

# QUARTERLY REPORT

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March 31, 2017  
(Unaudited)



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

# **MCB PAKISTAN SOVEREIGN 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 Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Bank Al-Habib Limited Allied Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB Bank Limited Zarai Taraqiati Bank Limited JS Bank Limited	
<b>Auditors</b>	<b>Ernst &amp; Young Ford Rhodes Sidat Hyder</b> Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.	
<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 bt 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 **MCB Pakistan Sovereign 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 SPLY. 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 5.88% as against its benchmark return of 5.78%. At period-end, the fund was 50.9% invested in cash & bank deposits, 47.9% in T-bills and 1% in PIBs.

The Net Assets of the Fund as at March 31, 2017 stood at Rs. 3,439 million as compared to Rs. 8,691 million as at June 30, 2016 registering a decrease of 60.43%.

The Net Asset Value (NAV) per unit as at March 31, 2017 was Rs. 55.55 as compared to opening NAV of Rs. 53.20 per unit as at June 30, 2016 registering an increase of Rs. 2.35 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

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

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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.

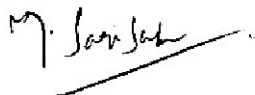
We expect interest rates to remain stable in the short term given stable inflationary trends along with government's increased focus on managing reserves through foreign borrowing. However, exchange rate overvaluation in addition with weak external account suggest a close scrutiny of the emerging trends, 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 ایم سی بی پاکستان Sovereign فنڈ کے 31 مارچ 2017ء کو ختم ہونے والی مدت کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار 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 برادرست سرمایہ کاری میں حرکت تو قعات سے کم ہے لیکن ہم سمجھتے ہیں کہ اگر مستحکم سیاسی ماحول میں گلاں معاشیات کے موجودہ ماحول کے ساتھ ساتھ CPEC کی جانب سے ملنے والی قوت جاری رہی تو سست روی کا مظاہرہ کرنے والی علامات جلد متوقع کارکردگی کی عکاسی کرنے لگیں گی۔ خارجی اکاؤنٹ کی صورتحال دوبارہ خراب ہو گئی ہے جو کچھ حد تک عالمی تجارتی قوتوں اور CPEC کے لئے مشینری کی درآمدات کی عتازی 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 سب رقتاری 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 تسلسل زرم 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 برادرست سرمایہ کاری نے 1.28 بلین امریکی ڈالر حصہ ڈالا جبکہ بقیہ حصہ قرضوں کے ذریعے پورا کیا گیا۔ غیر ملکی سرمایہ کاروں کے انجکشن اور ڈاؤن لائنس کے حصول کے ذریعے غیر ملکی برادرست 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 نسجنا کمزور ہیں، اور اسٹیٹ بینک آف پاکستان کے پیکش کردہ REER سے بھی اس کی عکاسی ہوتی ہے جو 126 کی بلنر 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 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 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 نفسہ 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 سرمایہ پر بینکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 217 بلین روپے موسمی 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

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 5.88% تھا، جبکہ مقررہ معیار 5.78% ہے۔ اختتام مدت پر فنڈ کی سرمایہ کاری 50.9 فیصد نقد اور بینک ڈپازٹس میں، 47.9 فیصد ٹیلی بلز میں، اور 1 فیصد PIBs میں تھی۔

31 مارچ 2017ء کو فنڈ کے net اثاثہ جات 3,439 ملین روپے تھے، جو 30 جون 2016ء کو 8,691 ملین روپے کے مقابلے میں 60.43% اضافہ ہے۔ 31 مارچ 2017ء کو net اثاثہ جاتی قدر (NAV) نی یونٹ 55.55 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 53.20 روپے نی یونٹ کے مقابلے میں 2.35 روپے نی 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 ٹیکسز کی مشکلات کے سائے بدستور مینوفیکچرنگ صنعت پر منڈلا رہے ہیں اور ٹیکسٹائل اور چمڑے کی صنعت کی ترقی کی رفتار یوں گن ہے۔

علاوہ ازیں، حالیہ اعلان کردہ برآمداتی ٹیکس سے برآمدات کے شعبے کو کچھ معاونت متوقع ہے، لیکن پیش قدمی قدر کرکسی، جیسا کہ REER سے ظاہر ہے (اسٹیٹ بینک آف پاکستان کے مطابق 25% بیش قدری کنٹریکٹ 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 کرکسی کے مستقبل کے منظر کے ذریعے طے ہوگی۔ اگرچہ خام تیل کی قیمتیں مستحکم ہوگئی ہیں اور اُمید کی جارہی ہے کہ مستحکم ہی رہیں گی، حکومت نے پٹرول کی مصنوعات پر 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 کرکسی کے مستقبل کا منظر خارجی عناصر میں اغلاط 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 تسلی زر سے خارجی اکاؤنٹ مزید بگڑ گیا۔ قابل پیش گوئی مستقبل میں کرکسی کی بیش 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 بیش قدری کے علاوہ کمزور خارجی اکاؤنٹ اس بات کی طرف اشارہ کر رہے ہیں کہ اُبھرتے ہوئے رجحانات کا باریک بینی کے ساتھ جانچ پڑتال کی جائے، کیونکہ کلیدم تصرف 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۔ سیٹ، اسٹیل اور گاڑیوں کی صنعتیں پہلے ہی متعدد توسیعی 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 لیکویڈیٹی پہنچے گی۔ MSCI مخصوص کمپنیز 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۔

### اظہارِ نظر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ڈسٹریبیوٹر کی مسلسل معاونت اور پشت پناہی کے لئے شکریہ ادا ہے۔ علاوہ ازیں، ڈائریکٹر مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے اورین جانپ بورڈ

سلطان احمد

محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
21 اپریل 2017ء



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

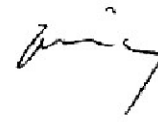
		(Un-Audited) March 31, 2017	(Audited) June 30, 2016
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balances with banks		2,711,091	4,148,521
Investments	5	2,602,628	9,270,198
Profit receivable		6,510	122,930
Advances and prepayments		3,049	2,163
<b>Total assets</b>		<b>5,323,278</b>	<b>13,543,812</b>
<b>LIABILITIES</b>			
Payable to the Management Company		2,353	7,134
Payable to the Trustee		321	610
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)		3,405	6,164
Payable against purchase of investments		1,817,088	1,990,062
Payable against conversion of units		-	2,769,378
Accrued and other liabilities	6	61,385	79,196
<b>Total liabilities</b>		<b>1,884,552</b>	<b>4,852,544</b>
<b>NET ASSETS</b>		<b>3,438,726</b>	<b>8,691,268</b>
<b>Unit holders' fund</b>		<b>3,438,726</b>	<b>8,691,268</b>
<b>Contingencies and commitments</b>	7		
<b>NUMBER OF UNITS IN ISSUE</b>			
		<b>61,900,517</b>	<b>163,363,463</b>
<b>NET ASSETS VALUE PER UNIT</b>			
		<b>55.55</b>	<b>53.20</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)

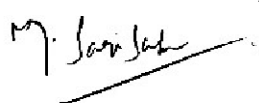


Director

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

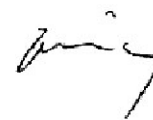
		Nine Months ended		Quarter ended	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Note	(Rupees in '000)			
<b>Income</b>					
Net (loss) / gain on sale of investments		(95,918)	68,464	(52,910)	6,992
Income from government securities		286,732	546,734	52,697	271,307
Profit on bank deposits		39,949	18,280	13,361	6,209
Net unrealised (diminution) / appreciation on revaluation of investments 'at fair value through profit or loss - held-for-trading'	5.2	(155)	24	(155)	140
<b>Total income</b>		<b>230,608</b>	<b>633,502</b>	<b>12,993</b>	<b>284,648</b>
<b>Expenses</b>					
Remuneration of the Management Company		32,378	60,364	6,574	23,238
Sales tax and federal excise duty on remuneration of the Management Company		4,209	19,462	854	7,493
Expenses allocated by the Management Company and related taxes		5,129	3,667	995	2,626
Remuneration of the Trustee		3,968	5,159	846	1,915
Sales tax on trustee fee		516	722	110	268
Annual fee to SECP		3,405	4,596	661	1,728
Auditors' remuneration		458	522	137	141
Brokerage expenses		1,972	1,563	540	706
Other expenses		1,331	914	803	376
<b>Total expenses</b>		<b>53,366</b>	<b>96,969</b>	<b>11,520</b>	<b>38,491</b>
<b>Net income from operating activities</b>		<b>177,242</b>	<b>536,533</b>	<b>1,473</b>	<b>246,157</b>
Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed:					
- from realised / unrealised capital gains		37,765	18,068	5,236	15,422
- arising from other (loss) / income		(120,243)	26,289	(18,974)	7,710
		(82,478)	44,357	(13,738)	23,132
Provision for workers' welfare fund (Net)	6.1	37,206	-	37,206	-
<b>Net income for the period before taxation</b>		<b>131,970</b>	<b>580,890</b>	<b>24,941</b>	<b>269,289</b>
Taxation	8	-	-	-	-
<b>Net income for the period after taxation</b>		<b>131,970</b>	<b>580,890</b>	<b>24,941</b>	<b>269,289</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)

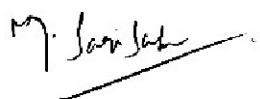


Director

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

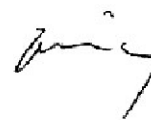
	Nine Months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees in '000)			
Net income for the period after taxation	131,970	580,890	24,941	269,289
<b>Other comprehensive income / (loss):</b>				
<b>To be reclassified to profit or loss     account in subsequent periods</b>				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'	18,556	(91,431)	44,732	(95,142)
Other comprehensive income / (loss) for the period	18,556	(91,431)	44,732	(95,142)
<b>Total comprehensive income for the period</b>	<b>150,526</b>	<b>489,459</b>	<b>69,673</b>	<b>174,147</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)**

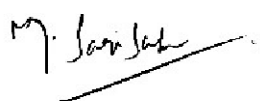


**Director**

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

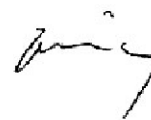
	Nine Months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees in '000)			
Undistributed (loss) / income brought forward - net	(291,271)	183,855	(483,368)	789,833
Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed - amount representing unrealised (loss) / income	(329,922)	325,455	(30,796)	31,078
Net income for the period	131,970 (197,952)	580,890 906,345	24,941 (5,855)	269,289 300,367
Undistributed (loss) / income carried forward	(489,223)	1,090,200	(489,223)	1,090,200

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)

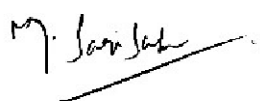


Director

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

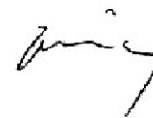
	<b>Nine Months ended</b>		<b>Quarter ended</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>	<b>March 31, 2017</b>	<b>March 31, 2016</b>
	<b>(Rupees in '000)</b>			
<b>Net assets at beginning of the period</b>	<b>8,691,268</b>	<b>3,192,984</b>	<b>3,842,220</b>	<b>8,332,011</b>
Issue of 62,170,510 (2016: 248,600,258 ) units and 2,679,159 (2016: 62,877,349) units for the nine months and quarter ended respectively	<b>3,318,942</b>	<b>12,848,580</b>	<b>143,487</b>	<b>2,819,932</b>
Redemption of 163,633,456 (2016: 147,019,034) units and 11,526,617 (2016: 51,883,038) units for the nine months and quarter ended respectively	<b>(8,804,488)</b>	<b>(7,399,715)</b>	<b>(630,392)</b>	<b>(2,216,007)</b>
	<b>(5,485,546)</b>	<b>5,448,865</b>	<b>(486,905)</b>	<b>603,925</b>
<b>Element of loss / (income) and capital losses / (gains) included in the prices of units sold 'less those in 'units redeemed:</b>				
- amount representing loss / (gain) and capital losses / (gains) - transferred to income statement:				
- from realised / unrealised capital losses / (gains)	<b>(37,765)</b>	<b>(18,068)</b>	<b>(5,236)</b>	<b>(15,422)</b>
- arising from other (income) / loss	<b>120,243</b>	<b>(26,289)</b>	<b>18,974</b>	<b>(7,710)</b>
- amount representing unrealised loss / (income) and capital losses / (gains) that forms part of unit holder's fund transferred to distribution statement	<b>329,922</b>	<b>(325,455)</b>	<b>30,796</b>	<b>(31,078)</b>
	<b>412,400</b>	<b>(369,812)</b>	<b>44,534</b>	<b>(54,210)</b>
<b>Net (loss) / income for the period transferred from the distribution statement:</b>				
Net (loss) / gain on sale of investments	<b>(95,918)</b>	<b>68,464</b>	<b>(52,910)</b>	<b>6,992</b>
Net unrealised appreciation / (diminution) on revaluation of investments 'at fair value through profit or loss - held-for-trading'	<b>(155)</b>	<b>24</b>	<b>(155)</b>	<b>140</b>
Other income for the period	<b>228,043</b>	<b>512,402</b>	<b>78,006</b>	<b>262,157</b>
<b>Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed - amount representing unrealised (loss) / income</b>	<b>(329,922)</b>	<b>325,455</b>	<b>(30,796)</b>	<b>31,078</b>
	<b>(197,952)</b>	<b>906,345</b>	<b>(5,855)</b>	<b>300,367</b>
<b>Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'</b>	<b>18,556</b>	<b>(91,431)</b>	<b>44,732</b>	<b>(95,142)</b>
<b>Net assets at end of the period</b>	<b>3,438,726</b>	<b>9,086,951</b>	<b>3,438,726</b>	<b>9,086,951</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 CASH FLOW STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017

	Nine Months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees in '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	131,970	580,890	24,941	269,289
<b>Adjustments for:</b>				
Net unrealised diminution / (appreciation) on revaluation of investments 'at fair value through profit or loss - held-for-trading'	-			
Provision for workers' welfare fund (Net)	155	(24)	155	(140)
Element of loss / (income) and capital losses / (gains) included in the prices of units sold less those in units redeemed:				
- from realised / unrealised capital gains	(37,765)	(18,068)	(5,236)	(15,422)
- arising from other loss / (income)	120,243	(26,289)	18,974	(7,710)
	214,603	536,509	38,834	246,017
<b>Decrease / (increase) in assets</b>				
Investments	6,685,971	(5,055,583)	1,010,031	(624,136)
Profit receivable	116,420	(41,524)	127,080	143,294
Advances and prepayments	(886)	(151)	(964)	(201)
	6,801,505	(5,097,258)	1,136,147	(481,043)
<b>(Decrease) / increase in liabilities</b>				
Payable to the Management Company	(4,781)	4,788	(1,001)	1,113
Payable to the Trustee	(289)	274	(74)	(22)
Annual fee payable to SECP	(2,759)	(29)	661	1,727
Payable against purchase of investments	(172,974)	(1,007,106)	(1,465,614)	62,805
Payable against conversion of units	(2,769,378)	-	-	(102,470)
Accrued and other liabilities	(17,811)	14,603	(29,972)	25,109
	(2,967,992)	(987,470)	(1,496,000)	(11,738)
<b>Net cash generated from / (used in) operating activities</b>	4,048,116	(5,548,219)	(321,019)	(246,764)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	3,318,942	12,848,580	143,487	2,819,932
Payments on redemption of units	(8,804,488)	(7,399,715)	(630,392)	(2,216,007)
<b>Net cash (used in) / generated from financing activities</b>	(5,485,546)	5,448,865	(486,905)	603,925
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	(1,437,430)	(99,354)	(807,924)	357,161
Cash and cash equivalents at beginning of the period	4,148,521	1,382,582	3,519,015	926,067
<b>Cash and cash equivalents at end of the period</b>	2,711,091	1,283,228	2,711,091	1,283,228

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

- 1.1 MCB Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between ArifHabib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by SECP on January 07, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules)].
- 1.2 The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by SECP Circular No. 7 of 2009 dated March 06, 2009.
- 1.3 During the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated 3 November 2009. Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.
- 1.4 Pursuant to the merger of MCB Asset Management Company Limited with and into ArifHabib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.5 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by 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.
- 1.6 MCB Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan and reverse repurchase transaction in government securities. In addition, the Fund can also invest in sub-scheme of the Fund.
- 1.7 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.8 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated June 08, 2016 to the Management Company and a stability rating of 'AA- (f)' dated December 09, 2016 to the Fund. The Fund consists of a 'Perpetual' (the scheme). In addition, the Fund had also issued other sub-scheme which matured as follows:

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	December 31, 2012
MetroBank - Pakistan Sovereign Fund - (December 2007)	December 31, 2007
MetroBank - Pakistan Sovereign Fund - (December 2005)	December 31, 2005
MetroBank - Pakistan Sovereign Fund - (December 2003)	December 31, 2003

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

1.9 Title to the assets of the Fund are 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.

## 3. ACCOUNTING POLICIES, KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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 those disclosed in the annual audited financial statements of the Fund as at and for the year ended June 30, 2016.

## 5. INVESTMENTS

### 'At fair value through profit or loss - held-for-trading'

Pakistan Investment Bonds  
Market Treasury Bills

	(Un-Audited) March 31, 2017	(Audited) June 30, 2016
Note	—— (Rupees in '000) ——	

5.1	-	58,054
5.1	2,547,643	5,966,048
	<u>2,547,643</u>	<u>6,024,102</u>

### 'Available-for-sale'

Pakistan Investment Bonds

5.3	54,985	3,246,096
	<u>2,602,628</u>	<u>9,270,198</u>



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

**5.1 Government securities - 'at fair value through profit or loss - held-for-trading'**

Name of security	Face value			Balance as at March 31, 2017			Market value	
	As at July 01, 2016	Purchases during the period	Disposed / matured during the period	As at March 31, 2017	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
								%
<b>Pakistan Investment Bonds</b>								
PIB - 5 years	50,575	100,000	150,575	-	-	-	-	-
<b>March 31, 2017</b>								
June 30, 2016					57,796	58,054	258	
<b>Market Treasury Bills</b>								
Treasury bills - 3 months	2,000,000	6,246,500	7,436,500	810,000	805,817	805,790	23.43%	30.96%
Treasury bills - 6 months	-	10,735,000	9,155,000	1,580,000	1,545,453	1,545,334	44.94%	59.38%
Treasury bills - 1 year	4,000,000	5,718,650	9,518,650	200,000	196,528	196,519	5.71%	7.55%
<b>March 31, 2017</b>					2,547,798	2,547,643	(155)	
June 30, 2016					5,965,958	5,966,048	90	
<b>Total of investments in Government securities - March 31, 2017</b>					2,547,798	2,547,643	(155)	
<b>Total of investments in Government securities - June 30, 2016</b>					6,023,754	6,024,102	348	

(Un-Audited)  
March 31,  
2017

(Audited)  
June 30,  
2016

— (Rupees in '000) —

**5.2 Net unrealised appreciation on revaluation of investments  
'at fair value through profit or loss - held-for-trading'**

Market value of investments	5.1	2,547,643	6,024,102
Carrying value of investments	5.1	2,547,798	(6,023,754)
		(155)	348

Note

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

**5.3 Government securities - 'available-for-sale'**

Name of security	Note	Face value			Balance as at 31 March 2017			Market value		
		As at July 01, 2016	Purchases during the period	Disposed / matured during the period	As at March 31, 2017	Carrying value	Market value	Appreciation / (diminution)	As a percentage of net assets	As a percentage of total investments
<b>Pakistan Investment Bonds</b>										
PIPB - 3 years	5.3.1	1,361,170	6,542,120	7,902,470	820	859	833	(26)	0.02%	0.03%
PIPB - 5 years	5.3.2	1,314,150	8,649,160	9,954,150	9,160	9,869	9,616	(253)	0.28%	0.37%
PIPB - 7 years		9,000	-	9,000	-	-	-	-	-	-
PIPB - 10 years	5.3.3	347,950	2,905,250	3,218,250	34,950	38,964	38,395	(569)	1.12%	1.48%
PIPB - 20 years	5.3.4	5,500	-	-	5,500	5,612	6,141	529	0.18%	0.24%
<b>March 31, 2017</b>						<b>55,304</b>	<b>54,985</b>	<b>(319)</b>		
<b>June 30, 2016</b>						<b>3,217,338</b>	<b>3,246,096</b>	<b>28,758</b>		

**6. ACCRUED AND OTHER LIABILITIES**

Provision for Workers' Welfare Fund  
Federal excise duty payable on management fee  
Federal excise duty and related taxes payable on sales load  
Sales load payable to MCB Bank Limited - related party  
Withholding tax payable  
Auditors' remuneration payable  
Brokerage payable  
Advance against issuance of units  
Others

	(Un-Audited) March 31, 2017	(Audited) June 30, 2016
Note	— (Rupees in '000)	
6.1	5,047	42,253
6.2	29,028	29,028
6.2	4,170	4,170
	-	-
	343	176
	427	419
	317	1,687
	20,102	-
	1,951	1,463
	<b>61,385</b>	<b>79,196</b>

**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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- 6.1** 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 Sindh WWF on Mutual Funds, the MUFAP has obtained a legal opinion on these matters and based on such legal advice, has recommended to all its members on January 12, 2017 the following:

- 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:

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

	Amount
	-- (Rupees in '000) --
Reversal of Federal WWF (As at June 30, 2016)	42,253
Charge of Sindh WWF	5,047

The cumulative net effect of WWF is Rs. 37.206 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. 0.6011 as at March 31, 2017.

- 6.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 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. 33.198 million (June 30, 2016: Rs 33.198 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. 0.4689 per unit (June 30, 2016: Re. 0.1777).

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

### 7. CONTINGENCIES AND COMMITMENTS

#### 7.1 CONTINGENCIES

The appeal filed with the Appellate Tribunal Inland Revenue in respect of the claim of super tax, as reported in note 13.1 to the annual financial statements of the Fund for the year ended June 30, 2016, has been decided in favor of the Fund which has not been challenged by the Tax Department before the relevant appellate forum till the date of these condensed interim Financial Statements.

#### 7.2 COMMITMENTS

There were no commitments outstanding as at March 31, 2017.

### 8. TAXATION

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

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

### 9. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at March 31, 2017 is 0.93% which includes 0.18% 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 2% prescribed under the NBFC Regulations, 2008 for a collective investment scheme categorised as an "Income scheme".

### 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. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include MCB-ArifHabib 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**

	Un-audited			
	Nine months ended		Quarter ended	
	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Rupees in '000)			
<b>11.1. Transactions during the period:</b>				
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>				
Remuneration of the Management Company including indirect taxes	36,587	79,826	7,428	30,731
Expenses allocated by Management				
Company and related sales tax	5,129	3,667	995	2,626
Legal and professional charges	-	48	-	46
Issue of 2,340,394 units (2016: 11,131,185) and Nil units (2016: 1,397,952) for the nine months and quarter ended respectively	124,986	605,000	-	78,000
Redemption of 8,200,244 units (2016: 6,631,802) and 660,000 units (2016: 2,052,463 ) for the nine months and quarter ended respectively	440,638	364,277	36,326	115,000
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration including sales tax	4,484	5,881	956	2,183
<b>Group / Associated Companies</b>				
<b>Arif Habib Limited</b>				
Brokerage expense *	4	21	1	-
<b>Next Capital</b>				
Brokerage expense *	136	294	20	140
<b>MCB Bank Limited</b>				
Profit on bank deposits	615	2,719	14	209
Bank charges	41	71	2	14
Sale of Securities Face Value 1,028,000,000 (2016: 1800,000,000) and Face Value 578,000,000 (2016: 1200,000,000) for the nine months and quarter ended respectively	1,090,577	3,537,846	518,687	1,660,918
Purchase of Securities Face Value 600,000,000 (2016: 450,000,000) and Face Value 100,000,000 (2016: 200,000,000) for the nine months and quarter ended respectively	601,812	491,436	105,172	219,034
<b>Silk Bank Limited</b>				
Sale of Securities Face Value 2,263,000,000 (2016: 400,000,000) and Face Value 1,188,000,000 (2016: 400,000,000) for the nine months and quarter ended respectively	2,385,394	391,461	1,275,692	391,461
Purchase of Securities Face Value 1,550,000,000 (2016: 1,100,000,000) and Face Value 1,400,000,000 (2016: 200,000,000) for the nine months and quarter ended respectively	1,580,229	1,117,753	1,391,180	227,466

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

**Adamjee Insurance Company Limited**

Issue of Nil units (2016: 28,507,432) and

Nil units (2016: 12,223,690) for the

nine months and quarter ended respectively

- 1,548,455 - 677,926

Redemption of 27,799,270 units (2016: 3,581,021)

and Nil units (2016: 3,581,021) for the

nine months and quarter ended respectively

1,500,000 200,000 - 200,000

**Adamjee Life Assurance Company Limited -**

**Employees Provident Fund**

Issue of Nil units (2016: 1,521,455) and Nil units

Redemption of 1,628,533 units and nil units

(2016: nil) for the nine months and

quarter ended respectively

88,102 - - -

**Adamjee Life Assurance Company Limited - IMF**

Issue of 187,793 units (2016: 1,350,378) and

Nil units (2016: nil) for the

nine months and quarter ended respectively

10,000 75,000 - 75,000

Redemption of 187,793 units (2016: 1,727,310)

and Nil units (2016: Nil) for the

nine months and quarter ended respectively

10,032 96,799 - -

**MCB FINANCIAL SERVICES LIMITED**

Issue of 957,642 units (2016: Nil) and

957,642 units (2016: nil) for the

nine months and quarter ended respectively

52,000 - 52,000 -

Redemption of 957,642 units (2016: Nil)

and 957,642 units (2016: Nil) for the

nine months and quarter ended respectively

53,197 - 53,197 -

**Adamjee Life Assurance Company Limited -**

**Investment Department**

Issue of Nil units (2016: 12,223,690) and

Nil units (2016: Nil units) for the

nine months and quarter ended respectively

- 677,804 - 677,804

Redemption of Nil; units (2016: 2,223,690)

Nil units (2016: Nil units) for the

nine months and quarter ended respectively

- 677,926 - 677,926

**Adamjee Life Assurance Company Limited - ISF**

Issue of 751,174 units (2016: 3,809,872) and

Nil units (2016: 900,252) for the

nine months and quarter ended respectively

40,000 210,000 - 50,000

Redemption of 1,691,736 units and

Nil units (2016: Nil) for the

nine months and quarter ended respectively

90,466 135,000 - 135,000

**Adamjee Life Assurance Company Limited - ISF II**

Issue of 375,586 units (2016: 1,665,777) and

Nil Units (2016: 1,350,378) for the

nine months and quarter ended respectively

20,000 92,000 - 75,000

Redemption of 375,586 units (2016: 655,152)

and Nil units (2016: Nil) for the

nine months and quarter ended respectively

20,084 36,000 - -

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

**Adamjee Life Assurance Company Limited**

**- Non - Unitised Investment Linked Fund**

Issuance of 187,793 (2016: Nil) units and Nil (2016: Nil) units nine months and quarter ended respectively

**10,000**

-

Redemption of 1,414,245 (2016: Nil) units and Nil (2016: Nil) units for the nine months and quarter ended respectively

**75587**

-

**D.G. Khan Cement Company Limited**

Issue of 14,988,885 units (2016: 23,700,644) and Nil units (2016: 5,395,683) for the nine months and quarter ended respectively

**800,405**

1,300,000

-

-

Redemption of 14,988,885 units (2016: 18,304,961) and Nil units (2016: 18,304,961) for the nine months and quarter ended respectively

**801,154**

1,009,336

-

-

**Mandate under Discretionary Portfolio Services**

Issue of 4,184,433 units (2016: 3,738,541) and 3,481,239 units (2016: 1,191,485) for the nine months and quarter ended respectively

**223,899**

204,180

**186,282**

66,512

Redemption of 19,884,750 units (2016: 3,062,749) and 17,683,388 units (2016: 744,723) for the nine months and quarter ended respectively

**1,069,276**

168,833

**950,931**

41,427

**Key Management Personnel**

Issue of 43,431 units (2016: 212,996) and Nil units (2016: 8,179) for the nine months and quarter ended respectively

**2,319**

11,722

-

8,272

Redemption of 43,431 units (2016: 119,721) and Nil units (2016: 29,063) for the nine months and quarter ended respectively

**2,337**

6,543

-

1,639

- \* 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.



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

	(Un-Audited) March 31, 2017	(Audited) June 30, 2016
	———— (Rupees in '000) ————	
<b>11.2. Balances outstanding at period / year end:</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration payable to Management Company	1,822	5,179
Sales tax payable on remuneration to Management Company	237	725
Sales load payable including related taxes	-	596
Legal and professional charges payable	-	2
Allocated Expenses Payable	294	632
 <b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable (including related taxes)	321	610
<b>Group / Associated Companies:</b>		
<b>Adamjee Insurance Company Limited **</b>		
26,647,078 units held (2016: 54,446,348 units)	1,480,245	2,896,546
<b>Adamjee Insurance Company Limited - Employees Provident Fund</b>		
Nil units held (2016: 1,628,533 units)	-	86,638
<b>Adamjee Life Assurance Company Limited - Investment Secure Fund</b>		
Nil units held (2016: 940,203 units)	-	50,019
<b>MCB Financial Services Limited</b>		
Nil units held (2016: 903,274 units)	-	48,054
<b>Adamjee Life Assurance Company Limited - Non- Unitised Investment Linked Fund</b>		
Nil units held (2016: 1,226,452 units)	-	65,247
<b>MCB Bank Limited</b>		
Bank balance	1,618	162,016
Profit receivable	94	577
Sales load payable	-	-
<b>Arif Habib Limited *</b>		
Brokerage payable	1	18
<b>Next Capital Limited *</b>		
Brokerage payable	-	74
<b>Other Related Parties:</b>		
<b>Mandate under discretionary portfolio services</b>		
45,520 units held (2016: 15,745,837 units)	2,529	837,679
<b>Key Management Personnel</b>		
10,479 units held (2016: 10,479 units)	582	557

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.

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

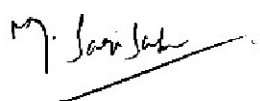
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**12. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on April 21, 2017. by the Board of Directors of the Management Company.

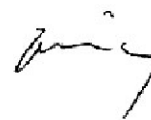
**13. GENERAL**

- 13.1.** 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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