

Half Year Report
December 31, 2016
(Unaudited)



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

MCB PAKISTAN FREQUENT PAYOUT 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 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 Ahmed	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Asif Mehdi Rizvi	
Company Secretary	Mr. Abdul Basit	
Trustee	MCB Financial Services Limited 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan. Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited Zarai Taraqati Bank Limited JS Bank Limited Tameer Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited NRSP Micro Finance Bank Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, 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 by PACRA	

REPORT OF THE DIRECTORS 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 **MCB Pakistan Frequent Payout Fund** accounts review for 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 Forex 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.

EQUITIES MARKET OVERVIEW

Pakistan Stock Exchange (PSX) continued its positive momentum of 1QFY17 by posting another 16.64% return in 2QFY16 to conclude the period 26.53% higher (47,807 points). In calendar year 2016, the local bourse remained the best performing market in the region and stood 5th in global ranking with a USD based return of 45%. This was despite an aggressive selling from the foreign investors, who remained net sellers of USD 298mn in 1HFY16, compared to USD 240 mn in the corresponding period last year. This heavy selling was absorbed mostly by Mutual Funds and NBFCs with net buying of USD 307mn and USD 102mn, respectively.

Auto Parts Manufacturers and Auto Assemblers remained the best performing sectors during 1HFY17 with returns of 83% and 77%, respectively. Among the mainstream sectors, Banks outperformed the rest with a 33% return during the period under review, mainly on account of improving advances, rising deposits and bottomed out interest rate outlook. Cements also posted a 30% return during the period under review as strong demand coupled with healthy margins kept the investors' interest alive in the sector. Improving crude oil prices also made a mark on the E&Ps, which posted a healthy 27% return during 1HFY17. Fertilizers on the other hand, underperformed the index by posting a modest 2% return, as rising inventories coupled with discounts on urea prices took their toll on the sector.

We expect the positive momentum to continue going ahead as market draws close to its graduation to MSCI EM Index. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. PSX is currently trading at a forward multiple of 11.99x, still trading at a 10.5% discount to the MSCI EM, reflecting further room for re-rating from here.

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

FUND PERFORMANCE

During the period under review, the fund posted a return of 3.58% compared to the benchmark return of 3.04%. On the equities front, the overall allocation was increased to 11.5% from 0.4%. On the fixed income side, the fund decreased its exposure in PIBs to 19.8% from 47.7% in June 2016.

The Net Assets of the Fund as at December 31, 2016 stood at Rs. 1,189 million as compared to Rs. 796 million as at June 30, 2016 registering an increase of ~49%. The Net Asset Value (NAV) per unit as at December 31, 2016 was Rs. 101.3234 as compared to Rs 100.2203 as at June 30, 2016 showing an increase of 1.1031 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.

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.

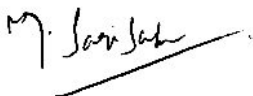
The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing 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 ایم سی بی پاکستان فریکوئنٹ پے آؤٹ فنڈ کے 31 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر 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 درآمدات 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 اینگروڈوڈز 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۔

زیرمبادلہ 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 کلوڑنگ ہوئی۔

پاکستانی روپیہ 2017ء کی پہلی ششماہی میں تقریباً 0.4% ترقی کر کے امریکی ڈالر کے مقابلے میں یکدہار رہا، اور اس سے بھی دیگر ترقی پذیر معیشتوں میں کمزوری کو مد نظر رکھتے ہوئے خدشات پیدا ہوئے جن کا اظہار SBP کے پینالٹس 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، بالمقابل 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 5MFY17 میں YoY 3.24% ترقی ہوئی جس کے اسباب کمزور یومر، الیکٹریکل، آٹوموبائلز اور سیمنٹ 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 اشیائے 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 بینکوں 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 حصول کی مدد سے net مقامی اثاثہ جات میں 518 ملین روپے اضافہ ہوا۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

پاکستان اسٹاک ایکسچینج (PSX) نے مالی سال 2016ء کی پہلی سہ ماہی کی مثبت رفتار جاری رکھتے ہوئے مالی سال 2016ء کی دوسری سہ ماہی میں ایک اور 16.64% منافع کمایا اور مدت کی تکمیل 26.53% زیادہ (47,807 پوائنٹس) پر کی۔ امریکی ڈالر پر مبنی 45% منافع کے ساتھ مقامی اسٹاک مارکیٹ کیلنڈر سال 2016ء میں خطے میں بہترین کارکردگی کا مظاہرہ کرنے والی مارکیٹ بنی رہی اور عالمی درجہ بندی میں پانچویں نمبر پر تھی۔ یہ کامیابی غیر ملکی سرمایہ کاروں کی طرف سے جارحانہ فروخت کے باوجود تھی، جو 2016ء کی پہلی ششماہی میں 298 ملین ڈالر کے net فروخت کا رہنہ رہے، بالمقابل گزشتہ سال کی پہلی ششماہی میں 240 ملین ڈالر کے۔ اس بھاری فروخت کے اثر کا بڑا حصہ میوچل فنڈز اور NBFCs نے جذب کیا، بالترتیب 307 ملین ڈالر اور 102 ملین ڈالر کی net خریداری کے ساتھ۔

گاڑیوں کے پُرزہ جات کے تیار کنندگان اور گاڑیوں کے اسمبلرز 2017ء کی پہلی ششماہی کے دوران بہترین کارکردگی کا مظاہرہ کرنے والے شعبے بنے رہے، بالترتیب 83% اور 77% منافع کے ساتھ۔ بڑے شعبوں میں سے ٹیکوں نے زیر جائزہ مدت کے دوران 33% منافع کما کر سب سے عمدہ کارکردگی کا مظاہرہ کیا، جس کی بنیادی وجوہات ایڈوانسز میں بہتری، بڑھتے ہوئے ڈپازٹس اور انٹریٹ پست ترین شرحیں ہیں۔ سیمنٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران 30% منافع کمایا کیونکہ بھرپور مانگ اور اس کے ساتھ صحتمند margins نے اس شعبے میں سرمایہ کاروں کی دلچسپی برقرار رکھی۔ خام تیل کی قیمتوں میں بہتری سے بھی E&Ps پر مثبت اثرات مرتب ہوئے جس نے 2017ء کے پہلی ششماہی کے دوران صحتمند 27% منافع کمایا۔ دوسری جانب کھاد کے شعبے نے صرف 2% منافع کما کر انڈیکس سے کم کارکردگی کا مظاہرہ کیا، جس کی وجوہات انوینٹریز میں اضافہ اور اس کے ساتھ یوریا کی قیمتوں پر ڈسکاؤنٹس نے اس شعبے کو متاثر کیا۔

ہم امید کرتے ہیں کہ جوں جوں مارکیٹ MSCI EM انڈیکس تک اپنی گریجویٹیشن کے قریب پہنچ رہی ہے، یہ مثبت رفتار جاری رہے گی۔ علاوہ ازیں، انٹریٹ کی پست شرحیں بھی فکسڈ آمدنی کے منافع کو پست رکھے ہوئے ہیں جس سے ایکویٹی مارکیٹ میں liquidity کا رجحان مزید بڑھ رہا ہے۔ PSX موجودہ طور پر 11.99x کے فارورڈ ملٹپل پر، اور ابھی تک MSCI EM کے 10.5% ڈسکاؤنٹ پر تجارت کر رہا ہے، اور اس سے عکاسی ہوتی ہے کہ یہاں ری-ریٹنگ کی مزید گنجائش ہے۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے مقررہ معیار 3.04% کے مقابلے میں 3.58% منافع حاصل کیا۔ ایکویٹیز کے گوشے میں مجموعی شمولیت کو 0.4% سے بڑھا کر 11.5% کر دیا گیا۔ فکسڈ انکم کے گوشے میں فنڈ نے PIBs میں اپنی شمولیت کو 47.7% (جون 2016ء) سے کم کر کے 19.8% کر دیا۔

31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 1,189 ملین روپے تھی، جو 30 جون 2016ء پر 796 ملین روپے مالیت کے مقابلے میں 49% زیادہ ہے۔ 31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 101.3234 روپے تھی، جو 30 جون 2016ء پر 100.2203 روپے فی یونٹ قدر کے مقابلے میں 1.1031 روپے فی 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 درآمداتی

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 اشیائے خورد و نوش کے افراط زر پر ان 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 ابھرنے 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 پھیلا سکتے ہیں۔

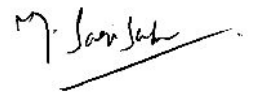
چین پاکستان معاشی راہداری سے ترقی کے لیے بے حد مطلوب قوت حاصل ہونے کا امکان ہے؛ 50 بلین ڈالر سے زائد کا یہ پروگرام متوقع طور پر تعمیرات اور توانائی کی خلاء میں سرگرمیاں پیدا کرنے کا محرک بنے گا اور اس کے اثرات دیگر شعبوں پر بھی مرتب ہوں گے۔ تاہم مختصر میعاد میں درآمداتی بل میں اضافے کے ساتھ غیر ملکی 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 صورتحال 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 چکر میں ہونے کی وجہ سے ابھرتی 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 انٹریسٹ 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 ابھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر المیعاد کارکردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار شکر

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

برائے بورڈ اور بورڈ کی جانب سے



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

02 فروری 2017ء

TRUSTEE REPORT TO THE UNIT HOLDERS



MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

MCB PAKISTAN FREQUENT PAYOUT FUND

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

MCB Pakistan Frequent Payout Fund, an Open-end Scheme established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited as Management Company and MCB Financial Services Limited as Trustee on 22nd July 2015. The scheme was approved by Securities & Exchange Commission of Pakistan on 16th July 2015.

1. MCB Arif Habib Savings and Investments Limited, the Management Company of MCB Pakistan Frequent Payout Fund has, in all material respects, managed MCB Pakistan Frequent Payout Fund during the period ended 31st December 2016 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

A handwritten signature in black ink, appearing to read 'Anwar', is positioned above the printed name of the Chief Executive Officer.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: February 8, 2017

4th Floor, Perdesi House, 2/1, R-Y-16, Old Queens Road, Karachi-74200
Direct Nos. 021-32430485, 32415454, 32415204, 32428731 PABX No. 021-32419770, Fax No. 021-32416371
Website: <http://www.mcbfsl.com.pk>

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



A.F.FERGUSON & CO.

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Frequent Payout 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 statement of movement in unit holders' funds and condensed interim cash flow statement together with the notes forming part thereof (hereinafter referred to as the 'condensed 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 condensed 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 condensed 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 statement of movement in unit holders' funds and condensed interim cash flow statement for the quarter ended December 31, 2016 and for the period from November 16, 2015 to December 31, 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 the 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 condensed 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.

Other matter

The condensed interim financial information of the Fund for the period from November 16, 2015 to December 31, 2015 was reviewed and the financial statements of the Fund for the period from November 16, 2015 to June 30, 2016 were audited by another firm of Chartered Accountants who had expressed an unmodified conclusion and opinion thereon vide their reports dated February 4, 2016 and August 5, 2016 respectively.

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: February 17, 2017

Karachi

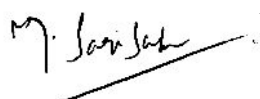
A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD

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

		(Unaudited) December 31, 2016	(Audited) June 30, 2016
	Note	(Rupees in '000)	
Assets			
Balances with banks	4	942,481	200,594
Investments	5	692,643	573,625
Dividend and profit receivable		12,657	20,691
Advances, deposits and prepayments		4,249	3,173
Preliminary expenses and floatation costs		568	642
Receivable against sale of investments		1,053	-
Receivable from National Clearing Company of Pakistan Limited		9,309	14,798
Total assets		1,662,960	813,523
Liabilities			
Payable to the Management Company	6	5,515	7,172
Payable to MCB Financial Services Limited - Trustee		129	85
Payable to the Securities and Exchange Commission of Pakistan		510	327
Fair value of derivative liability		-	580
Payable against purchase of investments		454,850	3,469
Dividend payable		6,019	-
Accrued expenses and other liabilities	7	7,167	5,688
Total liabilities		474,190	17,321
Net assets		1,188,770	796,202
Unit holders' fund (as per statement attached)		1,188,770	796,202
Contingencies and commitments	8		
		(Number of units)	
Number of units in issue		11,732,436	7,944,517
		(Rupees)	
Net asset value per unit		101.3234	100.2203

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

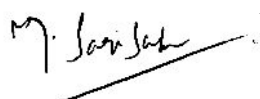


Director

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

	Note	Half year ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015	Quarter ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015
----- (Rupees in '000) -----					
Income					
Capital gain on sale of investments - net		15,061	552	18,520	552
Dividend income		2,398	142	1,819	142
Profit on savings and term deposits		11,940	576	8,219	576
Income on money market placements		259	-	-	-
Income from government securities		17,229	2,290	7,279	2,290
Income from spread transaction		576	2	54	2
		47,463	3,562	35,891	3,562
Net unrealised diminution in the fair value of future contracts		-	(882)	-	(882)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		2,241	1,169	2,388	1,169
Total income		49,704	3,849	38,279	3,849
Expenses					
Remuneration of the Management Company	6.1	5,761	523	3,419	523
Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company		749	168	445	168
Remuneration of MCB Financial Services Limited -Trustee		620	67	337	67
Sindh Sales Tax on remuneration of the Trustee		81	9	44	9
Annual fee to the Securities and Exchange Commission of Pakistan		510	41	282	41
Auditors' remuneration		259	46	84	46
Amortisation of preliminary expenses and floatation costs		74	18	37	18
Settlement and bank charges		2,058	203	1,515	203
Fees and subscription		220	14	147	14
Allocated expenses	10	607	44	336	44
Printing and related charges		92	26	25	26
Total operating expenses		11,031	1,159	6,671	1,159
Net income from operating activities		38,673	2,690	31,608	2,690
Net element (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed					
- arising from realised / unrealised capital gains		(9,436)	50	(21,834)	50
- arising from other income		6,354	92	21,473	92
		(3,082)	142	(361)	142
Net income for the period before taxation		35,591	2,832	31,247	2,832
Taxation	11	-	-	-	-
Net income for the period after taxation		35,591	2,832	31,247	2,832
Earnings per unit	12				

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

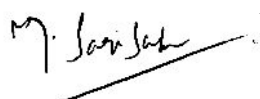


Director

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

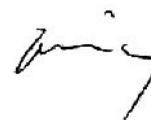
	Half year ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015	Quarter ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015
	----- (Rupees in '000) -----			
Net income for the period after taxation	35,591	2,832	31,247	2,832
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to income statement</i>				
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'	150	(138)	(7,962)	(138)
Total comprehensive income for the period	<u>35,741</u>	<u>2,694</u>	<u>23,285</u>	<u>2,694</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

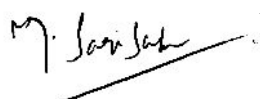


Director

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

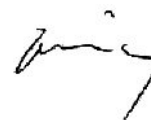
	Note	Half year ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015	Quarter ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015
----- (Rupees in '000) -----					
Undistributed income brought forward		1,561	-	(5,622)	-
Net income for the period		35,591	2,832	31,247	2,832
Element of income and capital gains included in the prices of units issued less those in units redeemed - amount representing unrealised appreciation		3,649	58	393	58
Interim cash distributions made during the period	15	(25,614)	(2,669)	(10,831)	(2,669)
Undistributed income carried forward		<u>15,187</u>	<u>221</u>	<u>15,187</u>	<u>221</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

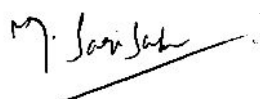


Director

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, 2016	For the period from November 16, 2015 to December 31, 2015	Quarter ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	796,202	-	1,133,773	-
Issue of 6,642,963 units (2015: 4,898,848 units) and 1,968,102 units (2015: 4,898,848 units) for the half year and quarter ended respectively	666,153	484,395	197,902	484,395
Redemption of 2,855,044 units (2015: 140,551 units) and 1,546,630 units (2015: 140,551 units) for the half year and quarter ended respectively	(286,794)	(8,365)	(155,720)	(8,365)
	379,359	476,030	42,182	476,030
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed				
- amount transferred to the income statement				
- arising from realised / unrealised capital gains	9,436	(50)	21,834	(50)
- arising from other income	(6,354)	(92)	(21,473)	(92)
- amount transferred to the distribution statement	(3,649)	(58)	(393)	(58)
	(567)	(200)	(32)	(200)
Element of income and capital gains that forms part of unit holders' fund transferred to the distribution statement	3,649	58	393	58
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	2,241	1,169	2,388	1,169
Capital gain on sale of investments - net	15,061	552	18,520	552
Other income (net of expenses)	18,289	1,111	10,339	1,111
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'	150	(138)	(7,962)	(138)
Total comprehensive income for the period	35,741	2,694	23,285	2,694
Interim cash distributions made during the period	15	(25,614)	(2,669)	(10,831)
	(25,614)	(2,669)	(10,831)	(2,669)
Net assets at the end of the period	<u>1,188,770</u>	<u>475,913</u>	<u>1,188,770</u>	<u>475,913</u>

The annexed notes 1 to 18 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

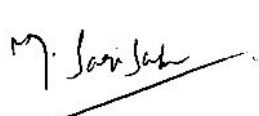


Director

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

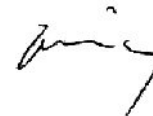
	Half year ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015	Quarter ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	35,591	2,832	31,247	2,832
Adjustments for non-cash charges and other items:				
Net unrealised diminution in the fair value of future contracts	-	882	-	882
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(2,241)	(1,169)	(2,388)	(1,169)
Net element (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed				
- arising from realised / unrealised capital gains	9,436	(50)	21,834	(50)
- arising from other income	(6,354)	(92)	(21,473)	(92)
Net cash generated from operations before working capital changes	36,432	2,403	29,220	2,403
(Increase) / decrease in assets				
Investments - net	334,754	(351,046)	546,498	(351,046)
Dividend and profit receivable	8,034	(5,985)	(10,342)	(5,985)
Advances, deposits and prepayments	(2,055)	(3,427)	(68,039)	(3,427)
Receivable from National Clearing Company of Pakistan Limited	5,489	(4,669)	14,883	(4,669)
	346,222	(365,127)	483,000	(365,127)
Increase / (decrease) in liabilities				
Payable to the Management Company	(1,657)	10,139	(3,086)	10,139
Payable to MCB Financial Services Limited - Trustee	44	52	9	52
Payable to the Securities and Exchange Commission of Pakistan	183	41	282	41
Accrued expenses and other liabilities	899	1,469	400	1,469
	(531)	11,701	(2,395)	11,701
Net cash generated from / (used in) operating activities	382,123	(351,023)	509,825	(351,023)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net receipts from issuance of units	666,153	484,395	197,902	484,395
Net payments against redemption of units	(286,794)	(8,365)	(155,722)	(8,365)
Cash distributions made during the period	(19,595)	(404)	(10,394)	(404)
Net cash generated from financing activities	359,764	475,626	31,786	475,626
Net increase in cash and cash equivalents	741,887	124,603	541,611	124,603
Cash and cash equivalents at beginning of the period	200,594	-	400,870	-
Cash and cash equivalents at end of the period	942,481	124,603	942,481	124,603

The annexed notes 1 to 18 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

MCB Pakistan Frequent Payout Fund ("the Fund") was established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited as the Management Company and MCB Financial Services Limited as the Trustee. The Trust Deed was executed on July 22, 2015 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 16, 2015.

The Fund is an open-end collective investment scheme categorised as an "asset allocation" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs 100 per unit. Thereafter, the units are being offered for purchase, redemption, transfer, switching, etc. only during the first five business days of every month. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering them to the Fund.

The objective of the Fund is to provide regular monthly payments to investors by investing the assets of the Fund in debt and equity instruments.

The Management Company of the Fund has been licensed to act as an asset management company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off. Shaheed-e-Millat Expressway, near KPT interchange, Karachi, Pakistan.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (2015: AM2+ with a stable outlook) to the Management Company on June 8, 2016.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the 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 approved accounting standards as applicable in Pakistan for interim financial reporting. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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 the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.1.2 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'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the period from November 16, 2015 to June 30, 2016.

2.1.3 This condensed interim financial information is unaudited. However, a limited scope review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance. In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund as at December 31, 2016.

2.1.4 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at December 31, 2016 have been extracted from the audited financial statements of the Fund for the period ended June 30, 2016, whereas, the comparatives in the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement have been extracted from the unaudited condensed interim financial information of the Fund for the period from November 16, 2015 to December 31, 2015.

2.2 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees which is the functional and presentation currency of the Fund.

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

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGMENTS AND CHANGES THEREIN

3.1 The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published audited financial statements of the Fund for the period from November 16, 2015 to June 30, 2016.

The preparation of these condensed interim financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future years if the revision affects both current and future period.

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied in the financial statements of the Fund as at and for the period from November 16, 2015 to June 30, 2016.

The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Fund for the period from November 16, 2015 to June 30, 2016.

3.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2016 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

3.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2017 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
(Rupees in '000)			
4 BALANCES WITH BANKS			
Balances with banks - in saving accounts	4.1	942,481	200,594
4.1	These carry profit at rates ranging between 3.75% and 6.50% (June 30, 2016: 3.75% and 6.25%) per annum and include Rs 6.153 million (June 30, 2016: Rs 1.436 million) maintained with MCB Bank Limited (a related party) which carry profit at the rate of 3.75% (June 30, 2016: 3.75%) per annum.		

		(Unaudited) December 31, 2016	(Audited) June 30, 2016
(Rupees in '000)			
5 INVESTMENTS			
At fair value through profit or loss - held for trading			
- Listed equity securities	5.1.1	189,967	62,438
- Government securities - Market Treasury Bills	5.1.2	72,626	49,505
- Government securities - Pakistan Investment Bonds	5.1.3	-	20,893
		262,593	132,836
Available-for-sale			
- Listed equity securities	5.2.1	-	3,526
- Government securities - Pakistan Investment Bonds	5.2.2	330,050	367,263
		330,050	370,789
Loans and receivables			
Term deposit receipt	5.3	100,000	70,000
		692,643	573,625

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

5.1 At fair value through profit or loss - held for trading

5.1.1 Listed equity securities

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at December 31, 2016	Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation/ (diminution) as at December 31, 2016	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee
----- (Number of shares) -----					----- (Rupees in '000) -----						
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
Automobile Assembler											
Honda Atlas Cars (Pakistan) Limited	-	5,000	-	5,000	-	-	-	-	-	-	-
Indus Motor Company Limited	-	15,000	-	650	14,350	23,104	23,169	65	1.95%	3.35%	0.02%
Pak Suzuki Motor Company Limited	-	5,000	-	5,000	-	-	-	-	-	-	-
						23,104	23,169	65	1.95%	3.35%	0.02%
Cable and Electrical Goods											
Pak Elektron Limited	247,500	576,500	-	499,000	325,000	23,558	23,166	(392)	1.95%	3.34%	0.07%
TPL Trakker Limited	-	73,000	-	73,000	-	-	-	-	-	-	-
						23,558	23,166	(392)	1.95%	3.34%	0.07%
Cement											
D.G. Khan Cement Company Limited*	-	10,000	-	10,000	-	-	-	-	-	-	-
Lucky Cement Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
Pioneer Cement Limited	-	21,000	-	21,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Commercial Banks											
Askari Bank Limited	-	8,000	-	8,000	-	-	-	-	-	-	-
Habib Bank Limited	-	20,000	-	20,000	-	-	-	-	-	-	-
MCB Bank Limited*	-	70,000	-	45,000	25,000	6,107	5,946	(161)	0.50%	0.86%	0.00%
United Bank Limited	-	75,000	-	75,000	-	-	-	-	-	-	-
						6,107	5,946	(161)	0.50%	0.86%	0.00%
Engineering											
Aisha Steel Mills Limited*	-	350,000	-	350,000	-	-	-	-	-	-	-
Amreli Steels Limited	-	17,500	-	17,500	-	-	-	-	-	-	-
International Steels Limited	-	8,000	-	8,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Fertilizer											
Engro Fertilizers Limited	127,500	850,000	-	127,500	850,000	56,853	57,783	930	4.86%	8.34%	0.06%
Engro Corporation Limited	87,000	160,500	-	247,500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	25,500	-	25,500	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	25,000	-	25,000	-	-	-	-	-	-	-
						56,853	57,783	930	4.86%	8.34%	0.06%
Food and Personal Care Products											
Engro Foods Limited	10,000	46,500	-	56,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Insurance											
IGI Insurance Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Leather and Tanneries											
Service Industries Limited	-	12,850	-	12,850	-	-	-	-	-	-	-
						-	-	-	-	-	-
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	-	34,200	-	34,200	-	-	-	-	-	-	-
Oil and Gas Development Company Limited	-	681,600	-	495,600	186,000	30,673	30,755	82	2.59%	4.44%	0.00%
Pakistan Oilfields Limited	-	9,000	-	9,000	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	95,000	-	95,000	-	-	-	-	-	-	-
						30,673	30,755	82	2.59%	4.44%	0.00%
Oil and Gas Marketing Companies											
Hascol Petroleum Limited	-	2,000	-	2,000	-	-	-	-	-	-	-
Hi-Tech Lubricants Limited	-	150,000	-	150,000	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	6,000	129,600	-	135,600	-	-	-	-	-	-	-
Sui Southern Gas Company Limited*	-	50,000	-	50,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Paper and Board											
Century Paper and Board Mills Limited	-	200,000	-	200,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Pharmaceuticals											
GlaxoSmithKline (Pakistan) Limited	-	100,000	-	89,800	10,200	2,285	2,380	95	0.20%	0.34%	0.00%
The Searle Company Limited	10,000	-	-	10,000	-	-	-	-	-	-	-
						2,285	2,380	95	0.20%	0.34%	0.00%
Power Generation and Distribution											
Kot Addu Power Company Limited	-	600,000	-	6,500	593,500	45,148	46,768	1,620	3.93%	6.75%	0.07%
K- Electric Limited (par value of Rs 3.50 per share)	-	522,500	-	522,500	-	-	-	-	-	-	-
						45,148	46,768	1,620	3.93%	6.75%	0.07%
Refinery											
Attock Refinery Limited	-	116,000	-	116,000	-	-	-	-	-	-	-
National Refinery Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Technology and Communication											
Pakistan Telecommunication Company Limited	-	20,000	-	20,000	-	-	-	-	-	-	-
						-	-	-	-	-	-

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

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at December 31, 2016	Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation/ (diminution) as at December 31, 2016	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee
----- (Number of shares) -----					----- (Rupees in '000) -----						
Textile Composite											
Nishat Mills Limited*	-	50,000	-	50,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Total - December 31, 2016						187,728	189,967	2,239	15.98%	27.42%	0.22%
Total - June 30, 2016						61,645	62,438	793	7.84%	10.88%	0.09%

* These denote related parties / connected persons

5.1.1.1

The cost of investments in listed equity securities as at December 31, 2016 is Rs 203.554 million (June 30, 2016: Rs 64.665 million).

5.1.2 Government securities - Market Treasury Bills

Tenor	Face value				Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation/ (diminution) 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	Sold / matured during the period	As at December 31, 2016					
----- (Rupees in 000) -----									
3 months	-	671,000	671,000	-	-	-	-	-	-
6 months	50,000	225,000	275,000	-	-	-	-	-	-
1 year	-	863,000	788,000	75,000	72,624	72,626	2	6.11%	10.49%
Total - December 31, 2016					72,624	72,626	2	6.11%	10.49%
Total - June 30, 2016					49,502	49,505	3	6.22%	8.63%

5.1.2.1 The cost of investments in treasury bills as at December 31, 2016 is Rs 72.624 million (June 30, 2016: Rs 49.505 million). These carry yield at the rate of 6.03% (June 30, 2016: 5.90%) and are due to mature on July 20, 2017.

5.1.3 Government securities - Pakistan Investment Bonds

Tenor	Face value				Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation/ (diminution) 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	Sold / matured during the period	As at December 31, 2016					
(Rupees in 000)									
3 years	20,000	20,000	40,000	-	-	-	-	-	-
Total - December 31, 2016					-	-	-	-	-
Total - June 30, 2016					20,878	20,893	(15)	2.62%	3.64%

5.2 Available-for-sale

5.2.1 Listed equity securities

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at December 31, 2016	Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation/ (diminution) as at December 31, 2016	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee
----- (Number of shares) -----					----- (Rupees in '000) -----						
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
Automobile Assembler											
Honda Atlas Cars (Pakistan) Limited	-	11,000	-	11,000	-	-	-	-	-	-	-
Indus Motor Company Limited	-	14,600	-	14,600	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	11,000	-	11,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Cable and Electrical Goods											
Pak Elektron Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Cement											
Cherat Cement Company Limited	-	150,000	-	150,000	-	-	-	-	-	-	-
Dewan Cement Limited	-	245,000	-	245,000	-	-	-	-	-	-	-
D G Khan Cement Company Limited*	-	152,000	-	152,000	-	-	-	-	-	-	-
Lucky Cement Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	120,000	-	120,000	-	-	-	-	-	-	-
Pioneer Cement Limited	-	110,500	-	110,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Chemicals											
Archroma Pakistan Limited	-	23,000	-	23,000	-	-	-	-	-	-	-
						-	-	-	-	-	-

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

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at December 31, 2016	Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation/ (diminution) as at December 31, 2016	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee
		----- (Number of shares) -----				----- (Rupees in '000) -----					
Commercial Banks											
Bank Al Habib Limited	-	305,000	-	305,000	-	-	-	-	-	-	-
MCB Bank Limited*	-	70,000	-	70,000	-	-	-	-	-	-	-
Meezan Bank Limited	-	10,500	-	10,500	-	-	-	-	-	-	-
National Bank of Pakistan Limited	-	200,000	-	200,000	-	-	-	-	-	-	-
United Bank Limited	-	225,000	-	225,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Engineering											
Amreli Steels Limited	-	199,000	-	199,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Fertilizer											
Engro Corporation Limited	-	104,600	-	104,600	-	-	-	-	-	-	-
						-	-	-	-	-	-
Food and Personal Care Products											
Murree Brewery Company Limited	-	5,500	-	5,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Insurance											
Adamjee Insurance Company Limited*	-	100,000	-	100,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Leather and Tanneries											
Service Industries Limited	-	750	-	750	-	-	-	-	-	-	-
						-	-	-	-	-	-
Oil and Gas Exploration Companies											
Oil and Gas Development Company Limited	-	307,500	-	307,500	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	63,500	-	63,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Oil and Gas Marketing Companies											
Pakistan State Oil Company Limited	-	127,900	-	127,900	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited*	-	50,000	-	50,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Paper and Board											
Packages Limited	-	17,700	-	17,700	-	-	-	-	-	-	-
						-	-	-	-	-	-
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	400	15,100	-	15,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Power Generation and Distribution											
K- Electric Limited (par value of Rs 3.50 per share)	400,000	760,000	-	1,160,000	-	-	-	-	-	-	-
The Hub Power Company Limited	-	170,000	-	170,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Technology and Communication											
Pakistan Telecommunication Company Limited	-	600,000	-	600,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Textile Composite											
Nishat (Chunian) Limited*	-	455,000	-	455,000	-	-	-	-	-	-	-
Nishat Mills Limited*	-	200,000	-	200,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Total - December 31, 2016						-	-	-	-	-	-
Total - June 30, 2016						3,503	3,526	23	0.44%	0.70%	-

* These denote related parties / connected persons

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

5.2.2 Government securities - Pakistan Investment Bonds

Tenor	Face value				Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation/ (diminution) as at December 31, 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	Sold/matured during the period	As at December 31, 2016					
(Rupees in '000)									
3 Years	340,000	620,000	640,000	320,000	329,710	330,050	340	27.76%	47.65%
5 Years	25,000	25,000	50,000	-	-	-	-	-	-
Total - December 31, 2016					329,710	330,050	340	27.76%	47.65%
Total - June 30, 2016					367,096	367,263	167	46.13%	72.92%

5.2.2.1 The cost of investments in Pakistan Investment Bonds as at December 31, 2016 is Rs 329.710 million (June 30, 2016: Rs 374.266 million). These carry yield at the rate of 8.75% (June 30, 2016: 11.25% to 11.50%) and are due to mature on March 26, 2018.

5.3 This carries mark-up at the rate of 6.50% per annum (June 30, 2016: 6.40% per annum) and is due to mature on March 7, 2017.

	Note	(Unaudited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
6 PAYABLE TO THE MANAGEMENT COMPANY			
Management fee payable	6.1	1,227	781
Sindh sales tax payable on management fee		160	109
Sales load payable		4,027	2,684
Payable against allocated expenses		101	62
Preliminary expenses and floatation costs incurred		-	3,536
		5,515	7,172

6.1 As per the amendments made in the NBFC Regulations, 2008 vide SRO 1160(1)/2015 dated November 25, 2015, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of asset allocation schemes. During the half year ended December 31, 2016 and 2015, the Management Company has charged its remuneration at the rate of 15% of the gross earnings of the Fund subject to a minimum of 0.25% of the average daily net assets of the Fund and a maximum of 2% per annum of the average annual net assets of the Fund as prescribed under the NBFC Regulations, 2008. The fee is payable to the Management Company monthly in arrears.

	Note	(Unaudited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Auditors' remuneration payable		228	130
Brokerage payable		1,143	884
Printing and other charges payable		172	161
Provision for Federal Excise Duty on management fee including related taxes	7.1	841	841
Provision for Federal Excise Duty on sales load including related taxes	7.1	3,625	3,625
Sindh sales tax payable on allocated expenses		117	47
Sale load payable		1,041	-
		7,167	5,688

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

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

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

During the half year ended December 31, 2016, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 4.466 million (June 30, 2016: Rs 4.466 million) is being retained in the condensed interim financial information of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2016 would have been higher by Re 0.3807 per unit (June 30, 2016: Re 0.5621 per unit).

8 CONTINGENCIES AND COMMITMENTS

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

9 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at December 31, 2016 is 1.04% which includes 0.13% representing government levies on the Fund such as sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an asset allocation scheme.

10 ALLOCATED EXPENSES

In accordance with the provisions of the NBFC Regulations, 2008 (amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, with effect from November 27, 2015 the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund for the period.

11 TAXATION

The income of the Fund is exempt from income tax under 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 as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute to its unit holders not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon. Since the management intends to distribute the required minimum percentage of income earned by the Fund for the year ending June 30, 2017 to the unit holders in the manner as explained above, no provision for taxation has been made in this condensed interim financial information.

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.

12 EARNINGS PER UNIT

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

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

13 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include MCB-Arif Habib Savings and Investments Limited (being the Management Company) and its related entities, MCB Financial Services Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors, key management personnel and officers of the Management Company.

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

The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the period / year end are as follows:

	Half year ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015
	(Rupees in '000)	
13.1 Transactions during the period		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration of the Management Company	5,761	523
Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company	749	168
Allocated expenses	607	44
	Half year ended December 31, 2016	For the period from November 16, 2015 to December 31, 2015
	(Rupees in '000)	
MCB Financial Services Limited - Trustee		
Remuneration of MCB Financial Services Limited -Trustee	620	67
Sindh Sales Tax on remuneration of the Trustee	81	9
MCB Bank Limited - Holding Company of the Management Company		
Profit on bank deposits	173	83
Bank charges	8	3
Sale of securities having a face value of Rs 200 million (2015: Rs nil)	199,904	-
Arif Habib Limited - Group company of the Management Company*		
Brokerage expense	200	2
Next Capital Limited - Group company of the Management Company*		
Brokerage expense	76	-

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

	(Unaudited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016
13.2 Balance outstanding as at the period end		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Management fee payable	1,227	781
Sindh sales tax payable on management fee	160	109
Sales load payable	4,027	2,684
Payable against allocated expenses	101	62
Preliminary expenses and floatation costs incurred	-	3,536
MCB Financial Services Limited - Trustee		
Remuneration payable to the Trustee	114	75
Sales tax payable on trustee fees	15	10
MCB Bank Limited - Holding Company of the Management Company		
Balances in saving accounts	6,153	1,436
Profit receivable	21	53
Sale load payable	22	-
Investments held: 25,000 Shares (June 30, 2016: Nil shares)	5,946	-
Arif Habib Limited - Group company of the Management Company*		
Brokerage payable	52	43
Next Capital Limited - Group company of the Management Company*		
Brokerage payable	15	-

* Trading in securities through these connected persons has not been treated as transactions entered into with connected persons / related parties as these are not the ultimate counter parties.

14 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or liability can be 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.

The fair value of government securities traded in the interbank market shall be valued at the average rate quoted on the Reuters page and are based on the remaining tenor of the securities. The fair values of listed equity securities quoted on the stock exchange are valued at the closing prices determined by such exchange. The fair values of debt instruments (other than government securities) which are unlisted or listed but not traded regularly on the stock exchange are valued at rates notified by the Mutual Funds Association of Pakistan.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets 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 market price (unadjusted) in an active market for an identical instrument;
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using significant 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

As at December 31, 2016 and June 30, 2016, the Fund held the following assets measured at fair values:

-----As at December 31, 2016 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
At fair value through profit or loss - held for trading				
- Listed equity securities	189,967	-	-	189,967
- Government securities - Market Treasury Bills	-	72,626	-	72,626
Available-for-sale				
- Government securities - Pakistan Investment Bonds	-	330,050	-	330,050
-----As at June 30, 2016 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
At fair value through profit or loss - held for trading				
- Listed equity securities	62,438	-	-	62,438
- Government securities - Market Treasury Bills	-	49,505	-	49,505
- Government securities - Pakistan Investment Bonds	-	20,893	-	20,893
Available-for-sale				
- Listed equity securities	3,526	-	-	3,526
- Government securities - Pakistan Investment Bonds	-	367,263	-	367,263

For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the half year ended December 31, 2016, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

15 INTERIM DISTRIBUTIONS MADE DURING THE PERIOD

	<u>Rate per unit</u>	<u>Declaration date</u>	<u>Bonus Distribution</u>		<u>Cash Distribution</u>
			<u>Units</u>	<u>Amount</u>	
			--- (Rupees in '000) ----		
For the month ended July 2016	Re. 0.5096	July 31, 2016	-	-	4,159
For the month ended August 2016	Re. 0.5096	August 31, 2016	-	-	5,042
For the month ended September 2016	Re. 0.4935	September 30, 2016	-	-	5,582
For the month ended November 2016	Re. 0.4119	November 30, 2016	-	-	4,812
For the month ended December 2016	Re. 0.5130	December 31, 2016	-	-	6,019
			-	-	25,614

As per the distribution policy contained in the offering document, the Fund is required to ensure monthly streams of cash flows to the unit holders. In case, where the Fund suffers losses in the month due to equity portion loss, the monthly payment is required to be made by redeeming the appropriate number of units of the unit holders on the basis of previous 6 months average rate of dividend distribution per unit. Accordingly, the Fund has made redemptions in the month of October 2016 amounting to Rs 6.023 million to comply with this requirement.

16 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been authorised for issue by the Board of Directors of the Management Company in the meeting held on February 02, 2017.

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

17 EVENTS AFTER THE REPORTING PERIOD

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the Mutual Funds Association of Pakistan (MUFAP) with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. On November 11, 2016, the SRB maintained that Collective Investment Schemes (CISs) / mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from the applicability of SWWF.

In view of the aforementioned development regarding the applicability of SWWF on CISs and considering the legal opinion obtained on this matter, on January 12, 2017 MUFAP has recommended that as a matter of abundant caution the provision in respect of SWWF should be made with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on that date.

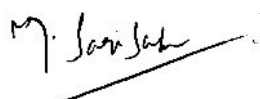
Accordingly, on January 12, 2017 the provision of SWWF was made by the Fund for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made on daily basis going forward.

The above decision was communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustment relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, the Fund has recorded this adjustment in its books on January 12, 2017.

Had this adjustment been made on December 31, 2016, the net asset value per unit of the Fund would have been lower by Re 0.0969.

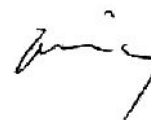
18 GENERAL

- 18.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in this condensed interim financial information during the current period.
- 18.2 Figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2016 and December 31, 2015 have not been subject to limited scope review by the statutory auditors of the Fund.
- 18.3 Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.



Chief Executive Officer

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



Director

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by typing: **MCB Arif Habib Savings**

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