

Half Year Report
December 31, 2016
(Unaudited)



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited
Rated: AM2++ by PACRA

PAKISTAN INCOME ENHANCEMENT FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.
Board of Directors	Mian Mohammad Mansha Chairman Mr. Nasim Beg Vice Chairman Mr. Muhammad Saqib Saleem Chief Executive Officer Dr. Syed Salman Ali Shah Director Mr. Haroun Rashid Director Mr. Ahmed Jahangir Director Mr. Samad A. Habib Director Mr. Mirza Mahmood Ahmed Director
Audit Committee	Mr. Haroun Rashid Chairman Mr. Ahmed Jahangir Member Mr. Samad A. Habib Member Mr. Nasim Beg Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Chairman Mr. Nasim Beg Member Mr. Haroun Rashid Member Mr. Ahmed Jahangir Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem
Chief Financial Officer & Company Secretary	Mr. Abdul Basit
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited JS Bank Limited Zarai Taraqiat Bank Limited
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.
Rating	AM2++ Asset Manager Rating assigned bt PACRA

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Income Enhancement Fund** accounts review for the half year ended December 31, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

Weakness in external account raised concerns in otherwise progressive improvement in headline economic indicators continuing for the last 2 years. Weak trade balance, primarily due to subdued trend in exports and higher imports along with weak contribution from services and remittances kept the pressure on overall Current Account balance which widened 92% in 1HFY17 to USD 3.6 billion. It is pertinent to note that partial increase in imports is triggered by machinery imports which have increased by 8.3% along with increase in oil import bill which is expected to widen further given recent arrangements from OPEC to support Int'l Crude Oil prices. The cushion to Balance of Payments was bolstered by financial account of USD 3.7 bn where major respite came from the net borrowing of USD 740 million along with the inflow materialized in FDI on completion of acquisition of stake in Engro Foods by Freisland Campina. Overall balance of the Balance of Payments stood at USD 225 mn compared to USD 1.5 bn during same period of last year.

Foreign exchange reserves stood at USD 23.2 bn (06th Jan 2017). It is pertinent to note that SBP reserves explain most of the volatility in For-ex reserves where government borrowing and retirement of loans has net negative balance in 1HFY17 while closing approx USD 1bn lower from peak seen in Oct 16.

Undergoing appreciation of about 0.4% in 1HFY17, PKR continues to remain resilient against USD which also raises concerns given the relative weakness in other developing economies and also reflected from REER as measured by SBP reaching to a high of 126 depicting significant overvaluation.

Fiscal deficit increased to 1.3 % (1QFY17) of GDP as against 1.1% in SPLY due to sharp decline in non-tax revenue. On provisional basis, tax authority has managed to collect PKR 1,460 billion during 1HFY17, recording a shortfall of PKR ~127 billion from the desired target. With annual tax collection target of PKR 3.6 trillion; demanding a growth rate of 17% YoY, and higher development spending, fiscal deficit is likely to exceed 4.5% against budgetary target of 3.8%. Focus of government on development spending is however positive for the overall long term direction and thus slippage on this front is not a major concern.

LSM grew by 3.24% YoY in 5MFY17. The growth is driven through consumer, electrical, automobiles and cement manufacturing.

Inflation continued its upward trajectory with first half averaging 3.88% compared to 2.08% for 1HFY16. The withering of low base effect along with inherent increases in food and housing pricing triggered inflationary pressures. The government kept on absorbing the incremental petrol prices which kept the inflation subdued.

M2 growth posted year to date growth of 5.45% by the end of the year. The deposits grew seasonally by PKR 420 bn in a week supported by year end efforts of banks to expand balance sheet size. Thereafter, the M2 growth has normalized to 3.68%. Moreover, the abnormal accumulation in currency in circulation (CIC) last year triggered after imposition of withholding tax on cash withdrawals has normalized though CIC to M2 ratio is still high at 26% against previous average of 22%. The Net Domestic Assets increased by PKR 518 bn supported by net government sector borrowings of PKR 390 bn.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 3.62% as against its benchmark return of 6.19%.

WAM of fund is significantly dropped down to 1.3 YTM as compare to 2.2 YTM in June 2016. The fund decreased its exposure in PIBs at end of the period with a focus on booking capital gains amid market expectations of further monetary easing. At period-end, the fund was invested 41.7% in Cash, 17% in TDRs, 3.5% in Treasury Bills, 13.7% in TFCs and 0.6% in PIBs.

The Net Assets of the Fund as at December 31, 2016 stood at Rs. 3,106 million as compared to Rs. 2,463 million as at June 30, 2016 registering an increase of 26.11%.

The Net Asset Value (NAV) per unit as at December 31, 2016 was Rs. 54.13 as compared to opening NAV of Rs. 53.16 per unit as at June 30, 2016 registering an increase of Rs. 0.97 per unit.

FUTURE OUTLOOK

The reversal in crude oil prices is expected to wither of the fiscal space previously available amid growing import bill. The recent decision by government to revise up petroleum prices in its latest fortnightly decision points towards constricting fiscal liberty.

The recently announced textile package is expected to provide support to the export sector. However, the overvalued currency as depicted from REER still remains a blockade for export competitiveness of the country however the same may remain deferred till the government continues to fund the gap through borrowing.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

The inflationary pressures are also expected to succumb to expected increments in petroleum prices along with its trickle down impact on food inflation. We expect inflation for the year to average ~4.3%. It is pertinent to note inflation for next half of the year is expected to average around 4.8% with inflation for closing months of the year to exceed 5%.

While, we expect interest rates to remain stable in the short term given the stable inflationary trends, exchange rate overvaluation along with weak external account suggest a close review of emerging trends with potential for inflection on either side though biased in favor of monetary tightening.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The MSCI specific companies are expected to gain limelight as formal inclusion nears. However, the volatility in global markets lead by uncertainty in global economies after Trump's induction as US President and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our positive stance on the market.

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.

For and on behalf of the Board,



Muhammad Saqib Saleem
Chief Executive Officer
February 2, 2017

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان انکم اینہینسمنٹ فنڈ کے 31 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازارز کا مجموعی جائزہ

خارجی اکاؤنٹ میں کمزوری نے اہم ترین معاشی علامات میں گزشتہ 2 برسوں سے جاری ترقیاتی بہتری میں خدشات پیدا کیے۔ کمزور تجارتی توازن کے باعث، جس کی بنیادی وجوہات برآمدات کا پست رجحان اور پہلے سے زیادہ درآمدات، بشمول سروسز اور ترسیلات زر کی کمزور کارکردگی ہیں، مجموعی کرنٹ اکاؤنٹ بیلنس پر دباؤ رہا جو 2017ء کی پہلی ششماہی میں 92% بڑھ کر 3.6 بلین ڈالر ہو گیا۔ یاد رہے کہ درآمدات میں جزوی اضافے کی محرک مشینری کی درآمدات ہیں جن میں 8.3% اضافہ ہوا، بشمول تیل کی درآمد میں اضافے کے، جس میں OPEC کے خام تیل کی بین الاقوامی قیمتوں میں معاونت کے حالیہ اقدامات کے پیش نظر مزید اضافہ متوقع ہے۔ ادائیگیوں کے توازن کے تحفظ کی 3.7 بلین ڈالر کے مالیاتی اکاؤنٹ سے حوصلہ افزائی ہوئی، اور اس ضمن میں اہم ترین پیش رفت 740 ملین ڈالر کے قرض، بشمول اینگرو فونڈز میں Freisland Campina کی حصص داری کی تکمیل پر FDI (غیر ملکی براہ راست سرمایہ کاری) میں اضافے سے ہوئی۔ ادائیگیوں کے توازن کا مجموعی بیلنس 225 ملین ڈالر تھا، جبکہ گزشتہ سال کی اسی مدت کے دوران 1.5 بلین ڈالر تھا۔

زرمبادلہ کے ذخائر 23.2 بلین ڈالر تھے (06 جنوری 2017ء)۔ یاد رہے کہ فوریکس ذخائر میں اتار چڑھاؤ کا سبب SBP (اسٹیٹ بینک آف پاکستان) کے ذخائر ہیں، جہاں 2017ء کی پہلی ششماہی میں حکومت کے قرضوں کے حصول اور قرضوں کی ریٹائرمنٹ کا منفی بیلنس ہے جبکہ اکتوبر 2016ء میں بلند ترین سطح سے تقریباً 1 بلین ڈالر کم پر کلوزنگ ہوئی۔

پاکستانی روپیہ 2017ء کی پہلی ششماہی میں تقریباً 0.4% ترقی کر کے امریکی ڈالر کے مقابلے میں یکدلار رہا، اور اس سے بھی دیگر ترقی پذیر معیشتوں میں کمزوری کو مد نظر رکھتے ہوئے خدشات پیدا ہوئے جن کا اظہار SBP کے پیکش کردہ REER سے ہوا، جو 126 کی بلند سطح پر پہنچا جس سے خطیر اضافے کی عکاسی ہوتی ہے۔

مالیاتی خسارہ (مالی سال 2017ء کی پہلی سہ ماہی میں) غیر ٹیکس آمدنی میں تیزی سے کمی کے باعث GDP (مجموعی غیر ملکی پیداوار) کے 1.3% تک بڑھ گیا، بالمتقابل SPLY میں 1.1% کے ٹیکس اتھارٹی 2017ء کی پہلی ششماہی کے دوران عارضی بنیادوں پر 1,460 بلین روپے جمع کر سکی، جو مطلوبہ ہدف سے 127 بلین روپے کم ہے۔ 3.6 ٹریلین روپے سالانہ ٹیکس کے ہدف کے پیش نظر، جو YoY 17% کی ترقیاتی شرح اور ترقیاتی کاموں میں زیادہ خرچ کرنے کا تقاضہ کرتا ہے، مالیاتی خسارے میں بجٹ کے 3.8% کے ہدف کے مقابلے میں 4.5% اضافہ متوقع ہے۔ تاہم ترقیاتی کاموں پر خرچ کرنے پر حکومتی توجہ مجموعی طور پر طویل المیعاد سمت میں مثبت ہے، چنانچہ اس گوشے میں انحطاط بڑا مسئلہ نہیں ہے۔

LSM میں 5MFY17 YoY 3.24% ترقی ہوئی جس کے اسباب کمزور یومر، الیکٹریکل، آٹوموبائلز اور سینٹ مینوفیکچرنگ ہیں۔

افراط زر میں بدستور اضافہ ہوتا رہا؛ پہلی ششماہی میں افراط زر کا اوسط 33.8% تھا جبکہ 2016ء کی پہلی ششماہی میں 2.08% تھا۔ پہلے سے پست base effect میں بتدریج کمی اور ایشیائی خورد و نوش اور ہاؤسنگ کی قیمتوں میں فی نفسہ اضافے افراط زر کے دباؤ کے محرک بنے۔ حکومت پٹرول کی بڑھتی ہوئی قیمتوں کا اثر جذب کرتی رہی جس کے باعث افراط زر کی سطح پست رہی۔

M2 ترقی میں سال کے اختتام تک 5.45% year to date ترقی ہوئی۔ اختتام سال پر بیٹیکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 420 بلین روپے موسمی ترقی ہوئی۔ اس کے بعد M2 ترقی 3.68% کی عمومی سطح تک پہنچ گئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر وہ ہولڈنگ ٹیکس عائد کرنے کی وجہ سے زیر گردش روپے (CIC) میں جو غیر معمولی انبار لگ گیا تھا وہ عمومی سطح پر آ گیا ہے، اگرچہ CIC کا M2 سے تناسب اب 2.6% ہے جو گزشتہ اوسط 2.2% سے زیادہ ہے۔ حکومتی سیکٹر کی 390 بلین

روپے قرضوں کی net حصولی کی مدد سے net مقامی اثاثہ جات میں 518 بلین روپے اضافہ ہوا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع مقررہ معیار %6.19 کے مقابلے میں %3.62 تھا۔

فنڈ کا WAM، جو جون 2016ء کو 2.2 YTM تھا، قابل لحاظ حد تک کم ہو کر 1.3 YTM ہو گیا۔ فنڈ نے اختتام مدت پر PIBs میں اپنی شمولیت کو کم کر لیا تاکہ مزید مالی تسہیل کے حوالے سے مارکیٹ کی توقعات کے پس منظر میں سرمائے کے منافعوں سے مستفید ہونے پر توجہ مرکوز کی جائے۔ اختتام مدت پر فنڈ کی سرمایہ کاری 41.7 فیصد نقد میں، 17 فیصد TDRs میں، 3.5 فیصد ٹریڈری بلز میں، 13.7 فیصد TFCs میں اور 0.6 فیصد PIBs میں تھی۔

31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 3,106 ملین روپے تھی، جو 30 جون 2016ء پر 2,463 ملین روپے مالیت کے مقابلے میں %26.11 زیادہ ہے۔
31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) نی یونٹ 54.13 روپے تھی، جو 30 جون 2016ء پر 53.16 روپے نی یونٹ قدر کے مقابلے میں 0.97 روپے نی یونٹ زیادہ ہے۔

مستقبل کا منظر

خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بل کے ماحول میں دستیاب مالیاتی خلاء کے بتدریج ختم ہوجانے کا امکان ہے۔ حکومت کے تازہ ترین پندرہ روزہ فیصلہ جاتی نکات میں پٹرول کی قیمتوں پر نظر ثانی کا حالیہ فیصلہ مالیاتی آزادی پر قدغن کی طرف اشارہ کر رہا ہے۔

حالیہ اعلان کردہ ٹیکسٹائل پیکیج سے برآمدات کے شعبے کو معاونت فراہم ہونے کی توقع ہے۔ تاہم مطلوبہ سے زیادہ قدر کا حامل روپیہ، جیسا کہ REER سے ظاہر ہوتا ہے، ابھی تک ملک کی برآمداتی مسابقت کی صلاحیت کے لئے ایک رکاوٹ ہے۔ تاہم ممکن ہے کہ یہ نوبت تب تک نہ آئے جب تک حکومت قرض کی حصولی کے ذریعے اس خلیج کو پُر کرنا جاری رکھے گی۔

پٹرول کی قیمتوں میں اضافوں اور ایشیائے خورد و نوش کے افراط زر پران کے اثر سے متوقع طور پر افراط زر کے دباؤ کا بھی زور ٹوٹ جائے گا۔ ہماری توقع ہے کہ اس سال کے افراط زر کا اوسط %4.3 ہوگا۔ یہاں یہ بات قابل ذکر ہے کہ دوسری ششماہی میں افراط زر کا اوسط تقریباً %4.8 متوقع ہے، اور سال کے اختتامی مہینوں میں افراط زر %5 سے زیادہ ہوگا۔

اگرچہ ہمیں اُمید ہے کہ افراط زر کے مستحکم رجحانات کے پیش نظر مختصر میعاد میں انٹریسٹ کی شرحیں مستحکم رہیں گی، لیکن زرمبادلہ کی شرح کی مطلوبہ سے زیادہ قدر، اور اس کے ساتھ کمزور خارجی اکاؤنٹ سے مستقبل میں اُبھرنے والے رجحانات کا باریک بین جائزے کا اندازہ ہوتا ہے، وہ رجحانات جو مالیاتی عناصر کو گس دینے کی حمایت کی طرف جھکے ہونے کے باوجود دونوں جانب مرض پھیل سکتے ہیں۔

چین پاکستان معاشی راہداری سے ترقی کے لیے بے حد مطلوب قوت حاصل ہونے کا امکان ہے؛ 50 بلین ڈالر سے زائد کا یہ پروگرام متوقع طور پر تعمیرات اور توانائی کی خلاء میں سرگرمیاں پیدا کرنے کا محرک بنے گا اور اس کے اثرات دیگر شعبوں پر بھی مرتب ہوں گے۔ تاہم مختصر میعاد میں درآمداتی بل میں اضافے کے ساتھ غیر ملکی براہ راست سرمایہ کاریوں کی آمدات سے کرنٹ اکاؤنٹ میں مزید انحطاط متوقع ہے۔ طویل میعاد میں منافع کی وطن واپسی بھی ادائیگیوں کے توازن کی صورت حال کے لیے ایک خدشہ ہوگی۔

پاکستان انٹریسٹ کی پست / مستحکم شرح کے ماحول اور اس کے ساتھ چین پاکستان معاشی راہداری کی صورت میں ترقی کے محرک کے باعث بہتر مقام بنانے اور معاشی توسیعی چکر میں ہونے کی وجہ

سے اُبھرتی ہوئی مارکیٹ کی دیگر معیشتوں کے مقابلے میں بہتر کارکردگی کا مظاہرہ کرے گا۔ اُمید کی جارہی ہے کہ اس پروگرام سے تعمیرات اور متعلقہ صنعتی شعبوں کو معاونت فراہم ہوگی۔ بینکاری کے شعبے کو بھی ایڈوانسز کی مضبوط ترقی اور انٹریٹ کی مستحکم شرح کے ماحول سے متوقع طور پر فائدہ ہوگا۔ باقاعدہ شمولیت کے قریب آنے پر MSCI سے مخصوص کمپنیوں کا منظر عام پر آنا متوقع ہے۔ تاہم ٹرمپ کے امریکی صدر بننے کے بعد عالمی معیشتوں میں غیر یقینی حالات کے نتیجے میں عالمی مارکیٹس میں عدم استحکام اور اُبھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر المیعا دکارکردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ اینڈریج کمیٹی آف پاکستان اور فنڈ کے ٹرسٹیز 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۔

برائے بورڈ اور بورڈ کی جانب سے



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

02 فروری 2017ء

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN INCOME ENHANCEMENT FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Income Enhancement Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2016 in accordance with the provisions of the following:

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

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2017



**AUDITOR'S REPORT TO THE UNIT HOLDERS ON
REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

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

Introduction

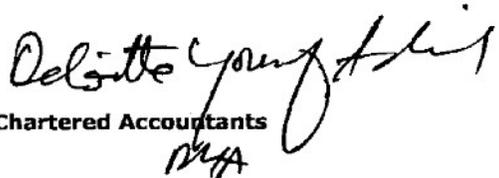
We have reviewed the accompanying condensed interim statement of assets and liabilities of Pakistan Income Enhancement Fund (the Fund) as at December 31, 2016, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the half year ended December 31, 2016. The Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2016 and 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.


Chartered Accountants

Engagement Partner
Mushtaq Ali Hirani

Dated: 02 FEB 2017
Karachi

Member of
Deloitte Touche Tohmatsu Limited

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2016**

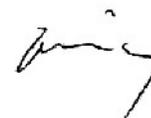
		(Un-audited) December 31, 2016	(Audited) June 30, 2016
	Note	----- (Rupees in '000') -----	
ASSETS			
Balance with banks		1,488,321	1,291,192
Investments	5	1,331,553	1,205,461
Income and profit receivable		20,879	30,768
Deposits, prepayments and other receivables		59,490	558
Advance against subscription of Term Finance Certificate		100,000	-
Receivable against margin trading system		131,911	-
Receivable against sale of equity securities		434,302	-
Total assets		3,566,456	2,527,979
LIABILITIES			
Payable to the Management Company		8,820	7,040
Payable to the Central Depository Company of Pakistan Limited - Trustee		264	385
Payable to the Securities and Exchange Commission of Pakistan		943	2,425
Payable against redemption of units		2,079	3,108
Payable against purchase of equity securities		401,369	-
Future contract payable		2,560	-
Accrued expenses and other liabilities	6	44,471	52,469
Total liabilities		460,506	65,427
NET ASSETS		3,105,950	2,462,552
Unit holders' funds (as per statement attached)		3,105,950	2,462,552
Contingencies and commitments	7		
		(Number of units)	
Number of units in issue		57,375,679	46,324,787
		(Rupees)	
NET ASSET VALUE PER UNIT		54.13	53.16

The annexed notes 1 to 15 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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

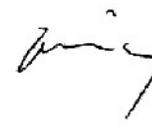
	Note	Half year ended December 31,		Quarter ended December 31,	
		2016	2015	2016	2015
----- (Rupees in '000') -----					
INCOME					
Income from government securities		42,595	83,393	9,037	44,971
Capital (loss) / gain on sale of investments - net		(4,777)	19,654	1,292	17,099
Income from term finance certificates		20,041	10,824	8,591	3,809
Profit on bank deposit and term deposit receipts		25,283	15,297	18,663	11,835
Dividend income		3,844	-	3,844	-
Markup income on margin trading system		3,257	-	3,257	-
Loss on spread transaction		(15,155)	-	(15,155)	-
		75,088	129,168	29,529	77,714
Unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' - net	5.8	6,967	(989)	6,930	(1,060)
Unrealised diminution in fair value of listed equity securities sale in future (for spread transaction)		(2,560)	-	(2,560)	-
Provision (charged) / reversed against non-performing debt securities		(2,549)	3,166	-	2,857
Total income		76,946	131,345	33,899	79,511
EXPENSES					
Remuneration of the Management Company		18,850	17,867	8,970	10,120
Sindh Sales tax and Federal Excise Duty on remuneration of the Management Company		2,450	5,766	1,166	3,262
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		1,497	1,439	723	693
Sindh Sales tax on remuneration of Trustee	8	195	201	94	201
Securities and Exchange Commission of Pakistan - annual fee		942	889	448	506
Allocated expense	9	1,420	289	676	289
Securities transaction cost		2,125	473	1,704	253
Bank charges		368	150	240	70
Fees and subscriptions		269	91	185	46
Professional charges on marginal trading system		302	-	302	-
Auditors' remuneration		276	314	143	160
Printing and related costs		105	93	65	53
Total expenses		28,799	27,572	14,716	15,653
		48,147	103,773	19,183	63,858
Net element of income and capital gains / (losses) included in prices of units issued less those in units redeemed					
-Arising from capital gain and unrealised gain		1,917	6,974	827	1,265
-Arising from other income		9,057	10,810	13,716	(481)
Provision for Workers' Welfare Fund	6.1	-	-	-	-
Net income for the period before taxation		59,121	121,557	33,726	64,642
Taxation	10	-	-	-	-
Net income for the period after taxation		59,121	121,557	33,726	64,642
Earnings per unit	11				

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



Chief Executive Officer

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

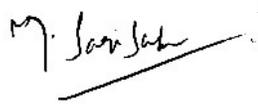


Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000') -----			
Net income for the period after taxation	59,121	121,557	33,726	64,642
Other comprehensive income for the period				
<i>Items that may be reclassified to profit and loss account</i>				
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(3,040)	(1,618)	4,520	(21,932)
Total comprehensive income for the period	56,081	119,939	38,246	42,710

The annexed notes 1 to 15 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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000') -----			
Undistributed income brought forward	142,647	59,260	159,602	220,470
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred from unit holder's fund	34,794	102,900	43,234	(1,395)
Net Income for the period	59,121	121,557	33,726	64,642
	93,915	224,457	76,960	63,247
Undistributed income carried forward	236,562	283,717	236,562	283,717

The annexed notes 1 to 15 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 HOLDER'S FUND (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000') -----			
Net assets at beginning of the period	2,462,552	968,708	2,319,792	2,737,503
Issue of 47,137,860 units (2015: 49,105,360 units) and 13,240,222 units (2015: 12,298,222 units) for the six months and quarter ended respectively	2,489,582	2,661,322	1,783,780	679,702
Redemption of 36,086,968 units (2015: 17,457,445 units) and 16,283,321 units (2015: 12,395,723 units) for the six months and quarter ended respectively	(1,891,291)	(958,242)	(1,021,325)	(685,188)
	598,291	1,703,080	762,455	(5,486)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
- Arising from capital loss and unrealised loss on investments transferred to Income Statement	(1,917)	(6,974)	(827)	(1,265)
- Arising from other income transferred to Income Statement	(9,057)	(10,810)	(13,716)	481
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	(34,794)	(102,900)	(43,234)	1,395
	(45,768)	(120,684)	(57,777)	611
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealized income	34,794	102,900	43,234	(1,395)
Capital (loss) / gain on sale of investments - net	(4,777)	19,654	1,292	17,099
Unrealised appreciation / (diminution) in fair value of investments classified as at fair value through profit or loss - net	6,967	(989)	6,930	(1,060)
Other net operating income	56,931	102,892	25,504	48,603
Unrealised (diminution) / appreciation on re-measurement of investment classified as available for sale	(3,040)	(1,618)	4,520	(21,932)
Total comprehensive income for the period	56,081	119,939	38,246	42,710
Net assets at end of the period	3,105,950	2,773,943	3,105,950	2,773,943

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



Chief Executive Officer

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

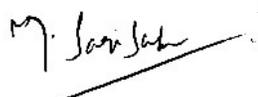


Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

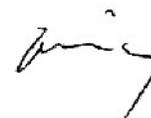
	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000') -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	59,121	121,557	33,726	64,642
<i>Adjustments for non cash and other items:</i>				
Unrealised (appreciation) / diminution in value of investments classified as 'at fair value through profit or loss' - net	(6,967)	989	(6,930)	1,060
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
-Arising from capital gain and unrealised gain	(1,917)	(6,974)	(827)	(1,265)
-Arising from other income	(9,057)	(10,810)	(13,716)	481
Provision charged / (reversed) against non-performing debt securities	2,549	(3,166)	-	(2,857)
	<u>43,729</u>	<u>101,596</u>	<u>12,253</u>	<u>62,061</u>
(Increase) / decrease in assets				
Investments	(124,714)	(1,109,946)	554,092	684,951
Advance against subscription of Term Finance Certificate	(100,000)	(125,000)	(100,000)	(125,000)
Income and profit receivable	9,889	(49,148)	(696)	(47,472)
Deposits, prepayments and other receivables	(58,932)	265	(59,019)	(12)
Receivable against margin trading system	(131,911)	-	(131,911)	-
Receivable against sale of equity securities	(434,302)	-	(434,302)	-
	<u>(839,970)</u>	<u>(1,283,829)</u>	<u>(171,836)</u>	<u>512,467</u>
Increase / (decrease) in liabilities				
Payable to the Management Company	1,780	8,331	3,016	5,557
Payable to the Central Depository Company of Pakistan Limited - Trustee	(121)	144	(15)	3
Payable to the Securities and Exchange Commission of Pakistan	(1,482)	(298)	449	506
Payable against redemption of units	(1,029)	(2,510)	(41,732)	-
Payable against purchase of equity securities	401,369	-	401,369	-
Future contract payable	2,560	-	2,560	-
Accrued expenses and other liabilities	(7,998)	(3,397)	2,533	3,308
	<u>395,079</u>	<u>2,270</u>	<u>368,180</u>	<u>9,374</u>
Net cash (used in) / generated from operating activities	A	(401,162)	(1,179,963)	208,597
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	2,489,582	2,661,322	1,783,780	679,702
Payments on redemption of units	(1,891,291)	(958,242)	(1,021,325)	(685,188)
Net cash generated from / (used in) financing activities	B	598,291	1,703,080	762,455
Net increase in cash and cash equivalents during the period	A + B	197,129	523,117	971,052
Cash and cash equivalents at beginning of the period	1,291,192	114,375	517,269	59,076
Cash and cash equivalents at end of the period	1,488,321	637,492	1,488,321	637,492

The annexed notes 1 to 15 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 STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Income Enhancement Fund ("the Fund") was established through 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. The Trust Deed was executed on July 14, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 26, 2008 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor ,Centre Point , Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3** The Fund is an open-ended mutual fund and has been categorised as "Aggressive Fixed Income Scheme" by the Board of Directors of the Management Company in pursuant to Circular 7 of 2009, dated 6 March 2009 issued by the SECP, and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unit holders are divided into plan "A" and plan "B". The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend. The units are listed on Pakistan Stock Exchange (PSX).
- 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 repurchase transactions, spread transactions and transaction under Margin Trading System.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated June 8, 2016 to the Management Company and "A+(f)" as stability rating dated December 9, 2016 to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1** This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 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) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) shall prevail.
- 2.2** This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2016. Comparative information of the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2016 and December 31, 2015 are un-audited and have been included to facilitate comparison.
- 2.3** This condensed interim financial information is un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause 5.9.13 of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

2.4 This condensed interim financial information 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, unless otherwise specified.

2.5 The directors of the Management Company declare that this condensed interim financial information give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year ended June 30, 2016, except described below:

3.1.1 Spread transactions (ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as 'financial assets at fair value through profit or loss' and carried on the Statement of Assets and Liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the Income Statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the Income Statement in accordance with the requirements of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement.'

3.1.2 Securities under Margin Trading System (MTS)

Transactions for purchase of marketable securities under Margin Trading System (MTS) are entered into at contracted rates for specified period of time. Securities purchased under the MTS are not recognized in the statement of assets and liabilities. The amount paid under such agreement is recognized as "receivable against Margin Trading System (MTS)". Profit is recognized on accrual basis using the effective interest rate method. Cash releases are adjusted against the receivable as reduction in the amount of receivable. The maximum maturity of a MTS is 60 calendar days and 25% of the exposure is released automatically at the expiry of every 15th calendar month.

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

3.3 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not disclosed in this condensed interim financial information.

4. FINANCIAL RISK MANAGEMENT

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

	Note	(Un-audited) December 31, 2016 --- (Rupees in '000') ---	(Audited) June 30, 2016
5. INVESTMENTS			
<i>At fair value through profit or loss</i>			
Listed debt securities	5.1	284,677	284,553
Unlisted debt securities	5.2	104,872	127,271
Listed equity securities	5.3	192,928	-
Government securities	5.4	124,298	57,429
		706,775	469,253
<i>Available for sale</i>			
Government securities	5.5	19,778	736,208
<i>Loans and receivables</i>			
Term deposit receipts	5.6	605,000	-
		1,331,553	1,205,461

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Note	(Un-audited)	(Audited)
		December 31, 2016 ---- (Rupees in '000') ----	June 30, 2016
5.1.1	5.1.1.1	357,040	354,367
		(69,814)	(64,716)
		4,939	9,878
		(7,488)	(14,976)
		(72,363)	(69,814)
		284,677	284,553

5.1 Listed debt securities

Market value as at period / year end

Provision at July 1

Provision charged / (reversed) during the period / year

Pace Pakistan Limited

- Reversal against carrying value matured

- Charge against face value receivable

5.1.1 Listed debt securities - term finance certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of certificates						As at December 31, 2016				Market value*** as a percentage of net assets	Market value*** as a percentage of total investment	
	As at July 1, 2016	Purchased during the period	Matured during the period	Disposed off during the period	As at December 31, 2016	Carrying value**	Market value	Appreciation / (diminution)	Market value*** as a percentage of net assets				
	(Rupees in '000')												%
Commercial banks													
Askari Bank Limited (23-12-11 issue)*	82	-	-	-	82	83,064	83,064	-	-	2.67	6.24		
Askari Bank Limited (30-9-14 issue)*	15,000	-	-	-	15,000	76,439	76,326	(113)	-	2.46	5.73		
Habib Bank Limited (19-02-16 issue)*	1,250	-	-	-	1,250	124,994	125,287	293	-	4.03	9.41		
Real Estate investment and services													
Pace Pakistan Limited (15-02-08 issue)	15,000	-	-	-	15,000								
- Redeemable amount						4,939	4,939	-	-	-	-	-	-
- Due but not received						67,424	67,424	-	-	-	-	-	-
						72,363	72,363	-	-	-	-	-	-
As at December 31, 2016						356,860	357,040	180					
As at June 30, 2016						353,141	354,367	1,226					

* Face value of the investment is Rs. 1,000,000 each

** Carrying value before provision

*** Market value after provision

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

Note	(Un-audited)	(Audited)
	December 31, 2016	June 30, 2016
	-----(Rupees in '000')----	
5.2.1	115,123	137,522
	(10,251)	(27,395)
	-	-
	(10,251)	17,144
	104,872	127,271

5.2 Unlisted debt securities

Market value as at period / year end

Provision as at July 01

Provision (charged) / reversed during the period / year

- Charge against face value receivable

- Reversal against carrying value matured

5.2.1 Unlisted debt securities - term finance certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of certificates					As at December 31, 2016			Market value** as a percentage of net assets	Market value** as a percentage of total investment
	As at July 1, 2016	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2016	Carrying value*	Market value	Appreciation / (diminution)		
	(Rupees in '000')								%	
Commercial banks										
Bank Al Habib Limited - (17-03-16 issue)	9,000	-	-	-	9,000	44,980	45,527	547	1.47	3.42
Bank Alfalah Limited - (20-02-13 issue)	7,181	16,600	-	12,200	11,581	59,068	59,344	276	1.91	4.46
Bank Alfalah Limited - (02-12-09) Floating	9,000	-	-	9,000	-	-	-	-	-	-
Construction and Material										
Eden Housing Limited - Sukuk - (31-03-2008 issue)										
- Due but not received	10,415	-	-	-	10,415	10,252	10,252	-	0.33	0.77
Total as at December 31, 2016						114,300	115,123	823		
Total as at June 30, 2016						137,718	137,522	(196)		

* Carrying value before provision - Provision detail is specified in note 5.7

** Market value after provision

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.3 Listed Equity Securities - 'At fair value through profit or loss'

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 December 31, 2016	As at December 31, 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
						Carrying Value	Market value	Appreciation/ (diminution)			
						(Rupees in '000')					
						Number of shares					
Oil And Gas Exploration Companies											
Oil and Gas Development Company Limited	-	108,500	-	86,500	22,000	3,359	3,638	279	0.12	0.27	0.01
Pakistan Oilfields Limited	-	6,500	-	2,500	4,000	2,165	2,138	(27)	0.07	0.16	0.09
Pakistan Petroleum Limited	-	22,500	-	18,000	4,500	858	847	(11)	0.03	0.06	-
						6,382	6,623	241	0.22	0.49	
Oil And Gas Marketing Companies											
Hascol Petroleum Limited	-	50,500	-	46,000	4,500	1,529	1,519	(10)	0.05	0.11	0.13
Pakistan State Oil Company Limited	-	129,500	-	124,000	5,500	2,220	2,388	168	0.08	0.18	0.09
						3,749	3,907	158	0.13	0.29	
Power generation and distribution											
Hub Power Company Limited	-	53,500	-	9,000	44,500	5,566	5,495	(71)	0.18	0.41	0.05
Kot Addu Power Company Limited	-	3,000	-	1,000	2,000	158	158	-	0.01	0.01	-
K-Electric Limited	-	5,575,000	-	4,082,500	1,492,500	13,713	13,985	272	0.45	1.05	0.18
						19,437	19,638	201	0.64	1.47	
Fertilizer											
Engro Fertilizers Limited	-	1,712,000	-	1,616,000	96,000	6,233	6,526	293	0.21	0.49	0.05
Engro Corporation Limited	-	498,000	-	413,000	85,000	26,237	26,868	631	0.87	2.02	0.51
Fatima Fertilizer Company Limited	-	10,000	-	-	10,000	370	369	(1)	0.01	0.03	-
Fauji Fertilizer Bin Qasim Limited	-	282,500	-	270,000	12,500	651	640	(11)	0.02	0.05	0.01
Fauji Fertilizer Company Limited	-	191,500	-	163,000	28,500	3,014	2,975	(39)	0.10	0.22	0.02
						36,505	37,378	873	1.21	2.81	
Commercial Banks											
Askari Bank Limited	-	27,500	-	27,500	-	-	-	-	-	-	-
Bank Al-Falah Limited	-	325,500	-	325,500	-	-	-	-	-	-	-
National Bank of Pakistan	-	61,500	-	61,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Cement											
Cherat Cement Company Limited	-	65,500	-	59,500	6,000	1,039	1,044	5	0.03	0.08	0.06
D.G. Khan Cement Company Limited	-	352,500	-	293,500	59,000	12,153	13,082	929	0.42	0.98	0.30
Fauji Cement Company Limited	-	1,592,000	-	1,177,000	415,000	17,057	18,708	1,651	0.60	1.40	0.14
Maple Leaf Cement Factory Limited	-	185,000	-	181,500	3,500	414	447	33	0.01	0.03	0.01
Pioneer Cement Limited	-	64,500	-	31,500	33,000	4,616	4,689	73	0.15	0.35	0.21
						35,279	37,970	2,691	1.21	2.84	

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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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 December 31, 2016	As at December 31, 2016		Market value as a percentage	Market value as a percentage	Market Value as a percentage of total paid-up
						Carrying Value	Appreciation/ (diminution)			
						(Rupees in '000)				
						Number of shares				
Engineering										
Amreli Steels Limited	-	117,000	-	75,000	42,000	2,965	2,797	(168)	0.09	0.21
International Steels Limited	-	170,500	-	168,000	2,500	241	244	3	0.01	0.02
						3,206	3,041	(165)	0.10	0.23
Cable and electrical goods										
Pak Elektron Limited	-	386,000	-	219,500	166,500	11,711	11,868	157	0.38	0.89
TPL Trakker Limited	-	2,215,000	-	2,215,000	-	-	-	-	-	-
						11,711	11,868	157	0.38	0.89
Refinery										
Attock Refinery Limited	-	472,000	-	452,500	19,500	7,727	8,293	566	0.27	0.62
Technology And Communications										
Pakistan Telecommunication Company Limited	-	72,500	-	8,000	64,500	1,111	1,108	(3)	0.04	0.08
TRG Pakistan Limited	-	2,078,500	-	1,835,500	243,000	10,704	10,755	51	0.35	0.81
						11,815	11,863	48	0.39	0.89
Textile Composite										
Nishat Chumian Limited	-	810,500	-	219,500	591,000	36,219	36,896	677	1.19	2.77
Nishat Mills Limited	-	500	-	-	500	77	76	(1)	-	0.01
						36,296	36,972	676	1.19	2.78
Food And Personal Care Products										
Engro Foods Limited	-	66,000	-	11,000	55,000	9,949	10,556	607	0.34	0.79
Insurance										
Adamjee Insurance Company Limited	-	65,500	-	500	65,000	4,897	4,819	(78)	0.16	0.36
Total - December 31, 2016						186,953	192,928	5,975	6.24	14.46
Total - June 30, 2016						-	-	-	-	-

The above equity securities were purchased in the ready market and simultaneously sold in the future market, resulting in spread income due to difference in ready and future stock prices.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.4 Government securities - At fair value through profit or loss

Security	Face value			As at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2016	Purchases during the period	Sales / maturated during the period	As at December 31, 2016	Carrying value	Appreciation / (diminution)		
Treasury bills - 3 months	-	600,000	600,000	-	-	-	-	-
Treasury bills - 6 months*	-	1,150,000	1,050,000	100,000	99,380	99,370	3.20	7.46
Treasury bills - 12 months*	-	1,325,000	1,300,000	25,000	24,929	24,928	0.80	1.87
Pakistan Investment Bonds - 5 Years	50,000	-	50,000	-	-	-	-	-
As at December 31, 2016					124,309	124,298		
As at June 30, 2016					57,171	57,429		

* These include treasury bills with a face value of Rs. 100 million (June 30, 2016: Nil) which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the fund trades in terms of Circular No. 11 dated October 23, 2007 issued by SECP.

5.5 Government securities - Available for sale

Security	Face value			As at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2016	Purchases during the period	Sales / maturated during the period	As at December 31, 2016	Cost	Appreciation		
Pakistan Investment Bond - 3 Years	455,000	600,000	1,055,000	-	-	-	-	-
Pakistan Investment Bond - 5 Years	54,900	1,500,500	1,554,600	800	856	859	0.03	0.06
Pakistan Investment Bond - 10 Years	150,000	750,000	900,000	-	-	-	-	-
Pakistan Investment Bond - 15 Years	18,000	-	-	18,000	18,427	18,919	0.61	1.42
As at December 31, 2016					19,283	19,778		495
As at June 30, 2016					732,673	736,208		3,535

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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5.6 Loans and Receivables

Particulars	Mark - up rate	Maturity Date	As at December 31, 2016	Value as a percentage of net assets	Value as a percentage of total investments
	----- (Rupees in '000') -----			----- % -----	
JS BANK LIMITED	7.00%	4-Jan-17	200,000	6.44	15.02
Zarai Taraqati Bank Limited	6.50%	7-Mar-17	280,000	9.01	21.03
Finaca Microfinance Bank	9.00%	30-Mar-17	125,000	4.02	9.39
Total as at December 31, 2016			605,000		
Total as at June 30, 2016			-		

5.7 DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at December 31, 2016, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the Circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates. The Fund holds 100% provision against such investment as enumerated below:

Category of non-compliant investment	Type of investment / Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		----- Rupees in '000' -----			----- % -----	
Investment in debt securities	a) Pace Pakistan Limited (note 5.1)	72,363	72,363	-	2.33%	2.03%
	b) Eden Housing Limited (note 5.2)	10,252	10,252	-	0.33%	0.29%
				Note	(Un-audited) December 31, 2016	(Audited) 30 June 2016
					(Rupees in '000)	

5.8 Net unrealised appreciation in value of investments at fair value through profit or loss

Market value of investments	5.1.1, 5.2.1, 5.3,5.4	789,389	549,318
Carrying value of investments	5.1.1, 5.2.1, 5.3,5.4	(782,422)	(548,030)
		6,967	1,288

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Workers' Welfare Fund	6.1	18,228	18,228
Provision for federal excise duty and related tax on	6.2		
- Management fee		16,590	16,590
- Sales load		4,746	4,746
Brokerage		1,407	344
Withholding tax on dividend and others		-	9,278
Capital gain tax		1,773	1,667
Auditors' remuneration		346	419
Printing and related expenditure		79	100
Zakat		695	695
Other		607	402
		44,471	52,469

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

6.1 Provision for Workers' Welfare Fund

The Supreme Court passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 on the matter, according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, The Mutual Fund Association of Pakistan (MUFAP) decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017. The provision reversed on January 12, 2017, amounted to Rs. 18.23 million. This has resulted in an increase in NAV per unit of Rs. 0.31 on January 12, 2017. Had this reversal been recognized on December 31, 2016, the NAV per unit of the Fund would have been higher by Rs. 0.32 per unit on that date.

Furthermore, the Sindh Revenue Board (SRB) had written to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB on November 11, 2016 responded back that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP as an abundant caution, decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The provision made for SWWF on January 12, 2017, amounted to Rs. 3.05 million. This has resulted in a decrease in NAV per unit of Rs. 0.05 on January 12, 2017. Had this provision been recognized on December 31, 2016, the NAV per unit of the Fund would have been lower by Rs. 0.05 per unit on that date.

The SECP has also concurred with the directions issued by MUFAP through its letter no. SCD/AMCW/MUFAP/2017 - 405 dated February 01, 2017.

6.2 Federal Excise Duty and related tax payable

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

On September 04, 2013, a constitutional petition was filed in 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 June 30, 2016 has disposed of the petition by referring its judgment dated June 02, 2016 whereby it rendered the FED on certain services to be 'Ultra Vires' in the presence of Sindh Sales Tax Act 2011. However, the Federal Board of Revenue (FBR) has filed an appeal in the Supreme Court of Pakistan against this judgment by the SHC.

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 abovementioned facts and the pending decision by the Supreme Court of Pakistan, the Management Company of the Fund has not made any further provision for FED in the books of accounts of the Fund with effect from July 1, 2015 and decided to retain the provision for FED already made in the books of accounts of the Fund which aggregated to Rs. 21.34 million as at December 31, 2016. (June 30, 2016: Rs. 21.34 million). Had this provision not been made, the NAV of the Fund would have been higher by Rs. 0.43 per unit.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There were no contingencies as at December 31, 2016 and June 30, 2016.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	----- (Rupees in '000) -----	
7.2 Commitments		
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions not settled as at period end	4,180	-
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions not settled as at period end	115,300	-
Sale of listed equity securities in future (for spread transaction)	192,037	-

8. SINDH SALES TAX ON REMUNERATION OF TRUSTEE

The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of Sindh Sales Tax. Accordingly Sindh Sales Tax of 13 % is applicable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 amended unto 2016. Accordingly the Fund has made an accrual of Rs. 0.30 million on account of Sindh Sales Tax on services chargeable on custodianship services.

9. ALLOCATED EXPENSE

SRO 1160 dated November 25, 2015 issued by SECP has amended Clause 60 of NBFC Regulations, 2008. The new regulation has entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund has made an accrual of Rs.1.42 million for the half year ended December 31, 2016 at a rate of 0.1% of average annual net assets as the information related to actual expenses allocable to the Fund was not available at that time.

10. TAXATION

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The management intends to distribute at least 90% of income to be earned during current year to the unit holders, therefore, no provision for taxation has been recorded in this condensed interim financial information.

11. 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.

12. TRANSACTIONS WITH CONNECTED PERSONS

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

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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12.1 Detail of transaction with connected persons are as follows:

	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
MCB Arif Habib Savings and Investment Limited -				
- Management Company				
Remuneration including indirect taxes	21,301	23,633	10,136	13,382
Allocated expense	1,420	289	676	289
Central Depository Company of Pakistan Limited - Trustee				
Remuneration including indirect taxes	1,692	1,640	817	894
CDS Charges	120	8	112	3
MCB Bank Limited				
Profit on Bank Deposit	450	666	262	210
Bank Charges	34	32	6	21
Purchase of securities Face Value Nil (2015: 50,000,000) and Nil (2015: 50,000,000) for half year and quarter respectively	-	52,634	-	52,634
Sales of securities Face Value Nil (2015: 50,000,000) and Nil (2015: 50,000,000) for half year and quarter respectively	-	53,022	-	53,022
Silk Bank Limited				
Purchase of securities Face Value Nil (2015: 200,000,000) and Nil (2015: Nil) for half year and quarter respectively	-	209,111	-	-
Sales of securities Face Value 250,000,000 (2015: 50,000,000) and Nil (2015: Nil) for half year and quarter respectively	238,360	58,139	-	-
Adamjee Insurance Company Limited Employee Provident Fund				
Issue of 1,590,004 units (2015: 2,239,640 units) and Nil units (2015: 1,119,821 units) for the six months and quarter ended respectively	86,067	122,206	-	62,206
Redemption of 1,590,591 Units (2015: units) and Nil units (2015: 1,119,821 units) for the six months period and quarter ended respectively	86,067	62,206	-	62,206
Adamjee Insurance Company Limited - Investment Department				
Issue of Nil units (2015: 11,171,104 units) and Nil units (2015: Nil units) for the six months and quarter ended respectively	-	600,000	-	-
Redemption of 6,409,782 Units (2015: Nil units) and Nil units (2015: Nil units) for the six months period and quarter ended respectively	342,475	-	-	-
Adamjee Insurance Company Limited - Employees Gratuity Fund				
Issue of Nil units (2015: 634,564 units) and Nil units (2015: 634,564 units) for the six months and quarter ended respectively	-	34,625	-	17,625
Redemption of 342,744 Units (2015: 317,283 units) and 342,744 units (2015: 317,283 units) for the six months period and quarter ended respectively	18,409	17,625	18,409	17,625
Adamjee Insurance Company Limited - Conventional Business				
Issue of Nil units (2015: 183,891 units) and Nil units (2015: Nil units) for the six months and quarter ended respectively	-	34,625	-	17,625
Redemption of 342,744 Units (2015: 317,283 units) and 342,744 units (2015: 317,283 units) for the six months period and quarter ended respectively	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended		Quarter ended	
	December 31,		December 31,	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Directors and Executive of the Management Company				
Issue of 61,187 units (2015: 27,670 units) and 61,187 units (2015: Nil units) for six months and quarter ended respectively.	3,257	1,500	453	-
Redemption of 66,173 units (2015: 26,742 units) and 13,439 units (2015: 26,742 units) for the six months period and quarter ended respectively	3,529	1,450	490	1,450
Mandate under discretionary portfolio				
Issue of 6,993,250 units (2015: 246,905 units) and 6,746,345 units (2015: Nil units) for six months and quarter ended respectively.	378,531	13,402	377,531	-
Redemption of 78,394 units (2015: 246,905 units) and 78,394 units (2015: Nil units) for the six months period and quarter ended respectively	4,183	13,676	4,183	-
Next Capital Limited				
Brokerage expense*	48	82	40	6
Arif Habib Limited				
Brokerage expense*	-	3	-	3
Summit Capital Private Limited				
Brokerage expense*	25	6	25	6

* 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 transaction with connected persons as the ultimate counter parties are not the connected persons.

12.2 Amount outstanding as at period end / year end

	(Un-audited) December 31, 2016	(Audited) June 30 2016
	---- (Rupees in '000') ----	
MCB - Arif Habib Savings & Investment Limited - Management Company		
Remuneration payable	2,852	4,731
Sale tax payable on remuneration to the Management Company	371	662
Sales load payable	-	1,167
Sindh Sales tax payable on sales load	-	163
Allocated expenses payable excluding related taxes	190	315
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes payable	234	338
Sindh Sales tax payable on remuneration of Trustee	30	47
Security deposits	200	200
MCB Bank Limited		
Bank balance	910,035	169,990
Profit receivable on bank deposits	224	169
Sales load payable	39	-
Sindh Sales tax payable on sales load	5	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	(Un-audited) December 31, 2016 --- (Rupees in '000') ---	(Audited) June 30 2016 ---
Adamjee Insurance Company Limited Employee Provident Fund 1,590,004 units held (2016: 1,590,591 units)	86,067	86,178
Adamjee Insurance Company Limited - Investment Department Nil units held (2016: 6,409,782 units)	-	340,744
Adamjee Insurance Company Limited Employee Gratuity Fund Nil units held (2016: 342,744 units)	-	18,570
Adamjee Insurance Company Limited Conventional Business 198,375 units held (2016: 198,375 units)	10,738	10,748
Next Capital Limited Brokerage payable	48	8
Directors and Executives of the Management Company 928 units held (2016: 995 units)	52	53
Mandate under discretionary portfolio 6,974,527 units held (2016: 59,671 units)	377,531	3,233

13. EXPENSE RATIO

The expense ratio of the Fund from July 1 2016 to December 31 2016 is 1.16%, the total expense ratio includes 0.14% representing government levy and SECP fee.

14. FAIR VALUE HIERARCHY

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are trade able in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7 - Financial Instruments : Disclosure requires an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

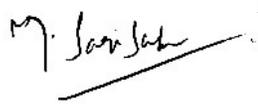
Level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	-----December 31, 2016-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
Investment classified				
- at fair value through profit or loss	477,605	229,170	-	706,775
- available for sale	-	19,778	-	19,778
	<u>477,605</u>	<u>248,948</u>	<u>-</u>	<u>726,553</u>
	-----June 30, 2016-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
Investment classified				
- at fair value through profit or loss	284,553	184,700	-	469,253
- available for sale	-	736,208	-	736,208
	<u>284,553</u>	<u>920,908</u>	<u>-</u>	<u>1,205,461</u>

15. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on February 02, 2017 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**

MCB-Arif Habib Savings and Investments Limited

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