

# QUARTERLY REPORT

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March 31, 2017  
(Unaudited)



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

**ALHAMRA ISLAMIC INCOME FUND**  
**(FORMERLY: MCB ISLAMIC INCOME FUND)**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	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 Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Abdul Basit	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi-74400.	
<b>Bankers</b>	MCB Bank Limited Habib Bank Limited United Bank Limited Meezan Bank Limited Dubai Islamic Bank Pakistan Limited Askari Bank Limited Bank Al-Habib Limited Bank Islami Pakistan Limited NRSP Micro Finance Bank Limited Al Baraka Bank Pakistan Limited	
<b>Auditors</b>	<b>A.F. Ferguson &amp; Co.</b> Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	<b>AM2++ Asset Manager Rating assigned by PACRA</b>	

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Alhamra Islamic Income Fund** (Formerly: MCB Islamic Income Fund) accounts review for the nine months ended March 31, 2017.

## ECONOMY AND MONEY MARKET OVERVIEW

Positive trends in domestic economy continued where headline indicators point toward continued recovery. Stable inflation along with investment activities/spending on CPEC related projects provide an enabling environment for economy to build upon a stronger growth phase ahead. Responsiveness until now from various indicators including Large Scale Manufacturing, Credit Offtake and Foreign Direct Investment though has been below expectations however, we believe if the current macroeconomic environment alongwith impetus from CPEC in a stable political environment continues, the lagged indicators would soon start reflecting the expected performance. External Account has again worsened highlighting partly the global trade dynamics and machinery imports for CPEC. Till now chronic weaknesses in the balance of payment account has been funded through borrowing; an unsustainable source to rely on.

Trade deficit increased to USD 15.4 billion in eight months of this fiscal year compared to USD 12.1 billion in same period last year. The subdued trend in exports continued with exports falling by the 2% YoY in 8MFY17. Imports continued their trajectory up increasing by 11.2% YoY in 8MFY17. Oil imports increased by 16% courtesy volumetric growth and increase in oil prices post OPEC's decision to curtail output. The imports of machinery increased by 12% as capital goods for the various infrastructural projects continued to flow in. Remittances decreased marginally by 2% to USD 14.06 billion in 9MFY17 from USD 14.38 billion in same period last year. The cushion to Balance of Payments was provided by financial account of USD 4.5 billion where USD 1.28 billion was contributed from Foreign Direct Investment while the rest was covered through borrowings. Foreign Direct Investment was majorly supported through acquisition of Engro Foods and Dawlance by foreign investors. Overall balance of Balance of Payments stood at negative USD 1.0 billion in 8MFY17 compared to positive USD 1.0 billion in same period last year.

Foreign exchange reserves stood at USD 21.6 billion (31st March, 2017). It is pertinent to note that reserves have decreased by USD 2.5 billion from their peak seen in October, 2016 where deteriorating external account position explaining most of the volatility.

Undergoing appreciation of about 0.08% in 9MFY17, 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 2.4% (1H FY17) of GDP as against 2.2% in SPY. Total revenue declined by 1% majorly because of reduction in income from defence services and SBP's profit. Expenses increased by 11% with PSDP (16% increase) and defence expenditure (11% increase).

The LSM growth clocked in at 3.5% during the period of 7MFY17 with contribution to growth coming from automobiles, construction and consumer goods.

Inflation continued its upward trajectory with nine month inflation averaging 4.01% compared to 2.64% for 9MFY16. The withering of low base effect along with inherent increases in food and housing pricing triggered inflationary pressures alongwith increases in petroleum prices.

M2 growth posted year to date growth of 6.09% by the end of the March, 2017. The deposits grew seasonally by PKR 217 billion in a week supported by quarter end efforts of banks to expand balance sheet size. Moreover, the abnormal accumulation in currency in circulation (CIC) last year triggered after imposition of withholding tax on cash withdrawals has normalized with CIC to M2 ratio at 19%. The Net Domestic Assets increased by PKR 1,064 billion supported by net government sector borrowings of PKR 600 billion.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.59% as against its benchmark return of 2.97%.

During the period, the fund had been decreasing its exposure from GoP Ijarah Sukuk, which stood at 9.7% at period-end. The fund was 28.0% invested in Corporate SUKUKs while most of the remaining exposure was in cash & bank deposits at relatively attractive rates.

The Net Assets of the Fund as at March 31, 2017 stood at Rs. 1,064 million as compared to Rs. 968 million as at June 30, 2016 registering an increase of 9.9%.

The Net Asset Value (NAV) per unit as at March 31, 2017 was Rs. 105.6512 as compared to opening NAV of Rs. 100.6677 per unit as at June 30, 2016 registering an increase of Rs. 4.9835 per unit.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

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### FUTURE OUTLOOK

While government stands committed to achieving its GDP growth target of 5.7%, we expect it to remain short of desired numbers owing to below par manufacturing growth. LSM growth has posted a modest growth of 3.5% during 7MFY17, against the full year target of 5.9%. The misery of export-oriented sectors continues to haunt the manufacturing industry, as Textile and Leather industry continue to grow at dismal pace. Going forward, the recently announced export package is expected to provide some support to the export sector, nevertheless, the overvalued currency as depicted from REER (~25% overvalued as per SBP) remains a stumbling block in the way of competitiveness of the country.

The direction of general inflation is expected to be shaped by the trend in crude oil prices and currency outlook. While crude oil prices have stabilized and are expected to continue to do so, government has started to increase petroleum prices by increasing sales tax on petroleum products as tax collection so far has been below target. Similarly, the outlook of currency remains worrisome given the deterioration in external factors. Thus, from next year onwards, we might foresee inflation to kick above 5.0%, compared to current average of ~4.0%.

External account remains a threat to the stabilizing economy, as recent data showed current account deficit worsened to 2.7% of GDP, against the target of 1.5% for full fiscal year. Rising imports, along with weak exports and remittances contributed to the aggravation of external account. We expect the same trend to continue for the foreseeable future until the overvaluation of currency vanishes.

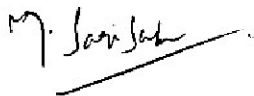
We expect interest rates to remain stable in the short term given stable inflationary trends along with government's increased focus on managing reserves through foreign borrowing. However, exchange rate overvaluation in addition with weak external account suggest a close scrutiny of the emerging trends, as the potential of inflection point remains in a form of monetary tightening.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth. Growing confidence in the economy has led to increase the quantum of investment from initially desired \$46 billion to more than \$60 billion. Local investor confidence has also improved drastically, after a long time, as witnessed by a gush of investment deals announced in the variety of sectors. Cement, Steel and Auto industry have already announced multiple expansion and green field investment plans with more to come from other industries. Given, the expansionary phase, we expect equity markets to outperform alternate asset classes. Inclusion of Pakistan to MSCI Emerging Market Index is expected to further channel liquidity in the local market. 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 along with political uncertainty due to Panama case would keep the short term market performance in check. However, 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 Board,



**Muhammad Saqib Saleem**  
Chief Executive Officer  
April 21, 2017

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے الحمد للہ اسلامک انکم فنڈ (سابقہ: ایم سی بی اسلامک انکم فنڈ) کے 31 مارچ 2017ء کو ختم ہونے والی مدت کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار زر کا مجموعی جائزہ

مقامی معیشت میں مثبت رجحانات دیکھنے میں آئے اور اہم معاشی علامات مسلسل بحالی کی طرف اشارہ کر رہی ہیں۔ مستحکم افراط زر کے ساتھ ساتھ سرمایہ کارانہ سرگرمیوں / CPEC پر خرچ سے متعلق پرائیکٹس معیشت کو مضبوط تر ترقی کی راہ پر گامزن رہنے کے لئے معاون ماحول فراہم کر رہے ہیں۔ اگرچہ تاحال مختلف علامات بشمول وسیع پیمانے کی مینوفیکچرنگ، کریڈٹ آف ٹیک اور غیر ملکی براہ راست سرمایہ کاری میں حرکت توقعات سے کم ہے لیکن ہم سمجھتے ہیں کہ اگر مستحکم سیاسی ماحول میں کلاں معاشیات کے موجودہ ماحول کے ساتھ ساتھ CPEC کی جانب سے ملنے والی قوت جاری رہی تو سب سے زیادہ روئی کا مظاہرہ کرنے والی علامات جلد متوقع کارکردگی کی عکاسی کرنے لگیں گی۔ خارجی اکاؤنٹ کی صورت حال دوبارہ خراب ہو گئی ہے جو کچھ حد تک عالمی تجارتی قوتوں اور CPEC کے لئے مشینری کی درآمدات کی تہمازی کرتی ہے۔ ادائیگی کے توازن کے اکاؤنٹ میں دیرینہ ضعف کو تاحال قرض کے ذریعے پورا کیا گیا ہے، لیکن اس ذریعے پر ایک محدود حد تک ہی اعتماد کیا جاسکتا ہے۔

تجارتی خسارہ موجودہ مالی سال کے آٹھ ماہ میں بڑھ کر 15.4 بلین امریکی ڈالر تک پہنچ گیا جبکہ گزشتہ سال اسی مدت میں 12.1 بلین امریکی ڈالر تھا۔ برآمدات بدستور سست روی سے چلتے ہوئے مالی سال 2017ء کے ابتدائی آٹھ ماہ میں 2% YoY کم ہو گئیں۔ درآمدات بدستور سبک رفتاری سے چلتے ہوئے مالی سال 2017ء کے ابتدائی آٹھ ماہ میں 11.2% YoY زیادہ ہو گئیں۔ تیل کی درآمدات میں 16% اضافہ ہوا جس کا سبب CPEC کے پیداوار کم کرنے کے فیصلے کے بعد حجم میں ترقی اور تیل کی قیمتوں میں اضافہ ہے۔ مشینری کی درآمدات میں 12% اضافہ ہوا جس کا سبب انفراسٹرکچر کے مختلف منصوبوں کے لئے capital goods کی بدستور آمد ہے۔ مالی سال 2017ء کے ابتدائی نو ماہ میں ترسیل زر کم ہو کر 14.06 بلین امریکی ڈالر ہو گئی جو 2% معمولی کمی ہے، جبکہ گزشتہ سال اسی مدت میں 14.38 بلین امریکی ڈالر کی ہوئی تھی۔ ادائیگیوں کے توازن کو 4.5 بلین امریکی ڈالر کے مالیاتی اکاؤنٹ کا سہارا فراہم ہوا جس میں غیر ملکی براہ راست سرمایہ کاری نے 1.28 بلین امریکی ڈالر حصہ ڈالا جبکہ بقیہ حصہ قرضوں کے ذریعے پورا کیا گیا۔ غیر ملکی سرمایہ کاروں کے اینگرو فوڈ اور ڈاؤ لینس کے حصول کے ذریعے غیر ملکی براہ راست سرمایہ کاری کو بڑی معاونت حاصل ہوئی۔ مالی سال 2017ء کے ابتدائی آٹھ ماہ میں ادائیگیوں کا مجموعی توازن منفی 1.0 بلین امریکی ڈالر تھا، جبکہ گزشتہ سال اسی مدت میں 1.0 بلین امریکی ڈالر تھا۔

زیربادلہ کے ذخائر 31 مارچ 2017ء کو 21.6 بلین امریکی ڈالر تھے۔ یہاں یہ بات قابل غور ہے کہ ذخائر اکتوبر 2016ء میں اپنے عروج کی سطح سے 2.5 بلین امریکی ڈالر کم ہو گئے، جبکہ خارجی اکاؤنٹ کی گرتی ہوئی صورتحال عدم استحکام کی بڑی وجہ ہے۔

پاکستانی روپے نے مالی سال 2017ء کے ابتدائی نو ماہ میں 0.08% ترقی کی اور امریکی ڈالر کے بالمقابل پکڑا رہا، جس سے خدشات بھی پیدا ہوتے ہیں کیونکہ دیگر ترقی پزیر معیشتیں نسبتاً کمزور ہیں، اور اسٹیٹ بینک آف پاکستان کے پیکائش کردہ REER سے بھی اس کی عکاسی ہوتی ہے جو 126 کی بلند سطح تک پہنچ گیا جس سے بڑے پیمانے پر بیش قدری ظاہر ہوتی ہے۔

مالیاتی خسارہ بڑھ کر مجموعی قومی پیداوار کا 2.4% ہو گیا (1HFY17) جو SPLY میں 2.2% تھا۔ مجموعی آمدنی 1% کم ہو گئی جس کا بڑا سبب دفاعی خدمات کی آمدنی اور اسٹیٹ بینک آف پاکستان کے منافع میں کمی ہے۔ اخراجات میں 11% اضافہ ہوا، بشمول PSDP (16% اضافہ) اور دفاعی اخراجات (11% اضافہ)۔

LSM ترقی مالی سال 2017ء کے ابتدائی سات ماہ کے دوران 3.5% سے شروع ہوئی، اور اس ترقی میں گاڑیوں، تعمیرات اور صارفی مصنوعات نے کردار ادا کیا۔ افراط زر میں بدستور اضافہ جاری رہا؛ نو ماہ میں افراط زر کا اوسط 4.01% تھا، جبکہ مالی سال 2017ء کے ابتدائی نو ماہ میں 2.64% تھا۔ پہلے سے پست base effect میں بتدریج کمی اور اشیائے خورد و نوش اور ہاؤسنگ کی قیمتوں میں فی نسب اضافہ افراط زر کے دباؤ کے ساتھ ساتھ پیٹرول کی قیمتوں میں اضافے کے محرک بنے۔

M2 میں مارچ 2017ء کے اختتام تک 6.09% year to date ترقی ہوئی۔ اختتام سہ ماہی پر بینکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 217 بلین روپے موی ترقی ہوئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر دو 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 اور CIC کا M2 سے تناسب 19% ہے۔ حکومتی سیکٹر نے 600 بلین روپے net قرضے لیے جس کی مدد سے net مقامی اثاثہ جات میں 1,064 بلین روپے اضافہ ہوا۔

### فنڈ کی کارکردگی

دوران جائزہ مدت کے دوران فنڈ نے ایک سال پر محیط منافع 6.59% حاصل کیا، جبکہ مقررہ معیار 2.97% تھا۔ دوران مدت فنڈ نے حکومت پاکستان کے اجارہ سنگ میں اپنی شمولیت کو بتدریج کم کیا، اور اختتام مدت پر یہ 9.7% کی سطح پر تھی۔ فنڈ کی سرمایہ کاری 2.8% کارپوریٹ سنگ میں، جبکہ باقی کا بڑا حصہ نقد اور بینک ڈپازٹس میں نسبتاً پرکشش شرح پر تھی۔

31 مارچ 2017ء کو فنڈ کے net اثاثہ جات 1,064 ملین روپے تھے، جو 30 جون 2016ء کو 968 ملین روپے کے مقابلے میں 9.9% اضافہ ہے۔ 31 مارچ 2017ء کو net اثاثہ جاتی قدر (NAV) نی پونٹ 105.6512 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 100.6677 روپے فی پونٹ کے مقابلے میں 4.9835 روپے فی پونٹ اضافہ ہے۔

## مستقبل کا منظر

اگرچہ حکومت مجموعی مقامی پیداوار میں 5.7% ترقی کے اپنے ہدف کو حاصل کرنے کے لئے پُر عزم ہے، لیکن ہم سمجھتے ہیں کہ وہ مطلوبہ سے کم مینوفیکچرنگ ترقی کے باعث مذکورہ سطح تک پہنچنے میں ناکام رہے گی۔ LSM ترقی نے مالی سال 2017ء کے ابتدائی سات ماہ کے دوران 3.5% معمولی ترقی کی جبکہ پورے سال کا ہدف 5.9% تھا۔ برآمداتی سیکٹرز کی مشکلات کے سائے بدستور مینوفیکچرنگ صنعت پر منڈلا رہے ہیں اور ٹیکسٹائل اور چمڑے کی صنعت کی ترقی کی رفتار مایوس کن ہے۔

علاوہ ازیں، حالیہ اعلان کردہ برآمداتی بیج سے برآمدات کے شعبے کو کچھ معاونت متوقع ہے، لیکن پیش قدر کرنسی، جیسا کہ REER سے ظاہر ہے (انٹیٹ بینک آف پاکستان کے مطابق 25% پیش قدری ٹنلنگ کی سابقہ اہلیت کی راہ میں بہت بڑی رکاوٹ ہے۔

عمومی افراط زر کی سمت متوقع طور پر خام تیل کی قیمتوں کے رجحان اور کرنسی کے مستقبل کے منظر کے ذریعے طے ہوگی۔ اگرچہ خام تیل کی قیمتیں مستحکم ہو گئی ہیں اور امید کی جارہی ہے کہ مستحکم ہی رہیں گی، حکومت نے پٹرول کی مصنوعات پر سبز ٹیکس میں اضافے کے ذریعے پٹرول کی قیمتوں میں اضافہ شروع کر دیا ہے کیونکہ تاحال ٹیکس مطلوبہ ہدف سے کم وصول ہوا ہے۔ اسی طرح کرنسی کے مستقبل کا منظر خارجی عناصر میں انحطاط کے باعث بدستور پریشان کن ہے۔ چنانچہ اگلے سال سے افراط زر موجودہ اوسط 4.0% کے مقابلے میں 5.0% سے بلند جاسکتی ہے۔

خارجی اکاؤنٹ استحکام کی راہ پر گامزن معیشت کے لئے بدستور خطرہ بنا ہوا ہے کیونکہ حالیہ اعداد و شمار کے مطابق کرنٹ اکاؤنٹ کا خسارہ بدتر ہو کر مجموعی ملکی پیداوار کا 2.7% ہو گیا، جبکہ مکمل مالی سال کا ہدف 1.5% تھا۔ بڑھتی ہوئی درآمدات کے ساتھ ساتھ کمزور برآمدات اور ترسیل زر سے خارجی اکاؤنٹ مزید بگڑ گیا۔ قابل پیش گوئی مستقبل میں کرنسی کی پیش قدری ختم ہونے تک متوقع طور پر یہ رجحان جاری رہے گا۔

توقع ہے کہ مختصر میعاد میں افراط زر کے مستحکم رجحانات کے ساتھ ساتھ reserves کو غیر ملکی قرضوں کے حصول کے ذریعے چلانے پر حکومت کی بڑھتی ہوئی توجہ کی بدولت انٹریٹ کی شرحیں مستحکم رہیں گی۔ تاہم شرح مبادلہ کی پیش قدری کے علاوہ کمزور خارجی اکاؤنٹ اس بات کی طرف اشارہ کر رہے ہیں کہ ابھرتے ہوئے رجحانات کا باریک بینی کے ساتھ جانچ پڑتال کی جائے، کیونکہ نکتہ تفریق کی استعداد مالیاتی گرفت کو تنگ کرنے کی صورت میں برقرار ہے۔

چین پاکستان معاشی راہداری متوقع طور پر ترقی کے لئے بے حد مطلوب تحریک فراہم کرے گی۔ معیشت میں بڑھتے ہوئے اعتماد کی بدولت سرمایہ کاری کا حجم ابتدائی مطلوبہ 46 بلین ڈالر سے بڑھ کر 60 بلین ڈالر سے زائد ہو گیا ہے۔ مقامی سرمایہ کاروں کے اعتماد میں بھی ایک طویل عرصے بعد بڑے پیمانے پر اضافہ ہوا ہے، جیسا کہ مختلف شعبوں میں سرمایہ کاریوں کی بھرپور راہ سے ظاہر ہے۔ سینٹ، اسٹیل اور گاڑیوں کی صنعتیں پہلے ہی متحدہ قومی اور گرین فیلڈ سرمایہ کاری کے منصوبوں کا اعلان کر چکی ہیں، اور دیگر صنعتوں کی طرف سے بھی ایسے اعلانات متوقع ہیں۔ موجودہ توسیعی دور کو مد نظر رکھتے ہوئے ہم توقع کرتے ہیں کہ ایکویٹی مارکیٹس متبادل اثاثہ جات کے شعبوں سے سبقت کے جائیں گی۔ MSCI ایمریکن مارکیٹ انڈیکس میں پاکستان کی شمولیت کی بدولت توقع ہے کہ مقامی مارکیٹ میں مزید لیکویڈیٹی پہنچے گی۔ MSCI مخصوص کمینیز متوقع طور پر باقاعدہ شمولیت کے قریب منظر عام پر آئیں گی۔ تاہم ٹرمپ کے امریکی صدر بننے کے بعد عالمی معیشتوں میں عدم یقینی کی وجہ سے عالمی مارکیٹس میں عدم استحکام، اور اس کے ساتھ ساتھ پانا ماہدے کے باعث ہونے والی سیاسی عدم یقینی سے مختصر میعاد کی مارکیٹ کی کارکردگی کی جانچ ہوتی رہے گی۔ بہر حال، ہم مارکیٹ کے حوالے سے اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

## اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، بیکو ریٹز اینڈ ایچ جی کیش کیشن آف پاکستان اور فنڈ کے ٹریڈرز 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 اور مین جانب بورڈ

محمد قاسم سلیم

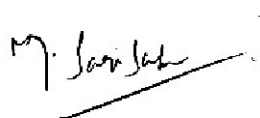
محمد قاسم سلیم  
چیف ایگزیکٹو آفیسر  
21 اپریل 2017ء



**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT MARCH 31, 2017**

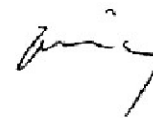
	Note	(Unaudited) 31 March 2017	(Audited) 30 June 2016
		(Rupees in '000)	
<b>Assets</b>			
Balances with banks	4	470,238	270,361
Investments	6	501,795	720,660
Advance Against IPO Subscription		100,000	-
Income and profit receivable		7,702	6,276
Deposit and prepayments		338	237
<b>Total assets</b>		<u>1,080,073</u>	<u>997,534</u>
<b>Liabilities</b>			
Payable to Management Company		704	640
Payable to Central Depository Company of Pakistan Limited - Trustee		161	152
Payable to Securities and Exchange Commission of Pakistan - annual fee		557	837
Accrued expenses and other liabilities	7	14,417	27,800
<b>Total liabilities</b>		<u>15,839</u>	<u>29,429</u>
<b>Net assets</b>		<u>1,064,234</u>	<u>968,105</u>
<b>Unit holders' fund</b>		<u>1,064,234</u>	<u>968,105</u>
<b>Contingencies and commitments</b>	11		
		(Number of units)	
<b>Number of units in issue</b>		<u>10,073,090</u>	<u>9,616,837</u>
		(Rupees)	
<b>Net assets value per unit</b>		<u>105.6512</u>	<u>100.6677</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



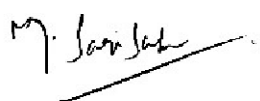
Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

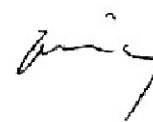
		Nine months ended March 31,		Quarter ended March 31,	
		2017	2016	2017	2016
	Note	(Rupees in '000)			
<b>Income</b>					
Capital Gain on sale of investment - net		2,533	495	61	2,847
Income from government securities		10,133	27,346	1,532	8,205
Income from unlisted debt securities - term finance certificates		8,795	6,985	4,199	2,191
Profit on bank deposits		22,927	20,100	7,926	4,377
Back end load		2	-	(0)	-
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'		3,170	1,697	(656)	(3,387)
<b>Total income</b>		<b>47,560</b>	<b>56,623</b>	<b>13,062</b>	<b>14,233</b>
<b>Expenses</b>					
Remuneration of Management Company		4,668	5,575	1,322	1,617
Sales tax and federal excise duty on remuneration of Management Company		607	1,798	172	522
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,251	1,413	389	427
Sindh Sales tax on remuneration of trustee		163	153	51	60
Annual fee - Securities and Exchange Commission of Pakistan		557	648	172	191
Amortisation of preliminary expenses and floatation costs		-	151	-	50
Auditors' remuneration		520	498	191	150
Settlement and bank charges		244	200	115	106
Fees and subscription		255	230	89	83
Shariah advisory fee		675	415	225	308
Allocated expenses		839	413	260	289
Legal and professional charges		51	44	21	44
Printing and related charges		128	83	42	44
<b>Total expenses</b>		<b>9,958</b>	<b>11,620</b>	<b>3,049</b>	<b>3,892</b>
		<b>37,603</b>	<b>45,003</b>	<b>10,014</b>	<b>10,342</b>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:					
- arising from capital gain / (loss) and unrealised gain / (loss)		134	(217)	1,083	(0)
- arising from other income		3,013	(5,418)	6,653	(1,538)
		3,147	(5,635)	7,736	(1,538)
Provision for workers' welfare fund (Net)	7.2	9,585	-	9,585	-
<b>Net income for the period before taxation</b>		<b>50,334</b>	<b>39,368</b>	<b>27,334</b>	<b>8,804</b>
Taxation	9	-	-	-	-
<b>Net income for the period after taxation</b>		<b>50,334</b>	<b>39,368</b>	<b>27,334</b>	<b>8,804</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

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



Chief Executive Officer

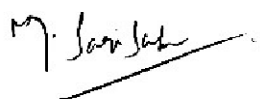


Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017**

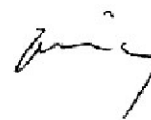
	<b>Nine months ended</b>		<b>Quarter ended</b>	
	<b>March 31,</b>		<b>March 31,</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(Rupees in '000)</b>			
<b>Net income for the period after taxation</b>	50,334	39,368	27,334	8,804
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to income statement</i>				
Net unrealised (diminution) on re-measurement of investments classified as 'available-for-sale'	(174)	-	(60)	-
<b>Total comprehensive income for the period</b>	<u>50,160</u>	<u>39,368</u>	<u>27,274</u>	<u>8,804</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



**Chief Executive Officer**

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

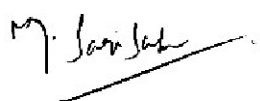


**Director**

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017**

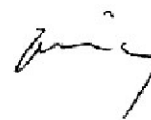
	Nine months ended March 31,		Quarter ended March 31,	
	2017	2016	2017	2016
	(Rupees in '000)			
Undistributed income brought forward	6,828	2,919	29,022	33,048
Net income for the period	50,334	39,368	27,334	8,804
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	344	(536)	1,150	(101)
<b>Undistributed income carried forward</b>	<b>57,506</b>	<b>41,751</b>	<b>57,506</b>	<b>41,751</b>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



**Chief Executive Officer**

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

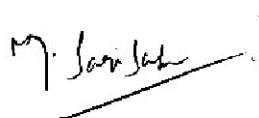


**Director**

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

	Nine months ended March 31,		Quarter ended March 31,	
	2017	2016	2017	2016
	(Rupees in '000)			
Net assets at the beginning of the period	968,105	1,261,060	860,208	1,063,989
Issue of 10,583,698 units (2016: 5,065,917 units) and 5,150,531 units (2016: 1,956,386 units) for the Nine months and quarter ended respectively	1,092,218	505,011	537,415	202,503
Redemption of 10,127,445 units (2016: 7,865,229 units) and 3,394,514 units (2016: 2,483,703 units) for the nine months and quarter ended respectively	(1,043,102)	(791,115)	(352,927)	(256,874)
	49,116	(286,104)	184,488	(54,371)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- Amount representing (income) / loss and realised capital (gains) / losses transferred to the income statement:				
- arising from capital (loss) / gain and unrealised (loss) / gain	(134)	217	(1,083)	-
- arising from other income	(3,013)	5,418	(6,653)	1,538
- Amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	(4,668)	536	(5,474)	101
	(7,815)	6,171	(13,210)	1,639
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	4,668	(536)	5,474	(101)
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital loss on sale of investments)	44,631	37,176	27,929	9,343
Capital loss on sale of investments	2,533	495	61	2,847
Net unrealised (diminution) on re-measurement of investments classified as 'available-for-sale'	(174)		(60)	
Net unrealised appreciation / (diminution) in value of investments classified as 'at fair value through profit or loss'	3,170	1,697	(656)	(3,386)
Total comprehensive income for the period	50,160	39,368	27,274	8,804
Net assets as at the end of the period	1,064,234	1,019,959	1,064,234	1,019,959

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

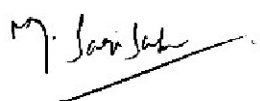


Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

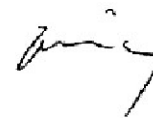
	Nine months ended March 31,		Quarter ended March 31,	
	2017	2016	2017	2016
	(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	50,334	39,368	27,334	8,804
<i>Adjustments for non-cash charges and other items:</i>				
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'	(3,170)	(1,697)	657	3,388
Amortisation of preliminary expenses and floatation costs	-	151	1	51
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
- arising from capital (loss) / gain and unrealised (loss) / gain	(134)	217	(1,083)	0
- arising from other income	(3,013)	5,418	(6,653)	1,538
	(3,147)	5,635	(7,736)	1,538
	44,017	43,457	20,256	13,781
<b>Decrease / (increase) in assets</b>				
Investments	221,861	(16,557)	(182,980)	63,012
Advance against subscription of Corporate Sukuk	(100,000)	-	(100,000)	-
Income and profit receivable	(1,426)	9,847	1,949	(1,734)
Deposit and prepayments	(101)	(86)	(212)	(194)
	120,334	(6,796)	(281,243)	61,084
<b>Decrease / (increase) in liabilities</b>				
Payable to Management Company	64	(351)	(198)	(80)
Payable to the Central Depository Company of Pakistan Limited - Trustee	9	13	(4)	(8)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(280)	(550)	172	191
Accrued expenses and other liabilities	(13,383)	(5,140)	(10,075)	411
	(13,590)	(6,028)	(10,105)	514
<b>Net cash generated / (used in) from operating activities</b>	150,761	30,633	(271,092)	75,379
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	1,092,218	505,011	495,073	202,502
Payments on redemption of units	(1,043,102)	(791,115)	(370,208)	(256,875)
<b>Net cash used in financing activities</b>	49,116	(286,104)	124,865	(54,373)
<b>Net increase / decrease in cash and cash equivalents during the period</b>	199,877	(255,471)	(146,227)	21,006
<b>Cash and cash equivalents at beginning of the period</b>	270,361	517,006	616,465	240,529
<b>Cash and cash equivalents at end of the period</b>	470,238	261,535	470,238	261,535

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

## **NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017**

### **1 LEGAL STATUS AND NATURE OF BUSINESS**

Alhamra Islamic Income Fund (Formerly: MCB Islamic Income Fund) was established under a trust deed executed between MCB Asset Management Company Limited (which merged with and into Arif Habib Investments Limited with effect from June 27, 2011) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. Pursuant to the merger of MCB-Asset Management Company Limited and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 25, 2011 and was executed on March 7, 2011. According to the Trust Deed, the first accounting period of the Fund commenced from May 1, 2011 i.e. the date on which the trust property was first paid or transferred to the Trustee.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off. Shaheed-e-Millat Expressway, near KPT interchange, Karachi, Pakistan.

The Fund is an open-end collective investment scheme categorised as a "Shariah Compliant (Islamic) Income" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. It offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The objective of the Fund is to seek to generate superior risk adjusted returns by investing in short, medium and long-term high quality Shariah Compliant fixed income instruments.

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 Central Depository Company of Pakistan Limited as the Trustee of the Fund.

### **2. BASIS OF PREPARATION**

- 2.1** This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. 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 Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (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 IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017**

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**2.2** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2016.

**2.3** These condensed interim financial statements are unaudited.

**2.4** These condensed interim financial statements are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

**3 ACCOUNTING POLICIES, KEY ACCOINTING ESTIMATES AND JUDGEMENTS**

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

**4 FINANCIAL RISK MANAGEMENT**

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



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

## 5. BALANCES WITH BANKS

	(Unaudited) 31 March 2017	(Audited) 30 June 2016
	(Rupees in '000)	
Balances with bank		
- Current account	5,779	186,120
- Savings account	464,459	84,241
	<u>470,238</u>	<u>270,361</u>

## 6. INVESTMENTS

'At fair value through profit and loss'-held for trading			
Government securities	7.1	104,391	558,065
Unlisted debt securities - term finance certificates	7.2	202,404	113,115
		306,795	671,180
 'At fair value through profit or loss' - available for sale			
Government securities	7.3	-	49,480
		<u>-</u>	<u>720,660</u>
 Loans and receivables			
Term Deposit Receipts	7.4	195,000	-
		<u>501,795</u>	<u>720,660</u>

### 6.1 Government securities - Government of Pakistan Ijara Sukuk Held for Trading

Issue date	Profit rate (%)	Tenor	Face value			Balance as at 31 March 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
			As at 1 July 2016	Purchased during the period	Disposed / matured during the period	As at 31 March 2017	Carrying value	Market value		
(Rupees in '000)										
Government of Pakistan										
Ijara Sukuk										
25 June 2014	3.89%	3 years	347,500		347,500	-		-	-	-
18 December 2015	5.45%	3 years	212,500		109,500	103,000	103,795	104,391	596	20.80
29 March 2016	6.10%	3 years	-	110,000	110,000	-		-	-	-
31 March 2017							103,795	104,391	596	
30 June 2016							559,080	558,065	(1,015)	

### 6.2 Unlisted debt securities - term finance certificates

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

Issue date	Profit rate (%)	Number of Certificates			Balance as at 31 March 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at 1 July 2016	Purchased during the period	Disposed / matured during the period	As at 31 March 2017	Carrying value	Market value			Appreciation/ (diminution)
(Rupees in '000)										
Engro Fertilizers Limited	8.21%	23,600	-	-	23,600	97,830	97,704	(126)	9.18	19.47
Meezan Bank Limited			100	-	100	102,000	104,700	2,700	9.84	20.87
31 March 2017						199,830	202,404	2,574		
30 June 2016						113,107	113,115	9		

### 6.3 Government securities - Government of Pakistan Ijara Sukuk Available for Sale

Issue date	Profit rate (%)	Tenor	Face value			Balance as at 31 March 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	
			As at 1 July 2016	Purchased during the period	Disposed / matured during the period	As at 31 March 2017	Carrying value	Market value			Appreciation / (diminution)
			(Rupees in '000)								
<i>Government of Pakistan</i>											
<i>Ijara Sukuk</i>											
25 June 2014	3.89%		50,000		50,000	-					
Total as at 30 June 2016							49,366	49,480	114		

### 6.4 Term Deposit Receipts - Loans and receivables

Name of Financial institution	Profit / mark-up rate %	Maturity date	Carrying value as at March 31, 2017 (Rs. in '000)	Value as a percentage of net assets %	Value as a percentage of
Orix Modarba	6.05%	May 23, 2017	45,000	4.23	8.97%
Orix Modarba	6.05%	May 23, 2017	50,000	4.70	9.96%
Dubai Islamic Bank Pakistan Limited	6.15%	March 30, 2018	100,000	9.40	9.96%
Total as at March 31, 2017			<u>195,000</u>		
Total as at June 30, 2015			<u>-</u>		

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

7	ACCRUED EXPENSES AND OTHER LIABILITIES	(Unaudited) 31 March 2017	(Audited) 30 June 2016
		(Rupees in '000)	
	Federal excise duty payable and other related taxes on management fee	7.1 8,639	8,639
	Federal excise duty payable and other related taxes on sales load	7.1 3,028	3,028
	Provision for Workers' Welfare Fund (Net)	7.2 1,905	11,490
	Sales load payable to MCB Bank Limited - related party	1	-
	Zakat payable	26	403
	Auditors' remuneration	335	449
	Printing charges payable	92	115
	Capital gain tax payable	159	287
	Withholding tax payable on dividend	-	3,222
	Brokerage payable	3	-
	Other liabilities	229	167
		<b>14,417</b>	<b>27,800</b>

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 Honorable 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 period ended, 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. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgment of the SHC. The matter is still 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 amounting to Rs. 8.639 million (June 30, 2016: Rs 8.639 million) made for the period from June 13, 2013 till June 30, 2016 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 and related taxes on management fee not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at March 31, 2017 would have been higher by Rs. 1.1583 per unit (June 30, 2016: Rs. 1.2132).

7.2 The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs.0.5 million in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). During the period, the SCP passed a judgment on November 10, 2016, declaring the insertion of amendments introduced in the Finance Act pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh WWF Act, 2014. The Mutual Funds Association of Pakistan (MUFAP) believes that the Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

In view of the above developments regarding the applicability of Federal and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- i. The provision against the Federal WWF held by the Mutual Funds till June 30, 2015 to be reversed on January 12, 2017; and
- ii. Provision against Sindh WWF, on prudent basis, should be made from the date of enactment of the Sindh WWF Act, 2014 (i.e. May 21, 2015) with effect from January 12, 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and SECP vide its letter dated February 01, 2017 advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosure in the financial statements of Mutual Funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017. As on March 31, 2017 the impact of reversal of federal WWF and provision of Sindh WWF are as follows:

	Amount – (Rupees in '000) –
Reversal of Federal WWF (up to June 30, 2015)	11,490
Charge of Sindh WWF	1,905

The cumulative net effect of WWF is Rs. 9.585 million, had the provision of Federal WWF not reversed and Sindh WWF not charged in the books of accounts of the fund the Net Asset value of the Fund would be lower by Re. 0.9515 as at March 31, 2017.

## 8 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at March 31, 2017 is 1.11% which includes 0.24% representing government levies on the Fund such as sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

## 9 TAXATION

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders. Accordingly, no provision has been made in this condensed interim financial statement.

## 10 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.

## 11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 March 2017.

## 12 TRANSACTIONS WITH CONNECTED PERSONS / OTHER 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, the Central Depository Company of Pakistan 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 and balances with them at the period end are as follows:

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017**

**12.1 Details of the transactions with connected persons / related parties are as follows:**

**MCB-Arif Habib Savings and Investments**

**limited - Management Company**

Remuneration (including indirect taxes)

Allocated expenses (including indirect taxes)

Shariah advisory fee

Nine months period ended		Quarter ended	
31 March		31 March	
2017	2016	2017	2016
(Rupees in '000)			

5,275	7,373	1,494	2,139
839	413	260	290
675	415	225	308

**MCB Bank Limited**

Profit on bank deposits

Bank Charges

Sale of Securities Face Value 150,000,000 (2016: 200,000,000) and Face Value 200,000,000(2016: 200,000,000) for the nine months and quarter ended respectively

Purchase of Securities Face Value Nil (2016:100,000,000 ) and

Face value Nil (2016: 100,000,000) for the nine months and quarter ended respectively

44	460	12	18
26	30	9	12
151,183	203,239	-	203,239
-	100,093	-	100,093

**Central Depository Company of Pakistan**

**Limited - Trustee**

Remuneration (including indirect taxes)

1,414	1,566	440	487
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**Next Capital**

Brokerage Paid

-	3	-	-
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*Other related parties:*

**Directors and Executives of the**

**Management Company**

Issue of 309,051 units (2016: 78,046 units) and 195,764 units (2016: 18,517 units) for the nine months and quarter ended respectively

31,890	7,925	20,311	1,910
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Redemption of 222,733 units (2016: 83,863 units) and 125,721 units (2016: 18,210 units) for the nine months and quarter ended respectively

22,990	8,515	13,073	1,885
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**Adamjee Life Assurance Company Limited**

**(Amaanat Fund)**

Issue of 2,093,676 units (2016: 449,425 units) and 739,635 units (2016: 155,164 units) for the nine months and quarter ended respectively

216,300	46,000	77,500	16,000
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Redemption of 2,743,762 units (2016: 1,274,940 units) and 610,163 units (2016: Nil units) for the nine months and quarter ended respectively

284,200	130,000	64,000	-
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**Mandate under discretionary portfolio**

Issue of 455,757 units (2016: Nil units) and 411,811 units (2016: Nil units) for the nine months and quarter ended respectively

47,359	-	42,849	-
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Redemption of 578,386 units (2016: Nil units) and 481,374 units (2016: Nil units) for the nine months and quarter ended respectively

60,407	-	55,085	-
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017**

**12.2 Amounts outstanding as at period / year end:**

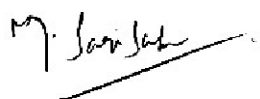
	(Unaudited) 31 March 2017	(Audited) June 30 2016
	(Rupees in '000)	
<b>MCB Bank Limited</b>		
Balance with bank	7,336	185,341
Profit receivable on bank deposits	-	-
Sales load payable to MCB Bank Limited	1	-
<b>MCB-Arif Habib Savings and Investments limited - Management Company</b>		
Management fee payable	465	376
Sindh sales tax payable on management fee	60	53
Front-end load payable	17	49
Sindh sales tax payable on front end load	2	7
Allocated expenses payable	85	79
Shariah Advisory fee payable	75	76
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Remuneration payable	142	133
Sindh sales tax payable on trustee fee	18	19
<b>Directors and executives of the Management Company</b>		
Units held 134,189 units (June 2016: 47,871 units)	14,177	4,819
<b>Adamjee Life Assurance Company Limited (Amaanat Fund)</b>		
Units held: 233,903 (June 2016 883,989 units)	24,712	88,989
<b>Mandate under Discretionary portfolio</b>		
Outstanding 276,815 units (June 30, 2016: 399,445 units)	29,246	40,211

**13. DATE OF AUTHORISATION**

13.1 This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on April 21, 2017.

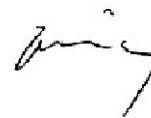
**14. GENERAL**

14.1. Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.



**Chief Executive Officer**

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



**Director**

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

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