

# QUARTERLY REPORT

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March 31, 2017  
(Unaudited)



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

# **MCB PAKISTAN ASSET ALLOCATION 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 Shahr-e-Faisal Karachi-74400.	
<b>Bankers</b>	MCB Bank Limited United Bank Limited Bank Al-Habib Limited Allied Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB Bank Limited JS Bank Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Zarai Taraqati Bank Limited Finca Micro Finance Bank 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>Bawane &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

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Asset Allocation 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.

## EQUITIES MARKET OVERVIEW

Pakistan Stock Exchange (PSX)'s rally faltered during 3QFY17 as the index posted a meager return of 0.7%, taking the cumulative 9MFY17 return to ~27%. Foreigners' selling remained unabated as they offloaded USD 162 mn worth of equities during the quarter, taking their total selling to USD ~485 mn during 9MFY17. Local liquidity remained robust with mutual funds, insurance and companies buying USD 131 mn, USD 419 mn and USD 152 mn respectively worth of equities.

Among the best performers, Steel sector lead the charts, outperforming the benchmark index by a massive 133% as strong infrastructural activities under the CPEC regime, along with government's favorable policies in terms of tariff protection provided to the local manufacturers provided strong investors interest in the sector. With the returns of 76%, Auto Assemblers remained the second best performers in the market. Launch of the new Honda Civic and Ciaz accompanied by expected launch of Honda BR-V, New Cultus and face-lift of Corolla triggered a rally in the sector. OMC sector also gained 63%, primarily on the back of rally in SNGP as the company announced capital projects worth PKR110 billion to be completed by 2018.

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

On the flip side, Fertilizers underperformed the benchmark by 26% as rising inventories coupled with discounts on urea prices took a toll on the sector. Furthermore, decline in international urea prices in the latter half of 3QFY17 eroded the pricing power of local manufacturers and dampened the potential export margins. Oil & Gas Exploration sector also underperformed the benchmark by 17% as oil prices declined by 3.8% during 9MFY17 as US inventories piled up along with increasing US rig count data. Alongside, news flows regarding OGDC and Mari's divestment by the government of Pakistan kept the performance under check in the sector.

We expect the positive momentum to continue going forward 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 11.0x, still at a 11.5% discount to the MSCI EM, reflecting further room for re-rating from here.

Going forward, we believe strong local liquidity is expected to mitigate the impact of adverse foreign flows. However, sooner or later, we can expect improved foreign flows in the market because of inclusion in MSCI in May 2017. We recommend our investors to focus on the long term value offered by the local bourse through our equity funds.

### FUND PERFORMANCE

The fund posted a return of 10.5% during the period under review, while since inception return of fund stood at 86.7%. The fund has gradually decreased exposure in equities which reached to 39.2% by the end of March, 2017 while increasing exposure in Cash to 37%.

On the equity side, the fund decreased exposure in Power Generation & Distribution, Oil and Gas Exploration companies, Cements and Fertilizers, while at the same time exposure was increased in Commercial Banks and Textile Composite. On the fixed income side, the fund decreased exposure in T-Bills and PIBs to 0% and 0.2% respectively. Exposure in cash was increased to 37% (as at March 31, 2017) from 22% at the end of June 2016 to benefit from lucrative rates offered by banks.

The Net Assets of the Fund as at March 31, 2017 stood at Rs. 2,045 million as compared to Rs. 2,718 million as at June 30, 2016 registering a decrease of 24.76%. The Net Asset Value (NAV) per unit as at March 31, 2017 was Rs. 87.3560 as compared to opening NAV of Rs. 79.0558 per unit as at June 30, 2016 registering an increase of 8.3002 per unit.

### 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.

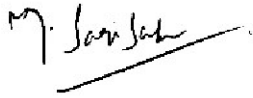
## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017**

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### **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 ایم سی بی پاکستان Asset ایلویشن فنڈ کے 31 مارچ 2017ء کو ختم ہونے والی مدت کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

## معیشت اور بازار زرکا 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 پراجیکٹس 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 سسٹ روی کا مظاہرہ کرنے والی علامات جلد متوقع کارکردگی کی عکاسی کرنے لگیں گی۔ خارجی اکاؤنٹ کی صورتحال دوبارہ خراب ہوگئی ہے جو کچھ حد تک عالمی تجارتی قوتوں اور CPEC کے لئے مشینری کی درآمدات کی ختمی 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 سسٹ 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 OPEC 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 ہوگئی 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 ایگزوفوڈ اور ڈائریکٹس 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۔

زرمبادلہ 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 لچکدار رہا، جس سے خدشات بھی پیدا ہوتے ہیں کیونکہ دیگر ترقی پذیر 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 پیش 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 ہوگئی 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 صارتی 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 فیصد اضافہ افراط زر کے دباؤ کے ساتھ ساتھ پیٹرول کی قیمتوں میں اضافے کے متحرک بنے۔

M2 میں مارچ 2017ء کے اختتام تک 6.09% year to date ترقی ہوئی۔ اختتام سرمایہ 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 زبرد گردش روپے (CIC) میں جو غیر معمولی انبار لگ گیا تھا وہ عمومی سطح پر آگیا 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۔

## ایکویٹیز مارکیٹ کا مجموعی جائزہ

مالی سال 2017ء کی تیسری سہ ماہی کے دوران پاکستان اسٹاک ایکسچینج (PSX) کی کارکردگی میں ضعف رہا جیسا کہ انڈیکس میں 0.7% معمولی اضافے سے ظاہر ہے، اور یوں مالی سال 2017ء کے ابتدائی نو ماہ کا مجموعی منافع 27% ہو گیا۔ غیر ملکیوں کی فروخت بدستور رہی کیونکہ انہوں نے دوران سہ ماہی 162 ملین امریکی ڈالر مالیت کی ایکویٹیز فروخت کیں، جس سے مالی سال 2017ء کے ابتدائی نو ماہ کے دوران مجموعی فروخت 485 ملین امریکی ڈالر تک پہنچ گئی۔ مقامی ایکویٹیڈیٹی بھرپور رہی اور میوچل فنڈز، انشورنس اور کمپنیوں نے پرتیب 131 ملین، 419 ملین اور 152 ملین امریکی ڈالر مالیت کی ایکویٹیز خریدیں۔

بہترین کارکردگی کا مظاہرہ کرنے والوں میں اسٹیل سیکٹر سب سے آگے رہا۔ اس شعبے نے مقررہ معیار سے 133% بہتر کارکردگی کا مظاہرہ کیا جس کا سبب یہ تھا کہ CPEC کے تحت انفراسٹرکچر کی مستحکم سرگرمیوں کے ساتھ ساتھ مقامی تیار کنندگان کے لئے tariff کے تحفظ کی سازگار حکومتی پالیسیوں نے اس شعبے میں سرمایہ کاروں کی دلچسپی کو بھرپور انداز میں مائل کیا۔ گاڑیوں کے اسمبلر 76% منافع حاصل کر کے مارکیٹ میں دوسرے بہترین کھلاڑی بن گئے۔ نئی ہنڈا سوک اور Ciaz کے متعارف ہونے اور ہنڈا BR-V، نیوگلش اور Corolla کی face-lift



کے متوقع آغاز نے اس شعبے میں بھرپور پلچل پیدا کی۔ OMC سیکٹر نے بھی 63% منافع حاصل کیا جس کا بنیادی سبب SNGP میں ترقی ہے کیونکہ کمپنی نے 110 بلین روپے مالیت کے کمپنٹس پراجیکٹس کا اعلان کیا جن کو 2018ء تک مکمل کر لیا جائے گا۔

دوسری جانب کھاد کے شعبے نے مقررہ معیار سے 26% کم کارکردگی کا مظاہرہ کیا کیونکہ انویٹریز میں اضافے کے ساتھ ساتھ یوریا کی قیمتوں میں ڈسکاؤنٹس نے اس شعبے کو متاثر کیا۔ علاوہ ازیں، مالی سال 2017ء کی تیسری سہ ماہی کے نصف آخر میں یوریا کی بین الاقوامی قیمتوں میں کمی کے باعث مقامی تیار کنندگان کی قیمتوں کے تعین کا اختیار بتدریج ناکارہ ہو گیا اور متوقع برآمداتی margins متاثر ہوئے۔ آئل اینڈ گیس ایکسپلوریشن سیکٹر کی کارکردگی بھی مقررہ معیار سے 17% کم رہی جیسا کہ مالی سال 2017ء کے ابتدائی نو ماہ کے دوران تیل کی قیمتوں میں 3.8% کمی سے ظاہر ہے جو امریکی انویٹریز کا ڈیبرگ جانے اور امریکی rig کی کٹتی کے اعداد و شمار میں اضافے کے باعث ہوئی۔ اس کے ساتھ ساتھ حکومت پاکستان کی طرف سے OGDC اور ماری کی divestment سے متعلق خبروں کی گردش سے سیکٹر میں کارکردگی زبردستی متاثر ہوئی۔

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، انٹرپرائسٹ کی پست شرحیں بھی گلسڈ آمدنی کے منافع کو پست رکھے ہوئے ہیں جس سے الیکٹرونیک مارکیٹ میں liquidity کارخانہ مزید بڑھ رہا ہے۔ PSX موجودہ طور پر 11.0x کے فارورڈ ملٹیل پر، اور ابھی تک MSCI EM کے 11.5% ڈسکاؤنٹ پر تجارت کر رہا ہے، اور اس سے عکاسی ہوتی ہے کہ یہاں سے ری-ریٹنگ کی مزید گنجائش ہے۔

علاوہ ازیں، ہم سمجھتے ہیں کہ مضبوط مقامی لیکویڈیٹی سے متوقع طور پر مٹنی غیر ملکی آمدات کا اثر کم ہوگا۔ تاہم مئی 2017ء میں MSCI میں شمولیت کے باعث جلد ہی مالیات خیر مارکیٹ میں بہتر غیر ملکی آمدات کی توقع کی جاسکتی ہے۔ ہم اپنے سرمایہ کاروں کو مشورہ دیتے ہیں کہ ہمارے الیکٹرونیک فنڈز کے ذریعے مقامی اسٹاک مارکیٹ میں پیش کردہ طویل المیعاد قدر پر توجہ مرکوز رکھیں۔

#### فنڈ کی کارکردگی

دورانِ جائزہ مدت کے دوران فنڈ نے 10.5% منافع حاصل کیا، جبکہ اپنے آغاز سے اس کا منافع 86.7% تھا۔ فنڈ نے الیکٹرونیکس میں اپنی شمولیت کو بتدریج کم کر کے مارچ 2017ء کے اختتام پر 39.2% تک پہنچا دیا، جبکہ نقد میں شمولیت میں اضافہ کر کے اسے 37% کر دیا۔

الیکٹرونیکس کی جہت میں فنڈ نے پاور جنریشن اینڈ ڈسٹری بیوٹن، آئل اینڈ گیس ایکسپلوریشن کمپنیز، سینٹ اور فریڈلینز میں شمولیت کو کم کیا، جبکہ بیک وقت کمرشل بینک اور فیکسٹائل کمپوزٹ میں شمولیت میں اضافہ کیا۔ گلسڈ انکم کی جہت میں فنڈ نے بی لٹرا اور پاکستان انویسٹمنٹس ہانڈز میں شمولیت کو کم کر کے بالترتیب 0% اور 0.2% کر دیا۔ نقد میں شمولیت کو بڑھا کر 31 مارچ 2017ء تک 37% کر دیا گیا، جو جون 2016ء کے اختتام پر 22% تھی، اور اس کا مقصد بینک کی پیش کردہ منافع بخش شرحوں سے استفادہ تھا۔

31 مارچ 2017ء کو فنڈ کے net اثاثہ جات 2,045 ملین روپے تھے، جو 30 جون 2016ء کو 2,718 ملین روپے کے مقابلے میں 24.76% کمی ہے۔ 31 مارچ 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 87.3560 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 79.0558 روپے فی یونٹ کے مقابلے میں 8.3002 روپے فی یونٹ 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 فیکسٹائل اور چمڑے کی صنعت کی ترقی کی رفتار مایوس کن ہے۔

علاوہ ازیں، حالیہ اعلان کردہ برآمداتی منسوخ سے برآمدات کے شعبے کو کچھ معاونت متوقع ہے، لیکن بیش قدر کرنسی، جیسا کہ REER سے ظاہر ہے (اسٹیٹ بینک آف پاکستان کے مطابق 25% بیش قدری) ملنگ کی مسابقتی 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 مضبوط ہو گئی ہیں اور امید کی جارہی ہے کہ مضبوط رہیں گی، حکومت نے پٹرول کی مصنوعات پر سیکسٹیکس میں اضافے کے ذریعے پٹرول کی قیمتوں میں اضافہ شروع کر دیا ہے کیونکہ بحال 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 ملکی مالی سال کا ہدف 1.5% تھا۔ بدستی ہوئی درآمدات کے ساتھ ساتھ کمزور درآمدات اور تسلی زر سے خارجی اکاؤنٹ مزید بگڑ گیا۔ قابلِ پیش گوئی مستقبل میں کرنسی کی بیش قدری ختم ہونے تک متوقع طور پر یہ رجحان جاری رہے گا۔

توقع ہے کہ مختصر معاد میں افراط زر کے مضبوط رجحانات کے ساتھ ساتھ reserves کو غیر ملکی قرضوں کے حصول کے ذریعے چلانے پر حکومت کی بڑھتی ہوئی توجہ کی بدولت انٹرپرائسٹ کی شرحیں مضبوط رہیں گی۔ تاہم شرح مبادلہ کی بیش 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 کلید تفریق کی استعداد مالیاتی گرفت کو ٹھک 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 لہر سے ظاہر ہے۔ سیٹ، 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 ایمرجنگ مارکیٹ انڈیکس میں پاکستان کی شمولیت کی بدولت توقع ہے کہ مقامی مارکیٹ میں مزید ایکویٹی پہنچے گی۔ MSCI مخصوص کمینز 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 ما مقدسے 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، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکریہ ادا ہے۔ علاوہ ازیں، ڈائریکٹر منجسٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے اورین جانپ بورڈ

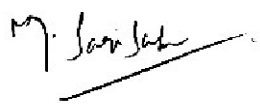
سید محمد اسلم

محمد اسلم سلیم  
چیف ایگزیکٹو آفیسر  
21 اپریل 2017ء

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

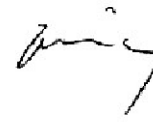
	Note	31 March 2017 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
<b>Assets</b>			
Balances with banks	5	1,078,327	635,630
Investments	6	963,382	2,210,362
Fair value of derivative asset		-	4,466
Dividend, profit and other receivables		14,119	10,589
Receivable against sale of investment		39,431	3,831
Advances, deposits and prepayments		4,535	4,402
Receivable from National Clearing Company of Pakistan Limited		3,417	14,232
<b>Total assets</b>		<b>2,103,211</b>	<b>2,883,512</b>
<b>Liabilities</b>			
Payable to the Management Company		4,619	5,761
Payable to Central Depository of Pakistan Limited - Trustee		303	356
Payable to Securities and Exchange Commission of Pakistan		1,662	2,983
Payable against purchase of investment		-	99,503
Payable against redemption of units		41	41
Accrued expenses and other liabilities	7	51,427	56,576
<b>Total liabilities</b>		<b>58,052</b>	<b>165,220</b>
<b>Net assets</b>		<b>2,045,159</b>	<b>2,718,292</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>2,045,159</b>	<b>2,718,292</b>
<b>Contingencies and commitments</b>	8		
		(Number of units)	
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>23,411,778</b>	<b>34,384,476</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>87.3560</b>	<b>79.0558</b>

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



Chief Executive Officer

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



Director

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

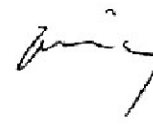
		Nine months ended		Quarter ended	
Note		31 March 2017	31 March 2016	31 March 2017	31 March 2016
(Rupees in '000)					
<b>Income</b>					
	Capital gain / (loss) on sale of investments	257,459	(66,669)	41,748	(50,605)
	Dividend income	53,428	42,237	11,698	13,677
	Profit on bank deposits and term deposit deposit	24,902	26,365	10,219	10,977
	Income from government securities	22,023	103,552	5,572	33,393
	Income from term finance certificates	6,747	2,831	2,241	2,374
	Income from spread transactions	(4,802)	1,105	563	121
	Other Income	11	13	4	4
		359,768	109,434	72,045	9,941
	Net unrealised diminution in the fair value of future contracts	-	(360)	576	2,786
	Provision for impairment of equity securities classified as available for sale	-	(17,592)	-	-
	Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	(42,345)	114	(81,498)	(875)
	<b>Total income</b>	<b>317,423</b>	<b>91,596</b>	<b>(8,877)</b>	<b>11,852</b>
<b>Expenses</b>					
	Remuneration of the Management Company	35,000	48,019	10,834	15,844
	Sindh Sales tax and Federal Excise Duty on Management Fee	4,550	15,481	1,408	5,108
	Remuneration of Central Depository Company of Pakistan Limited - Trustee	2,501	3,198	789	1,041
	Sindh Sales tax on remuneration of Trustee	325	396	102	146
	Annual fee to Securities and Exchange Commission of Pakistan	1,662	2,281	514	753
	Auditor's remuneration	708	646	222	102
	Allocated expenses	1,977	1,268	612	893
	Marketing & Selling Exp	185	-	185	-
	Brokerage and settlement charges	10,196	3,556	2,614	1,194
	Other expenses	534	916	258	296
	<b>Total operating expenses</b>	<b>57,638</b>	<b>75,761</b>	<b>17,538</b>	<b>25,377</b>
	<b>Net income from operating activities</b>	<b>259,785</b>	<b>15,835</b>	<b>(26,415)</b>	<b>(13,525)</b>
	Element of (loss) / income and capital gains / (losses) included in the prices of units issued less those in units redeemed				
	-from realized / unrealized capital gain	(27,279)	9,998	(24,806)	(13,630)
	-from other income	(7,794)	(9,155)	909	11,916
		(35,073)	843	(23,897)	(1,714)
	Provision for workers' welfare fund	(7,589)	-	(7,589)	-
	<b>Net income for the period before taxation</b>	<b>232,301</b>	<b>16,678</b>	<b>(42,723)</b>	<b>(15,239)</b>
	Taxation	-	-	-	-
	<b>Net income for the period after taxation</b>	<b>232,301</b>	<b>16,678</b>	<b>(42,723)</b>	<b>(15,239)</b>
	<b>Earnings per unit</b>				

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



Chief Executive Officer

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

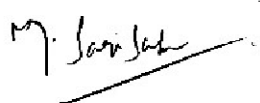


Director

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

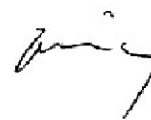
	<i>Note</i>	<b>Nine months ended</b>		<b>Quarter ended</b>	
		<b>31 March 2017</b>	<b>31 March 2016</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
<b>----- (Rupees in '000) -----</b>					
<b>Net income for the year after taxation</b>		<b>232,301</b>	16,678	<b>(42,723)</b>	(15,239)
<b>Other comprehensive income:</b>					
Surplus / (Deficit) on revaluation of investments classified as 'available for sale' transferred to income statement on disposal			2,961		(1,132)
Unrealised (diminution) / appreciation in investments classified as 'available for sale'	13	<b>(17,694)</b>	(32,224)	<b>(11,115)</b>	21,545
Impairment loss arising in the current year on available for sale investments transferred to the Income Statement (recognised in Statement of Comprehensive Income in previous years)			1,632		
<b>Total comprehensive income for the period</b>		<b>214,607</b>	<b>(10,953)</b>	<b>(53,838)</b>	<b>5,174</b>

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



**Chief Executive Officer**

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

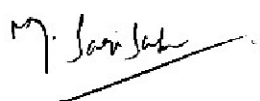


**Director**

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

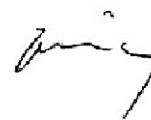
	<b>Nine months ended</b>		<b>Quarter ended</b>	
	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>(Rupees in '000)</b>			
Accumulated loss brought forward	<b>(770,139)</b>	<b>(770,383)</b>	<b>(335,267)</b>	<b>(1,009,283)</b>
Total comprehensive income for the Period	<b>232,301</b>	<b>(10,953)</b>	<b>(42,723)</b>	<b>5,174</b>
Element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing unrealized appreciation / (diminution)	<b>209,527</b>	<b>(127,441)</b>	<b>49,679</b>	<b>95,332</b>
<b>Accumulated loss carried forward</b>	<b><u>(328,311)</u></b>	<b><u>(908,777)</u></b>	<b><u>(328,311)</u></b>	<b><u>(908,777)</u></b>

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



**Chief Executive Officer**

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



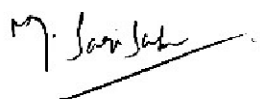
**Director**

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

	<b>Nine months ended</b>		<b>Quarter ended</b>	
	<b>31 March 2017</b>	<b>31 March 2016</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>(Rupees in '000)</b>			
<b>Net assets at beginning of the period</b>	<b>2,718,292</b>	<b>2,639,701</b>	<b>2,285,616</b>	<b>3,382,679</b>
Issue of 9,240,594 (2016: 9,630,118) units and 3,289,038 (2016: 2,534,945) units for the nine months and quarter respectively	<b>790,093</b>	<b>2,101,756</b>	<b>293,353</b>	<b>180,138</b>
Redemption of 20,213,291 (2016: 21,511,369) units and 5,652,047 (2016: 6,563,216) units for the nine months and quarter respectively	<b>(1,712,908)</b>	<b>(1,649,302)</b>	<b>(503,871)</b>	<b>(489,346)</b>
	<b>(922,815)</b>	<b>452,454</b>	<b>(210,518)</b>	<b>(309,208)</b>
<b>Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed</b>				
- amount representing loss / (income) and capital losses / (gains) transferred to income statement	<b>27,279</b>	<b>(9,998)</b>	<b>24,806</b>	<b>13,630</b>
-from realized / unrealized capital gain	<b>7,794</b>	<b>9,155</b>	<b>(909)</b>	<b>(11,916)</b>
-from other income				
- amount representing (income) / loss and capital losses / (gains) transferred to distribution statement	<b>(209,527)</b>	<b>127,441</b>	<b>(49,679)</b>	<b>(95,332)</b>
	<b>(174,454)</b>	<b>126,598</b>	<b>(25,782)</b>	<b>(93,618)</b>
<b>Element of income / (loss) and capital gain / (losses) that forms part of unit holders' fund transferred to distribution statement</b>	<b>209,527</b>	<b>(127,441)</b>	<b>49,679</b>	<b>95,332</b>
<b>Net income for the period (excluding net unrealized appreciation in fair value of investment classified at 'fair value through profit or loss', future contracts and capital gain on sale of investment)</b>	<b>17,189</b>	<b>88,931</b>	<b>(2,971)</b>	<b>36,214</b>
<b>Net unrealised (diminution) / appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss'</b>	<b>(42,345)</b>	<b>114</b>	<b>(81,498)</b>	<b>(875)</b>
<b>Unrealised (diminution) / appreciation in investments classified as 'available for sale'</b>	<b>(17,694)</b>	<b>(32,224)</b>	<b>(11,115)</b>	<b>21,545</b>
<b>Capital gain on sale of investments - net</b>	<b>257,459</b>	<b>(67,774)</b>	<b>41,748</b>	<b>(51,710)</b>
<b>Total comprehensive income for the period.</b>	<b>214,609</b>	<b>(10,953)</b>	<b>(53,836)</b>	<b>5,174</b>
<b>Distribution during the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net assets at the end of the period</b>	<b>2,045,159</b>	<b>3,080,359</b>	<b>2,045,159</b>	<b>3,080,359</b>
<b>Net assets value per unit at beginning of the period</b>	<b>79.0558</b>	<b>77.3785</b>	<b>77.0000</b>	<b>77.0000</b>
<b>Net assets value per unit at end of the period</b>	<b>87.3560</b>	<b>77.1929</b>	<b>87.3560</b>	<b>77.1929</b>

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

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



**Chief Executive Officer**



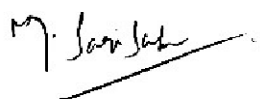
**Director**

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

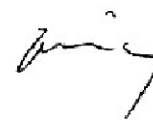
		Nine months ended		Quarter ended	
	Note	31 March 2017	31 March 2016	31 March 2017	31 March 2016
(Rupees in '000)					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Net income for the period before taxation		232,301	16,678	(42,723)	(15,239)
<b>Adjustments for non-cash charges and other items:</b>					
Dividend income		(53,428)	(42,237)	(11,698)	(13,677)
Net unrealised diminution in the fair value of future contracts		-	360	(576)	(2,786)
Net unrealised appreciation on remeasurement of investment classified as 'financial assets at fair value through profit or loss'		42,345	(114)	81,498	875
Provision for impairment of equity securities classified as available for sale		-	17,592	-	-
Element of income and capital gains included in the prices of units issued less those in units redeemed					
-from realized / unrealized capital gain		27,279	(9,998)	24,806	13,630
-from other income		7,794	9,155	(909)	(11,916)
Net cash generated from operations before working capital changes		256,291	(8,564)	50,398	(29,113)
<b>Decrease / (increase) in assets</b>					
Investments - net		1,186,946	(134,238)	348,283	92,115
Receivable against sale of investment		(35,600)	(52,200)	(35,600)	(47,237)
Fair value of derivative asset		4,466	1,257	-	-
Profit and other receivable		(543)	25,860	(2,450)	9,050
Advances and deposits		(133)	(319)	(3,876)	121,108
Receivable from National Clearing Company of Pakistan Limited		10,815	25,647	6,549	28,836
		1,165,951	(133,993)	312,906	203,872
<b>(Decrease) / increase in liabilities</b>					
Payable to the Management Company		(1,142)	(5,219)	79	(5,452)
Payable to Central Depository Company of Pakistan Limited - Trustee		(53)	97	(7)	(35)
Payable to Securities and Exchange Commission of Pakistan		(1,321)	955	514	753
Fair value of Derivative Liability		-	360	(576)	(1,528)
Payable against purchase of investment		(99,503)	38,123	(99,503)	36,285
Payable against redemption of units		-	-	-	-
Accrued expenses and other liabilities		(5,149)	(12,528)	(10,525)	3,722
		(107,168)	21,788	(110,018)	33,745
Dividend income received		50,438	35,184	11,535	6,821
Net cash generated / (used) from operating activities		1,365,512	(85,585)	264,821	215,325
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Receipts from issuance of units		790,093	2,101,756	267,709	180,138
Payments against redemption of units		(1,712,908)	(1,649,302)	(503,871)	(489,346)
Net cash generated from financing activities		(922,815)	452,454	(236,162)	(309,208)
Net increase in cash and cash equivalents		442,697	366,869	28,659	(93,883)
Cash and cash equivalents at beginning of the period		635,630	252,325	1,049,668	713,077
Cash and cash equivalents at end of the period	5	1,078,327	619,194	1,078,327	619,194

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

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



Chief Executive Officer



Director



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

- 1.1** MCB Pakistan Asset Allocation Fund (the Fund) was established under a Trust Deed dated November 22, 2007 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 as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007.
- 1.2** 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.
- 1.3** 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 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off. Shaheed-e-Millat Expressway, near KPT interchange, Karachi, Pakistan.
- 1.4** 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 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 public subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.5** 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.
- 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.

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

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 30 June 2016.

	<i>Note</i>	<b>31 March 2017 (Unaudited) (Rupees in '000)</b>	<b>30 June 2016 (Audited)</b>
<b>5. BALANCE WITH BANKS</b>			
Current accounts		2,457	10,423
Saving accounts	5.1	1,075,870	625,207
Term Deposit Receipt	5.2	300,000	-
		<u>1,378,327</u>	<u>635,630</u>

**5.1** These carry mark-up at rates ranging from 3.75% to 6.35% per annum (30 June 2016: 4% to 7% per annum).

**5.2** These carry mark-up at rates ranging from 6.5% to 6.89%.

		<b>31 March 2017 (Unaudited) (Rupees in '000)</b>	<b>30 June 2016 (Audited)</b>
<b>6. INVESTMENTS</b>			
<b>6.1 Held for trading</b>			
Listed equity securities	6.1.1	614,282	294,656
Listed debt securities	6.1.2	135,062	135,222
Government Securities	6.1.3	-	298,413
		<u>749,344</u>	<u>728,291</u>
<b>6.2 Available for sale investments</b>			
Listed equity securities	6.2.1	210,839	1,452,524
Government Securities	6.2.2	3,199	29,547
		<u>214,038</u>	<u>1,482,071</u>
		<u>963,382</u>	<u>2,210,362</u>

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

## 6.1.1 Listed equity securities

Name of investee company	As at 1 July 2016	Purchased during the period	Income/ rights held during the period	Sales during the period	As at 31 March 2017	Carrying Cost as at 31 March 2017	Market value as at 31 March 2017	(Dispositions) / Appropriation as at 31 March 2017	Market value as percentage of net assets	Market value as percentage of total investment	For value as percentage of book value of the investee company
<b>AUTOMOBILE ASSEMBLER</b>											
India Motors Company Limited	-	14,060	-	13,700	360	580	573	(7)	0.03%	0.06%	0.00%
Pak Suzuki Motor Co	-	32,000	-	-	32,000	22,674	19,639	(2,835)	0.37%	2.06%	4.00%
						<b>23,254</b>	<b>20,412</b>	<b>(2,842)</b>	<b>1.88%</b>	<b>2.12%</b>	<b>8.04</b>
<b>CABLE &amp; ELECTRICAL GOODS</b>											
Pak Elektricon	1,032,500	3,936,500	-	4,969,000	-	-	-	-	0.00%	0.00%	0.00%
Tpi Trakkee Ltd	-	1,892,500	-	1,892,500	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>CEMENT</b>											
Chenab Cement	15,000	511,500	-	526,500	-	-	-	-	0.00%	0.00%	-
Dewan Cement	-	733,500	-	733,500	-	-	-	-	0.00%	0.00%	0.00%
D.G. Khan Cement	-	28,500	-	-	5,400	1,205	1,255	50	0.06%	0.13%	0.00%
Fuji Cement Co Ltd	-	125,500	-	125,500	-	-	-	-	0.00%	0.00%	0.00%
Lucky Cement	-	106,500	-	800	107,700	84,462	90,837	6,395	4.44%	9.43%	3.00%
Farooq Cement Ltd	-	500	-	500	-	-	-	-	0.00%	0.00%	0.00%
						<b>85,667</b>	<b>92,112</b>	<b>6,445</b>	<b>4.58%</b>	<b>9.56%</b>	<b>3.00%</b>
<b>COMMERCIAL BANKS</b>											
Allied Bank Limited	-	600,000	-	200,000	400,000	46,745	37,600	(9,145)	1.84%	3.90%	3.00%
Bank Al Falah Limited	75,000	-	-	75,000	-	-	-	-	0.00%	0.00%	0.00%
Mcb Bank Limited	-	100,000	-	100,000	-	-	-	-	0.00%	0.00%	0.00%
Fayal Bank Limited	-	410,000	-	410,000	-	-	-	-	0.00%	0.00%	0.00%
Eakab Bank Limited	-	434,000	-	228,500	205,500	54,914	55,297	383	2.70%	5.74%	1.00%
Eakab Metropolitan Bank	-	750,000	-	750,000	-	-	-	-	0.00%	0.00%	0.00%
Mcb Bank Limited	-	100,000	-	100,000	-	-	-	-	0.00%	0.00%	0.00%
National Bank Of Pakistan	-	527,000	-	527,000	-	-	-	-	0.00%	0.00%	0.00%
United Bank Limited	25,000	703,600	-	396,000	332,600	77,032	75,710	(1,322)	3.70%	7.86%	3.00%
						<b>178,691</b>	<b>168,607</b>	<b>(10,084)</b>	<b>8.24%</b>	<b>17.50%</b>	<b>-</b>
<b>ENGINEERING</b>											
Alkhan Steel Ltd	-	1,000,000	-	1,000,000	-	-	-	-	0.00%	0.00%	0.00%
Amreel Steel Limited	-	223,000	-	223,000	-	-	-	-	0.00%	0.00%	0.00%
International Industries	-	34,200	-	229,000	-	-	-	-	0.00%	0.00%	0.00%
International Steels Ltd	-	229,000	-	229,000	-	-	-	-	0.00%	0.00%	0.00%
Mughal Iron & Steel	282,000	-	-	282,000	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>FERTILIZER</b>											
Eagro Fertilizer Limited	390,000	4,484,500	-	2,983,500	1,900,000	136,069	119,054	(17,015)	5.82%	12.56%	14.00%
Eagro Corporation Limited	113,500	918,100	-	1,051,600	-	-	-	-	0.00%	0.00%	0.00%
Fuama Fertilizer Company	-	7,000	-	7,000	-	-	-	-	0.00%	0.00%	0.00%
Fuji Fertilizer Bin Quain Ltd	-	205,500	-	205,500	-	-	-	-	0.00%	0.00%	0.00%
Fuji Fertilizer Company Ltd	-	120,100	-	120,100	-	-	-	-	0.00%	0.00%	0.00%
						<b>136,069</b>	<b>119,054</b>	<b>(17,015)</b>	<b>5.82%</b>	<b>12.56%</b>	<b>14.00%</b>
<b>FOOD &amp; PERSONAL CARE PRODUCTS</b>											
Eagro Foods Limited	5,000	186,000	-	191,000	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>INSURANCE</b>											
Adanjee Insurance Co. Ltd	-	26,000	-	26,000	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>LEATHER &amp; TANNERIES</b>											
Service Industries	-	1,420	-	-	1,420	1,988	2,083	95	0.10%	0.22%	1.00%
						<b>1,988</b>	<b>2,083</b>	<b>95</b>	<b>0.10%</b>	<b>0.22%</b>	<b>1.00%</b>
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>											
Mari Petroleum Company	-	42,850	-	42,850	-	-	-	-	0.00%	0.00%	0.00%
Oil & Gas Development Co Ltd	281,000	1,092,500	-	1,101,500	272,000	42,317	40,340	(1,977)	1.97%	4.19%	1.00%
Pakistan Oilfields Limited	-	128,700	-	64,000	64,700	32,422	28,795	(3,627)	1.41%	2.99%	3.00%
Pakistan Petroleum Ltd	500	101,000	-	1,500	100,000	17,898	15,491	(2,407)	0.76%	1.61%	1.00%
						<b>92,637</b>	<b>84,626</b>	<b>(8,011)</b>	<b>4.14%</b>	<b>8.79%</b>	<b>5.00%</b>

215 MCB Pakistan Asset Allocation Fund

**Total - 31 March 2017**

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

**6.1.2 Listed Debt Securities - Term Finance Certificates**

Name of investor company	Issue Date	As at 1 July 2016	Purchased during the period	Sold / matured during the period	As at 31 March 2017	Carrying Cost as at 31 March 2017	Market value as at 31 March 2017	Market value	
								as a percentage of net assets	as a percentage of total investments
(Number of certificates)									
Certificates having a face value of Rs. 5,000 each unless stated otherwise									
Bank Alfalah Limited-V	20-Feb-13	2,000	-	-	2,000	10,199	10,237	38	0.50%
Habib Bank Limited-I	19-Feb-16	1,250	-	-	1,250	124,969	124,825	(144)	6.10%
Total - 31 March 2017						135,168	135,062	(106)	6.69%
Total - 30 June 2016						135,003	135,222	219	4.98%

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

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

**6.1.3 Government Securities**

Particulars	As at 1 July 2016	Purchased during the period	Sold during the period	Matured during the period	As at 31 March 2017	(Rupees in '000)			
						Carrying Cost as at 31 March 2017	Market value as at 31 March 2017	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
<b>Treasury Bills</b>									
Treasury Bills - 3 Months	200,000	1,750,000	1,500,000	450,000	-	-	-	-	0.00%
Treasury Bills - 6 Months	-	900,000	400,000	500,000	-	-	-	-	0.00%
Treasury Bills - 1 year	100,000	735,000	835,000	-	-	-	-	-	0.00%
<b>Total - 31 March 2017</b>						<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>
<b>Total - 30 June 2016</b>						<b>298,333</b>	<b>298,413</b>	<b>80</b>	<b>13.50%</b>

**6.2 Available for sale Investments**

**6.2.1 Listed equity securities**

Name of investee company	As at 1 July 2016	Purchased during the period	Bonus rights issue during the period	Sales during the period	As at 31 March 2017	(Rupees in '000)				
						Carrying Cost as at 31 March 2017	Market value as at 31 March 2017	(Discontinuation) / Appreciation as at 31 March 2017	Market value as percentage of net assets	Market value as percentage of total investments
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.										
<b>AUTOMOBILE ASSEMBLER</b>										
Indus Motors Company Limited	-	14,000	-	12,500	1,500	2,392	2,387	(5)	0.12%	0.25%
						<u>2,392</u>	<u>2,387</u>	<u>(5)</u>	<u>0.12%</u>	<u>0.25%</u>
<b>AUTOMOBILE PARTS &amp; ACCESSORIES</b>										
Thal Limited	500	-	-	500	-	-	-	-	0.00%	0.00%

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Name of investee company	As at 1 July 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 March 2017	(Rupees in '000)					
						Carrying Cost as at 31 March 2017	Market value as at 31 March 2017	(Discontinuation) / Appreciation as at 31 March 2017	Market value as percentage of net assets	Market value as percentage of total Investments	Par value as percentage of issued capital of the investee company
CABLE & ELECTRICAL GOODS											
Pak Elektron	588,750	325,000	-	913,750	-	-	-	-	0.00%	0.00%	0.00%
CEMENT											
Cherat Cement	434,500	9,800	-	444,300	-	-	-	-	0.00%	0.00%	0.00%
D.G. Khan Cement	315,000	370,000	-	685,000	-	-	-	-	0.00%	0.00%	0.00%
Lucky Cement	122,500	-	-	122,500	-	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Factory Ltd	-	100,000	-	100,000	-	-	-	-	0.00%	0.00%	0.00%
Indus Motors Company Limited	304	-	-	304	-	-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Ltd	-	4,000	-	4,000	-	-	-	-	0.00%	0.00%	0.00%
CHEMICALS											
ICI Pakistan	86,300	-	-	84,300	2,000	979	2,232	1,253	0.11%	0.23%	0.00%
COMMERCIAL BANKS											
Askari Bank Limited	-	600,000	-	600,000	-	-	-	-	0.00%	0.00%	0.00%
Indus Motors Company Limited	530,000	213,300	-	743,300	-	-	-	-	0.00%	0.00%	0.00%
Mcb Bank Limited	-	200,000	-	200,000	-	-	-	-	0.00%	0.00%	0.00%
United Bank Limited	693,700	720,000	-	1,413,700	-	-	-	-	0.00%	0.00%	0.00%
ENGINEERING											
Crescent Steel & Allied Prod	-	40,700	-	40,700	-	-	-	-	0.00%	0.00%	0.00%
Mughal Iron & Steel	214,500	100,000	-	314,500	-	-	-	-	0.00%	0.00%	0.00%
FERTILIZER											
Bagro Corporation Limited	578,600	50,000	-	628,600	-	-	-	-	0.00%	0.00%	0.00%
Fatima Fertilizer Company	-	100,000	-	100,000	-	-	-	-	0.00%	0.00%	0.00%
FOOD & PERSONAL CARE PRODUCTS											
Bagro Foods Limited	-	51,500	-	51,500	-	-	-	-	0.00%	0.00%	0.00%
Murree Brewery Company	50,000	-	-	50,000	-	-	-	-	0.00%	0.00%	0.00%
Shezan International	4,650	-	-	-	4,650	5,882	1,907	(3,975)	0.09%	0.20%	6.00%
GLASS & CERAMICS											
Tariq Glass Industries	690,000	-	-	690,000	-	-	-	-	0.00%	0.00%	0.00%
INSURANCE											
Igi Insurance Limited	32,200	-	-	32,200	-	-	-	-	0.00%	0.00%	0.00%

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Name of investee company	As at 1 July 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 March 2017	(Rupees in '000)					
						Carrying Cost as at 31 March 2017	Market value as at 31 March 2017	(Discontinuation) / Appreciation as at 31 March 2017	Market value as percentage of net assets	Market value as percentage of total investments	Fair value as percentage of issued capital of the investee company
OIL & GAS EXPLORATION COMPANIES											
Mari Petroleum Company	-	250	-	250	-	-	-	-	0.00%	0.00%	0.00%
Oil & Gas Development Co Ltd	418,000	802,000	-	1,155,700	64,300	9,095	9,536	441	0.47%	0.99%	0.00%
						9,095	9,536	441	0.47%	0.99%	0.00%
OIL AND GAS MARKETING COMPANIES											
Hi-Tech Lubricants	706,500	-	-	706,500	-	-	-	-	0.00%	0.00%	0.00%
Pakistan State Oil Co Ltd.	80,000	345,400	-	425,400	-	-	-	-	0.00%	0.00%	0.00%
Sui Northern Gas	8,500	203,000	-	211,500	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	0.00%	0.00%	0.00%
PAPER AND BOARD											
Packages Limited	800	20,000	-	20,800	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	0.00%	0.00%	0.00%
PHARMACEUTICALS											
Abbott Laboratories (Pakistan)	68,000	40,000	-	107,150	850	603	799	196	0.04%	0.08%	0.00%
Searle Company	1,210	-	305	-	1,210	456	958	502	0.05%	0.10%	0.00%
						1,059	1,757	698	0.09%	0.18%	0.00%
POWER GENERATION & DISTRIBUTION											
Hub Power Company Ltd	212,000	194,000	-	406,000	-	-	-	-	0.00%	0.00%	0.00%
Kor Addu Power Co. Ltd	1,101,500	275,000	-	435,000	941,500	82,846	75,518	(7,328)	3.69%	7.84%	11.00%
K-Electric Ltd	4,439,500	2,500,000	-	6,939,500	-	-	-	-	0.00%	0.00%	0.00%
Lalpur Power	752,000	-	-	752,000	-	-	-	-	0.00%	0.00%	0.00%
Pakgen Power Limited	1,575,500	-	-	595,000	980,500	30,655	21,777	(8,878)	1.06%	2.26%	26.00%
						113,501	97,295	(16,206)	4.75%	10.10%	37.00%
REFINERY											
ATTOCK REFINERY LIMITED	-	67,000	-	67,000	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	0.00%	0.00%	0.00%
TECHNOLOGY & COMMUNICATIONS											
P.T.C.L "A"	-	700,000	-	700,000	-	-	-	-	0.00%	0.00%	0.00%
Systems Limited	328,366	-	-	123,500	204,866	7,450	17,117	9,667	0.84%	1.78%	19.00%
						7,450	17,117	9,667	0.84%	1.78%	19.00%
TEXTILE COMPOSITE											
Kohinoor Textile Mills Ltd	-	300,000	-	62,000	238,000	19,134	26,654	7,520	1.30%	2.77%	8.00%
Nishat (Chunian) Limited	-	2,310,000	-	2,265,000	45,000	2,162	2,726	564	0.13%	0.28%	2.00%
Nishat Mills Ltd	522,500	505,000	-	729,500	298,000	40,420	49,230	8,810	2.41%	5.11%	8.00%
						61,716	78,608	16,894	3.84%	8.16%	18.00%
Total - 31 March 2017						202,074	210,839	8,767	9.84%	20.90%	
Total - 30 June 2016						1,426,465	1,452,524	26,059	25.83%	34.64%	

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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**6.2.2 Government Securities**

Particulars	As at 1 July 2016	Purchased during the period	Sold during the period	Matured during the period	As at 31 March 2017	Carrying value as at 31 March 2017	Market Value as at 31 March 2017	(diminution) / Appreciation as at 31 March 2017	Market value	
									as a percentage of net assets	as a percentage of total Investments
— (Rupees in										
<b>Pakistan Investment Bond</b>										
PIB - 5 years	28,000	1,803,000	1,828,000		3,000	3,297	3,199	(98)	-	0.33%
PIB - 10 years	-	250,000	250,000		-	-	-	-	-	-
<b>Total Investment in Government Securities - 31 March 2017</b>						<b>3,297</b>	<b>3,199</b>	<b>(98)</b>	<b>0.00%</b>	<b>0.33%</b>
<b>Total - 30 June 2016</b>						<b>29,245</b>	<b>29,547</b>	<b>302</b>	<b>11.27%</b>	<b>15.10%</b>

— (Rupees in



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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7. ACCRUED EXPENSES AND OTHER LIABILITIES	31 March 2017 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
Provision for Federal Excise Duty and related taxes on management fee	7.1 19,027	19,027
Provision for Federal Excise Duty on sales load	16,173	16,173
Provision for Workers' Welfare Fund	7.2 6,143	13,732
Withholding tax payable (deducted on dividend distribution)	-	2,266
Withholding tax payable (deducted on capital gains)	984	250
Auditors' remuneration payable	376	509
Brokerage payable	1,301	4,138
Sale load payable to MCB	1,305	-
Others	6,118	481
	<u>51,427</u>	<u>56,576</u>

- 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 35.2 million (June 30, 2016: Rs 35.2 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 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. 1.39 per unit (June 30, 2016: Rs 0.10).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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- 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.

In view of the above developments regarding the applicability of Federal and SSWF 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 entire provision against the Federal WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- ii The provision in respect of SSWF should be made on a prudent basis with effect from the date of enactment of the SSWF Act, 2014 (i.e. starting from May 21, 2015) on 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:

	<b>Amount —Rupees in '000'—</b>
Reversal of Federal WWF ( up to June 30, 2016)	<b>13,732</b>
Charge of sindh WWF	<b>4,741</b>

The cumulative net effect of WWF is Rs. 7.589M, 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. 0.09 as at March 31, 2017.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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**8. CONTINGENCIES AND COMMITMENTS**

**8.1 CONTINGENCIES**

There were no contingencies and commitments as at 31 March 2016.

**8.2 COMMENTMENTS**

Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at period / year end

<b>31 March 2017 (Unaudited)</b>	<b>30 June 2016 (Audited)</b>
<b>(Rupees in '000)</b>	
-	4,666
-	4,666

**9. SELLING AND MARKETING EXPENSE**

The Securities and Exchange Commission of Pakistan "the Commission", in exercise of its power through Circular No. 40 of 2016 amended through Circular No. 05 of 2017 prescribed the conditions for asset management companies for permissibility of charging selling and marketing expenses to open end equity, asset allocation and index funds subject to a maximum of 0.4% per annum of net assets of the fund or actual, whichever is lower, from January 1, 2017 to December 31, 2019, an initially allowed period of three years.

Management after approval of their Board of Directors and fulfillment of the criteria prescribed by the Commission has accordingly made an accrual of Rs. 0.185 million since March 24, 2017 at the maximum rate of 0.4% per annum of net assets of the fund being less than the actual expenses allocable to the Fund.

**10. TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at March 31, 2017 is 2.68% which includes 0.49% representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations, 2008 for a collective investment scheme categorised as an "Asset Allocation" scheme.

**11. 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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**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.

**13. NET UNREALISED APPRECIATION / (DIMINUTION) IN MARKET VALUE  
OF INVESTMENTS CLASSIFIED AS 'AVAILABLE-FOR-SALE'**

	<b>31 March 2017 (Unaudited)</b>	<b>30 June 2016 (Audited)</b>
	<b>(Rupees in '000)</b>	
Market value	<b>214,038</b>	1,482,071
Average cost	<b>(205,371)</b>	(1,455,710)
	<b>8,667</b>	26,361
Net unrealised appreciation in the fair value of investments at the beginning of the year	<b>26,361</b>	58,585
<b>Appreciation / (diminution) during the year</b>	<b>(17,694)</b>	(32,224)

**14. 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, 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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**14.1** Details of transactions with the connected persons / related parties during the period are as follows:

	<b>Nine Month ended 31 March</b>		<b>Quarter ended 31 March</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>			
	<b>(Rupees in '000)</b>			
<b>MCB-Arif Habib Savings and Investments Limited</b>				
Remuneration of the Management Company (including indirect taxes)	<b>39,550</b>	<b>63,500</b>	<b>12,242</b>	<b>20,952</b>
Allocated expenses (including indirect taxes)	<b>1,977</b>	<b>1,268</b>	<b>612</b>	<b>893</b>
<b>Central Depository Company of Pakistan Limited</b>				
Remuneration of trustees (including indirect taxes)	<b>2,826</b>	<b>3,594</b>	<b>891</b>	<b>1,187</b>
CDC settlement charges	<b>497</b>	<b>281</b>	<b>118</b>	<b>87</b>
<b>MCB Bank Limited</b>				
Dividend income	<b>328</b>	<b>-</b>	<b>328</b>	<b>-</b>
Profit on bank deposits	<b>346</b>	<b>966</b>	<b>58</b>	<b>145</b>
Bank charges	<b>25</b>	<b>45</b>	<b>14</b>	<b>7</b>
<b>Lalpir Power Limited</b>				
Dividend income	<b>597</b>	<b>800</b>	<b>-</b>	<b>-</b>
<b>Pakgen Power Limited</b>				
Dividend income	<b>1,326</b>	<b>1,776</b>	<b>-</b>	<b>-</b>
<b>Nishat (Chunian) Limited</b>				
Dividend income	<b>520</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Nishat Mills Limited</b>				
Dividend income	<b>2,400</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Arif Habib Limited</b>				
Brokerage expense	<b>581</b>	<b>104</b>	<b>101</b>	<b>59</b>
<b>Silk Bank Limited</b>				
Purchase of securities				
Face Value 2017: Nil (2016: 295,000,000)	<b>-</b>	<b>303,146</b>	<b>-</b>	<b>-</b>
<b>MCB Bank Limited</b>				
Purchase of securities				
Face Value 2017: 500,000,000 (2016: Nil)	<b>498,961</b>	<b>-</b>	<b>498,961</b>	<b>-</b>
Sell of securities				
Face Value 2017: 450,000,000 (2016: Nil)	<b>448,623</b>	<b>-</b>	<b>448,623</b>	<b>-</b>
<b>Next Capital Limited</b>				
Brokerage expense	<b>402</b>	<b>138</b>	<b>67</b>	<b>41</b>

**14.2** Balance outstanding as at the period / year end

	<b>31 March 2017 (Unaudited)</b>	<b>30 June 2016 (Audited)</b>
	<b>(Rupees in '000)</b>	
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration payable to the Management Company	<b>3,653</b>	<b>4,600</b>
Sales tax payable on remuneration of Management	<b>475</b>	<b>644</b>
Sales load payable	<b>123</b>	<b>252</b>
Payable against allocated expenses	<b>183</b>	<b>230</b>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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	<b>31 March 2017 (Unaudited) (Rupees in '000)</b>	<b>30 June 2016 (Audited) (Rupees in '000)</b>
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable to the Trustee	<u>268</u>	<u>312</u>
Sales tax payable on trustee fees	<u>35</u>	<u>44</u>
Security deposits	<u>100</u>	<u>100</u>
<b>MCB Bank Limited</b>		
Bank deposits	<u>5,516</u>	<u>374,401</u>
Profit receivable	<u>11</u>	<u>56</u>
Sale Load Payable	<u>1,306</u>	<u>-</u>
<b>D.G. Khan Cement Company Limited</b>		
5,400 shares held by the Fund (30 June 2016: 315,000 shares)	<u>1,255</u>	<u>60,004</u>
<b>Nishat Mills Limited</b>		
548,000 shares held by the Fund (30 June 2016: 822,500 shares)	<u>90,530</u>	<u>88,748</u>
<b>Nishat Chunian Limited</b>		
370,000 shares held by the Fund (30 June 2016: Nil shares)	<u>22,411</u>	<u>-</u>
<b>Pakgen Power Limited</b>		
980,500 shares held by the Fund (30 June 2016: 1,575,000 shares)	<u>21,777</u>	<u>37,891</u>
<b>Arif Habib Limited</b>		
Brokerage *	<u>71</u>	<u>53</u>
<b>Next Capital Limited</b>		
Brokerage *	<u>37</u>	<u>66</u>

\* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

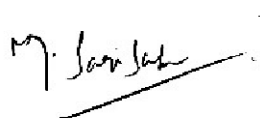
	<b>Nine month ended 31 march 2017 (Unaudited)</b>		<b>Nine month ended 31 march 2016 (Unaudited)</b>	
	<b>Units</b>	<b>(Rupees in '000)</b>	<b>Units</b>	<b>(Rupees in '000)</b>
<b>Units sold to:</b>				
MCB-Arif Habib Savings and Investments Limited	-	-	1,516,905	118,152
Key management personnel	<u>67,439</u>	<u>5,822</u>	<u>9,740</u>	<u>750</u>
Adamjee Life Assurance Comapny Limited - Employees Gratuity Fund	<u>26,806</u>	<u>2,342</u>	<u>-</u>	<u>-</u>
Mandate under discretionary Portfolio	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Units redeemed by:</b>				
MCB-Arif Habib Savings and Investments Limited	<u>974,696</u>	<u>85,501</u>	<u>549,625</u>	<u>43,000</u>
Mandate under discretionary Portfolio	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Key management personnel	<u>65,159</u>	<u>5,716</u>	<u>4,748</u>	<u>363</u>

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

	<b>Nine month ended</b>		<b>Nine month ended</b>	
	<b>31 March</b>	<b>30 June</b>	<b>31 March</b>	<b>30 June</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>Units</b>		<b>(Rupees in '000)</b>	
<b>Units held by:</b>				
Security General Insurance Company Limited	<b>3,561,881</b>	<b>3,561,881</b>	<b>311,152</b>	<b>281,587</b>
MCB-Arif Habib Savings and Investments Limited	<b>-</b>	<b>974,696</b>	<b>-</b>	<b>77,055</b>
Mandate under discretionary Portfolio	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
D.G. Khan Cement Employees Provident Fund Trust	<b>32,775</b>	<b>32,775</b>	<b>2,863</b>	<b>2,591</b>
Adamjee Life Assurance Co. Ltd	<b>335,529</b>	<b>335,529</b>	<b>29,310</b>	<b>26,526</b>
Adamjee Life Assurance Comapny Limited - Employees Gratuity Fund	<b>26,806</b>	<b>-</b>	<b>2,342</b>	<b>-</b>
Key management personnel	<b>15,378</b>	<b>117,909</b>	<b>1,343</b>	<b>9,321</b>

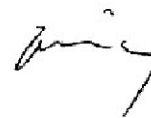
**15 DATE OF AUTHORIZATION FOR ISSUE**

- 15.1** This condensed interim financial information was authorized for issue on April 21, 2017 by the Board of Directors of the Management Company.



**Chief Executive Officer**

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



**Director**

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

24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900

UAN: (+92-21) 11-11-62224 (11-11-MCBAH), 111-4686-378 (111-INVEST)

Bachat Center: 0800-62224 (0800-MCBAH), Fax: (+92-21) 35316080, 35316081

URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)