	-	134,600	90,200	15,350	17,930	2,580	2.97	3.02
						<b>56,300</b>	<b>61,148</b>	<b>4,847</b>	<b>10.14</b>	<b>10.29</b>
<b>ENGINEERING</b>										
AMRELI STEELS LIMITED	-	125,000	-	50,000	75,000	3,908	5,347	1,439	0.89	0.90
CRESCENT STEEL & ALLIED PRODUCT LIMITED	400	50,000	-	50,400	-	-	-	-	0.00	0.00
						<b>3,908</b>	<b>5,347</b>	<b>1,439</b>	<b>0.89</b>	<b>0.90</b>

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

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 a percentage of net assets	Market value as a percentage of total investments	Market value as a percentage of total paid up capital of the investee company	
						Rupees in '000'							
						Cost	Market value	Appreciation / (diminution)					
----- % -----													
GLASS & CERAMICS	153,000	-	-	-	153,000	9,991	14,653	4,662	2.43	2.47	2.47	0.21	
TARIQ GLASS INDUSTRIES LIMITED						9,991	14,653	4,662	2.43	2.47			
NON LIFE INSURANCE COMPANIES	200	-	-	200	-	-	-	-	-	-	-	0.00	
IGI INSURANCE LIMITED						-	-	-	-	-	-		
OIL & GAS EXPOLORATION	168,600	45,000	-	25,000	188,600	26,694	26,636	(58)	4.42	4.48	4.48	0.00	
OIL & GAS DEVELOPMENT CO LIMITED **	20,000	-	-	-	20,000	11,642	19,091	7,449	3.17	3.21	3.21	0.02	
MARI PETROLEUM COMPANY LIMITED	72,500	15,000	-	32,500	55,000	19,030	22,072	3,042	3.66	3.71	3.71	0.02	
PAKISTAN OILFIELDS LIMITED **						57,366	67,799	10,432	11.24	11.41			
OIL AND GAS MARKETING COMPANIES	15,200	20,000	-	-	35,200	14,173	14,578	405	2.42	2.45	2.45	0.01	
PAKISTAN STATE OIL CO LIMITED	-	115,000	-	-	115,000	5,873	5,764	(109)	0.96	0.97	0.97	0.02	
SUI NORTHERN GAS LIMITED***	-	75,000	-	-	75,000	3,035	3,041	5	0.50	0.51	0.51	0.01	
SUI SOUTHERN GAS LIMITED***						23,081	23,382	301	3.88	3.93			
ELECTRICITY	338,625	87,000	-	256,500	169,125	11,423	11,969	546	1.98	2.01	2.01	0.03	
PAK ELEKTRON LIMITED	-	150,000	-	-	150,000	18,992	17,876	(1,117)	2.96	3.01	3.01	0.01	
HUB POWER COMPANY LIMITED	285,000	-	-	285,000	-	-	-	-	-	-	-	0.00	
KOT ADDU POWER CO. LIMITED	1,925,630	-	-	225,000	1,700,630	13,692	15,663	1,971	2.60	2.64	2.64	0.01	
K-ELECTRIC LIMITED*	465,000	-	-	465,000	-	-	-	-	-	-	-	0.00	
LALPIR POWER LIMITED***	530,000	-	-	50,000	480,000	14,972	11,419	(3,553)	1.89	1.92	1.92	0.13	
PAKGEN POWER LIMITED ** ***						59,079	56,926	(2,152)	9.44	9.58			
FOOD PRODUCERS	700	-	-	-	700	43	45	2	0.01	0.01	0.01	0.00	
AL-SHAHEER CORPORATION LIMITED	2,600	-	-	-	2,600	3,290	1,307	(1,983)	0.22	0.22	0.22	0.03	
SHEZAN INTERNATIONAL LIMITED						3,333	1,352	(1,981)	0.22	0.23			
TECHNOLOGY & COMMUNICATIONS	190,000	32,000	-	-	222,000	14,666	13,444	(1,222)	2.23	2.26	2.26	0.25	
NETSOL TECHNOLOGIES LIMITED	-	330,000	-	-	330,000	5,975	6,032	57	1.00	1.01	1.01	0.01	
PTCL "A" LIMITED	165	61,500	-	-	61,665	3,838	4,324	486	0.72	0.73	0.73	0.06	
SYSTEMS LIMITED						24,479	23,801	(679)	3.95	4.00			
TEXTILE COMPOSITE	-	75,000	-	-	75,000	6,030	6,375	345	1.06	1.07	1.07	0.03	
KOHINOOR TEXTILE MILLS LIMITED	-	415,000	-	130,000	285,000	11,339	13,070	1,731	2.17	2.20	2.20	0.12	
NISHAT (CHUNIAN) LIMITED ***	16,000	116,500	-	16,000	116,500	15,475	16,415	940	2.72	2.76	2.76	0.03	
NISHAT MILLS LIMITED ***	-	79,500	-	-	79,500	11,453	13,728	2,275	2.28	2.31	2.31	0.28	
GADOON TEXTILE LIMITED						44,297	49,588	5,291	8.22	8.34			
TRANSPORT	18,600	-	-	18,600	-	-	-	-	-	-	-	0.00	
P.N.S.C.						-	-	-	-	-	-		
PHARMACEUTICALS	-	25,000	-	1,650	23,350	17,988	19,812	1,825	3.29	3.33	3.33	0.02	
ABBOTT LABORATORIES (PAKISTAN) LIMITED	2,100	-	-	-	2,100	798	1,204	406	0.20	0.20	0.20	0.00	
SEARLE COMPANY LIMITED						18,786	21,017	2,230	3.48	3.54			
Total as at September 30, 2016						377,867	403,482	25,615	66.90	67.88			
Total as at June 30, 2016						376,001	402,258	26,257	64.16	71.03			

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

\*\* The above include shares with a market value aggregating to Rs. 19,475 million (June 30, 2016: Rs. 23,875) 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 Securities and Exchange Commission of Pakistan.

\*\*\* These include transaction with related parties.

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

		(Un-audited) September 30, 2016	(Audited) June 30, 2016
<b>6. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	6.1	10,732	10,732
Provision for Federal Excise Duty and related tax			
- On management fee	6.2	5,872	5,872
- On sales load	6.2	393	393
Withholding tax payable		432	2,396
Dividend payable		2,783	2,783
Auditors' remuneration		203	419
Zakat		125	125
Brokerage		912	540
Other		506	395
		<b>21,958</b>	<b>23,655</b>

- 6.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by the CIS through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 08, 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 01, 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. 10.732 million in these financial statements pertaining to period July 01, 2011 to June 30, 2015 and have not recognised any further provision there against. During the period ended September 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 Re. 0.20 per unit as at September 30, 2016.

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

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

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

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

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

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs. 6.27 million (2016: Rs. 6.27 million).

### **7 ALLOCATED EXPENSE**

In the current period a statutory notification (S.R.O. No 1160 (1) /2015 dated 25 November 2015 was issued by the 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 Scheme (CIS) upto maximum of 0.1% of average annual net assets of the scheme. Accordingly, such expenses have been charged effective from 27 November 2015.

### **8 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.

### **9. 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.

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

## 10. CONTINGENCIES AND COMMITMENTS

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

## 11. 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 0.10% representing Government levies.

## 12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, its related entities, Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other Funds managed by the Management Company and Directors, Key Management Personnel and Officers of the Management Company, and Unit Holders having more than 10% holding in the Fund.

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations, 2008 and the Trust Deed respectively.

### 12.1 Details of transactions with connected persons are as follows:

	Quarter ended September 30,	
	2016	2015
	----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investment Limited</b>		
<b>- Management Company</b>		
Remuneration (including indirect taxes)	3,551	5,179
Allocated expenses (including indirect taxes)	178	-
<b>Central Depository Company of</b>		
<b>Pakistan Limited - Trustee</b>		
Remuneration (including indirect taxes)	355	448
CDS charges	43	17
<b>Arif Habib Limited - Brokerage House</b>		
Brokerage*	99	35
<b>Next Capital Private Limited - Brokerage House</b>		
Brokerage *	112	52
<b>MCB Bank Limited</b>		
Bank charges	8	11
Profit on bank deposit	66	742
Purchase of Nil Securities Face Value (2015: 50,000,000)	-	49,215

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

	<b>Quarter ended September 30,</b>	
	<b>2016</b>	<b>2015</b>
	<b>----- (Rupees in '000) -----</b>	
<b>Pakgen Power Limited</b>		
Dividend Income	480	-
<b>Directors, executives and employees of the Management Company</b>		
Redemption of Nil units (2015: 16,362 units)	-	170
<p>* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not the connected persons.</p>		
	(Un-audited) September 30, 2016	(Audited) June 30, 2016
	<b>----(Rupees in '000)----</b>	
<b>12.2 Amounts outstanding as at period / year end:</b>		
<b>MCB-Arif Habib Savings and Investment Limited</b>		
- Management Company		
Management fee payable	983	1,043
Sindh sales tax payable on management fee	128	146
Front-end load payable	75	91
Allocated expense payable	49	52
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	99	104
Sindh sales tax payable on remuneration of Trustee	13	15
Security deposit	300	300
<b>MCB Bank Limited</b>		
Bank balance	1,990	13,170
Profit receivable on bank deposits	62	93
15,000 shares held (June 30, 2016: 25,000 shares)	3,312	5,500
<b>Arif Habib Limited - Brokerage House</b>		
Brokerage payable *	72	85
<b>Next Capital Private Limited - Brokerage House</b>		
Brokerage payable *	82	58
<b>Pakgen Power Limited</b>		
480,000 shares held (June 30, 2016: 530,000 shares)	11,419	12,746
<b>D.G. Khan Cement Limited</b>		
48,000 shares held (June 30, 2016: Nil shares)	8,922	-
<b>Lalpir Power Limited</b>		
Nil shares held (June 30, 2016: 465,000 shares)	-	10,091
<b>Nishat Mills Limited</b>		
116,500 shares held (June 30, 2016: 91,000 shares)	16,415	9,819
<b>Sui Northern Gas Limited</b>		
115,000 shares held (30 June 2016: Nil)	5,764	-
<b>Sui Southern Gas Limited</b>		
75,000 shares held (30 June 2016: Nil)	3,041	-
<b>Nishat (chunian Limited)</b>		
285,000 shares held (30 June 2016: Nil)	13,070	-

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

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\* 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.

**13 General**

- 13.1** Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. The effect of rearrangement / reclassification is not considered to be material.
- 13.2** This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on October 21, 2016.



**Chief Executive Officer**

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



**Director**

Please find us on



by typing: **MCB Arif Habib Savings**

## **MCB-Arif Habib Savings and Investments Limited**

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