

QUARTERLY REPORT

March 31, 2017
(Unaudited)



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

PAKISTAN INCOME ENHANCEMENT FUND

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FUND'S INFORMATION

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

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

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Income Enhancement 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 4.84% as against its benchmark return of 6.31%.

WAM of fund significantly dropped to 1.5 YTM as compare to 2.2 YTM in June 2016. The fund decreased its exposure in PIBs mainly to avail the benefit from discount rate stability which appeared to be near bottom.

At period-end, the fund was invested 27.4% in Cash, 13.1% in TDRs, 1.7% in Treasury Bills, 16.9% in TFCs, 3.3% in Commercial Paper, 13.1% in MTS, 10% in Spread Transactions and 0.7% in PIBs.

The Net Assets of the Fund as at March 31, 2017 stood at Rs. 2,568 million as compared to Rs. 2,463 million as at June 30, 2016 registering an increase of 4.26%.

The Net Asset Value (NAV) per unit as at March 31, 2017 was Rs. 55.0909 as compared to opening NAV of Rs. 53.1600 per unit as at June 30, 2016 registering an increase of Rs. 1.9309 per unit.

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

FUTURE OUTLOOK

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

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

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

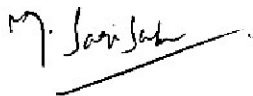
We expect interest rates to remain stable in the short term given stable inflationary trends along with government's increased focus on managing reserves through foreign borrowing. However, exchange rate overvaluation in addition with weak external account suggest a close scrutiny of the emerging trends,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

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

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

For and on behalf of Board,



Muhammad Saqib Saleem
Chief Executive Officer
April 21, 2017

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان انکم Enhancement فنڈ کے 31 مارچ 2017ء کو ختم ہونے والی مدت کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

مقامی معیشت میں مثبت رجحانات دیکھنے میں آئے اور اہم معاشی علامات مسلسل بحالی کی طرف اشارہ کر رہی ہیں۔ مستحکم افراط زر کے ساتھ ساتھ سرمایہ کارانہ سرگرمیوں CPEC پر خرچ سے متعلق پراجیکٹس معیشت کو مضبوط تر ترقی کی راہ پر گامزن رہنے کے لئے معاون ماحول فراہم کر رہے ہیں۔ اگرچہ حالیہ 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 سسٹم روی کا مظاہرہ کرنے والی علامات جلد متوقع کارکردگی کی عکاسی کرنے لگیں گی۔ خارجی اکاؤنٹ کی صورت حال دوبارہ خراب ہو گئی ہے جو کچھ حد تک عالمی تجارتی قوتوں اور CPEC کے لئے مشینری کی درآمدات کی عثماری کرتی ہے۔ ادائیگی کے توازن کے اکاؤنٹ میں دیرینہ ضعف کو تا حال 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% کم ہو گئیں۔ درآمدات بدستور سب رفتار سے چلتے ہوئے مالی سال 2017ء کے ابتدائی آٹھ ماہ میں 11.2% 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 capital goods کی بدستور آمد ہے۔ مالی سال 2017ء کے ابتدائی نو ماہ میں تریبل زر کم ہو کر 14.06 بلین امریکی ڈالر ہو گئی جو 2% معمولی کمی ہے، جبکہ گزشتہ سال اسی مدت میں 14.38 بلین امریکی ڈالر کی ہوئی تھی۔ ادائیگیوں کے توازن کو 4.5 بلین امریکی ڈالر کے مالیاتی اکاؤنٹ کا سہارا فراہم ہوا جس میں غیر ملکی براہ راست سرمایہ کاری نے 1.28 بلین امریکی ڈالر حصہ ڈالا جبکہ بقیہ حصہ قرضوں کے ذریعے پورا کیا گیا۔ غیر ملکی سرمایہ کاروں کے اینگروفوڈز اور ڈاؤ لینس کے حصول کے ذریعے غیر ملکی براہ راست سرمایہ کاری کو بڑی معاونت حاصل ہوئی۔ مالی سال 2017ء کے ابتدائی آٹھ ماہ میں ادائیگیوں کا مجموعی توازن منفی 1.0 بلین امریکی ڈالر تھا، جبکہ گزشتہ سال اسی مدت میں 1.0 بلین امریکی ڈالر تھا۔

زیر مبادلہ 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 صورت حال 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 یکدہار رہا، جس سے خدشات بھی پیدا ہوتے ہیں کیونکہ دیگر ترقی پذیر معیشتیں سب کزور ہیں، اور اسٹیت بینک آف پاکستان کے پینائش کرد REER سے بھی اس کی عکاسی ہوتی ہے۔ 126 کی بلند سطح تک پہنچ گیا جس سے بڑے پیمانے پر پیش قدری ظاہر ہوئی ہے۔

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

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

M2 میں مارچ 2017ء کے اضافہ 6.09% year to date ترقی ہوئی۔ اختتام سہ ماہی پر بینکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 217 بلین روپے موسمی ترقی ہوئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر وہولڈنگ ٹیکس عائد کرنے کی وجہ سے زیر گردش روپے (CIC) میں جو غیر معمولی انبار لگ گیا تھا وہ عموماً سطح پر آ گیا ہے اور CIC کا M2 سے تناسب 19% ہے۔ کل وقتی بیکٹر 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 4.84% تھا، جبکہ مقررہ معیار 6.31% ہے۔

فنڈ کے WAM میں قابل ذکر کمی ہوئی۔ جون 2016ء میں 2.2 YTM کے مقابلے میں 1.5 YTM ہو گیا۔ فنڈ نے PIBs میں اپنی شمولیت کو کم کر دیا جس کا مقصد ریسک و کنٹریکٹ مستحکم شرح سے فائدہ اٹھانا تھا، جو بظاہر تقریباً سب سے کم ترین تھا۔

اختتام مدت پر فنڈ کی سرمایہ کاری 27.4 فیصد نقد میں، 13.1 فیصد TDRs میں، 1.7 فیصد ٹریڈری بلز میں، 16.9 فیصد TFCs میں، 3.3 فیصد کمرشل پیپر میں، 13.1 فیصد MTS میں، 10 فیصد Spread ٹرانزیکشنز میں اور 0.7 فیصد PIBs میں تھی۔

31 مارچ 2017ء کو فنڈ کے net اثاثہ جات 2,568 ملین روپے تھے، جو 30 جون 2016ء کو 2,463 ملین روپے کے مقابلے میں 4.26% اضافہ ہے۔

31 مارچ 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 55.090 روپے تھی، جو آغاز مدت یعنی 30 جولائی 2016ء کو 53.160 روپے فی یونٹ کے مقابلے میں 1.9309 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 مضمر 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 سیکٹر کی مشکلات کے سائے بدستور مینوفیکچرنگ صنعت پر منڈی لارہ ہے ہیں اور ٹیکسٹائل 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 پیش قدر کرنسی، جیسا کہ REER سے ظاہر ہے (اسٹیٹ بینک آف پاکستان کے مطابق 25% پیش قدری کمٹیک کی سابقہ اہلیت کی راہ میں بہت بڑی رکاوٹ ہے۔

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

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

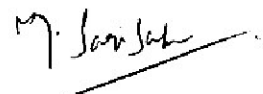
توقع ہے کہ مختصر مدد میں افراط زر کے مستحکم رجحانات کے ساتھ ساتھ reserves کو غیر ملکی قرضوں کے حصول کے ذریعے چلانے پر حکومت کی بڑھتی ہوئی توجہ کی بدولت انٹریٹ کی شرحیں مستحکم رہیں گی۔ تاہم شرح مبادلہ کی پیش قدری کے علاوہ کمزور خارجی اکاؤنٹ اس بات کی طرف اشارہ کر رہے ہیں کہ اُبھرتے ہوئے رجحانات کا باریک بینی کے ساتھ جانچ پڑتال کی جائے، کیونکہ نکتہ تعریف 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 ایکوینی مارکیٹس متبادل اثاثہ جات کے شعبوں سے سہولت کے جائیں گی MSCL ایمرجنگ مارکیٹ انڈیکس میں پاکستان کی شمولیت کی بدولت توقع ہے کہ مقامی مارکیٹ میں مزید لیکویڈیٹی پہنچے گی MSCL مخصوص کمینیز متوقع طور پر باقاعدہ شمولیت کے قریب منظر عام پر آئیں گی۔ تاہم ٹرمپ کے امریکی صدر بننے کے بعد عالمی معیشتوں میں عدم یقینی کی وجہ سے عالمی مارکیٹس میں عدم استحکام، اور اس کے ساتھ ساتھ پانا ماقدے کے باعث ہونے والی سیاسی عدم یقینی سے مختصر مدد 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 شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹر مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے اورین جانپ بورڈ



محمد قاسم سلیم
چیف ایگزیکٹو آفیسر
21 اپریل 2017ء

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

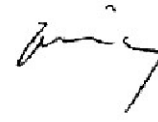
		(Unaudited) March 31, 2017 — (Rupees in '000) —	(Audited) June 30, 2016
	Note		
Assets			
Balances with banks		794,436	1,291,192
Investments - net	5	1,317,146	1,205,461
Income and profit receivable		13,269	30,768
Fair value of derivative asset		2,292	-
Receivable against margin trading system		380,066	-
Receivable against sale of equity securities		45,513	-
Deposits, prepayments and other receivables		53,102	558
Total assets		2,605,824	2,527,979
Liabilities			
Payable to the Management Company	6	3,073	7,040
Payable to the Central Depository Company of Pakistan Limited - Trustee		266	385
Payable to the Securities and Exchange Commission of Pakistan		1,395	2,425
Payable against redemption of units		2,079	3,108
Accrued expenses and other liabilities	7	30,982	52,469
Total liabilities		37,794	65,427
Net Assets		2,568,030	2,462,552
Unit holders' funds (as per statement attached)		2,568,030	2,462,552
Contingencies and commitments	8		
		(Number of units)	
Number of units in issue		46,614,386	46,324,787
		(Rupees)	
Net Asset Value Per Unit		55.0909	53.16

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)

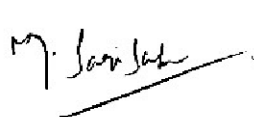


Director

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

		Nine months ended		Quarter ended	
		31 March		31 March	
		2017	2016	2017	2016
	Note	(Rupees in '000)			
INCOME					
Income from government securities		45,722	151,240	3,127	67,847
Capital gain on sale of investments - net		7,856	23,797	12,633	4,143
Income from term finance and sukuk certificates		29,711	19,524	9,670	8,700
Profit on bank deposit and term deposit receipts		45,344	26,378	20,061	11,081
Dividend income		5,892	-	2,048	-
Markup income on margin trading system		9,106	-	5,849	-
Loss on spread transaction		(15,789)	-	(634)	-
Other Income		52	-	52	-
		127,894	220,939	52,806	91,771
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' - net		(3,067)	739	(10,034)	1,728
Unrealised appreciation in fair value of listed equity securities sale in future (for spread transaction)		2,292	-	4,852	-
Provision (charged) / reversed against non-performing debt securities		(2,756)	3,474	(207)	308
Total income		124,364	225,152	47,418	93,807
EXPENSES					
Remuneration of the Management Company	6	27,565	32,129	8,715	14,262
Sindh Sales tax and Federal Excise Duty on remuneration of the Management Company		3,583	10,364	1,133	4,598
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		2,220	2,480	723	1,041
Sindh Sales tax on remuneration of Trustee		289	323	94	122
Securities and Exchange Commission of Pakistan - fee		1,396	1,602	454	713
Allocated expense		2,102	1,373	682	1,084
Securities transaction cost		4,669	744	2,544	271
Bank charges		455	224	87	74
Fees and subscriptions		1,464	142	893	51
Auditors' remuneration		410	456	134	142
Others		468	-	468	-
Printing and related costs		198	131	93	38
Total expenses		44,819	49,967	16,020	22,395
		79,545	175,185	31,398	71,412
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed					
-Arising from capital gain and unrealised gain		52	31,954	(1,865)	24,980
-Arising from other income		(4,025)	59,757	(13,082)	48,947
Provision for Workers' Welfare Fund	7.2	14,519	-	14,519	-
Net income for the period before taxation		90,091	266,896	30,970	145,339
Taxation	10	-	-	-	-
Net income for the period after taxation		90,091	266,896	30,970	145,339

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

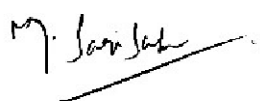
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2017**

	Note	Nine months ended 31 March		Quarter ended 31 March	
		2017	2016	2017	2016
		(Rupees in '000)			
Net income for the period after taxation		90,091	266,896	30,970	145,339
Other comprehensive income for the period					
<i>Items that may be reclassified to profit and loss account</i>					
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'		(3,108)	(6,535)	(68)	(4,917)
Total comprehensive income for the period		86,983	260,362	30,902	140,423

Earnings per unit

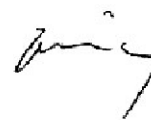
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The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

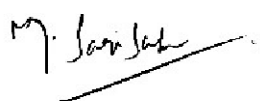


Director

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

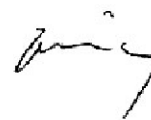
	Nine months ended 31 March		Quarter ended 31 March	
	2017	2016	2017	2016
	(Rupees in '000)			
Undistributed income brought forward	142,647	59,260	236,562	283,717
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred from unit holder's fund	(4,529)	179,216	(39,323)	76,316
Net income for the period	90,091	260,362	30,970	138,805
	85,562	439,578	(8,353)	215,121
Undistributed income carried forward	228,209	498,838	228,209	498,838

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



Chief Executive Officer

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

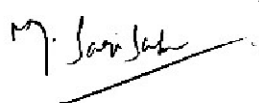


Director

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

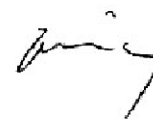
	Nine months ended 31 March		Quarter ended 31 March	
	2017	2016	2017	2016
	(Rupees in '000)			
Net assets at beginning of the period	2,462,552	968,708	3,105,950	2,773,943
Issue of 79,076,460 units (2016: 78,786,862 units) and 29,589,914 units (2016: 29,681,502 units) for the nine months and quarter ended respectively	4,001,099	4,324,180	1,511,517	1,662,858
Redemption of 76,322,948 units (2016 : 21,802,217 units) and 40,262,332 units (2016: 4,344,772 units) for the nine months and quarter ended respectively	(3,986,577)	(1,204,020)	(2,095,286)	(245,778)
	14,522	3,120,160	(583,769)	1,417,080
Net element of loss / (income) / and capital losses / (gains) included in prices of units issued less those in units redeemed:				
- amount representing accrued loss and capital losses arising from capital loss and unrealised loss on investments transferred to Income Statement	(52)	(31,954)	1,865	(24,980)
- amount representing accrued loss and capital losses arising from other income transferred to Income Statement	4,025	(59,757)	13,082	(48,947)
- amount representing unrealised capital (gains) / losses - transferred to the Distribution Statement	4,529	(179,216)	39,323	(76,316)
	8,501	(270,927)	54,269	(150,243)
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealized income	(4,529)	179,216	(39,323)	76,316
Capital gain on sale of investments - net	7,856	23,797	12,633	4,143
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss' - net	(3,067)	739	(10,034)	1,728
Other net operating income	85,301	242,360	28,370	139,468
Unrealised (diminution) / appreciation on re-measurement of investment classified as "available for sale"	(3,108)	(6,535)	(68)	(4,917)
Total comprehensive income for the period	86,983	260,362	30,902	140,423
Net assets at end of the period	2,568,030	4,257,518	2,568,030	4,257,518

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)**

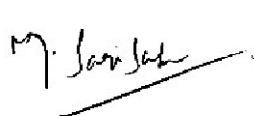


Director

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

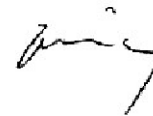
	Nine months ended 31 March		Quarter ended 31 March	
	2017	2016	2017	2016
	(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	90,091	266,896	30,970	145,339
<i>Adjustments for non cash and other items:</i>				
Unrealised diminution / (appreciation) in value of investments classified as 'at fair value through profit or loss' - net	3,067	(739)	10,034	(1,728)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
-Arising from capital gain and unrealised gain	(52)	(31,954)	1,865	(24,980)
Receivable against margin trading system				
-Arising from other income	4,025	(59,757)	13,082	(48,947)
Provision reversed / (charged) against non-performing debt securities	2,756	(3,474)	207	(308)
	99,886	170,972	56,157	69,376
(Increase) / decrease in assets				
Investments - net	(120,615)	(2,831,417)	104,099	(1,721,472)
Income and profit receivable	(32,358)	(45,000)	(42,247)	80,000
Fair value of derivative asset	(2,292)	(30,970)	(4,852)	18,178
Receivable against margin trading system	(380,066)	41	(248,155)	(224)
Receivable against sale of equity securities	(45,513)	-	(12,580)	-
Deposits, prepayments and other receivables	(2,687)	-	56,245	-
	(583,531)	(2,907,346)	(147,489)	(1,623,517)
Increase / (decrease) in liabilities				
Payable to the Management Company	(3,967)	6,878	(5,747)	(1,453)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(119)	266	2	122
Payable to the Securities and Exchange Commission of Pakistan	(1,030)	415	452	713
Payable against redemption of units	(1,029)	(2,510)	-	-
Accrued expenses and other liabilities	(21,488)	4,261	(13,490)	7,658
	(27,633)	9,310	(18,783)	7,040
Net cash (used in) / generated from operating activities	A	(511,278)	(110,115)	(1,547,101)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	4,001,099	4,324,180	1,511,517	1,662,858
Payments on redemption of units	(3,986,577)	(1,204,020)	(2,095,286)	(245,778)
Net cash generated from / (used in) financing activities	B	14,522	(583,770)	1,417,079
Net increase / (decrease) in cash and cash equivalents during the period	A + B	(496,756)	(693,885)	(130,022)
Cash and cash equivalents at beginning of the period		1,291,192	1,488,321	637,493
Cash and cash equivalents at end of the period		794,436	794,436	507,471

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** Pakistan Income Enhancement Fund ("the Fund") was established through a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited), as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 14, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 26, 2008 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** 'The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3** The Fund is an open-ended mutual fund and has been categorised as "Aggressive Fixed Income Scheme" by the Board of Directors of the Management Company in pursuant to Circular 7 of 2009, dated 6 March 2009 issued by the SECP, and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unit holders are divided into plan "A" and plan "B". The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend. The units are listed on Pakistan Stock Exchange (PSX).
- 1.4** The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions, spread transactions and transaction under Margin Trading System.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of Am2++ dated June 8, 2016 to the Management Company and "A+(f)" as stability rating dated December 9, 2016 to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. 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** This condensed interim financial information is un-audited.
- 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, KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4. FINANCIAL RISK MANAGEMENT

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

		(Un-audited) March 31, 2017 (Rupees in '000)	(Audited) June 30, 2016
5. INVESTMENTS	Note		
<i>Available for sale</i>			
Government securities	5.1	19,702	736,208
<i>At fair value through profit or loss</i>			
Government securities	5.2	49,450	57,429
Listed equities	5.3	284,270	-
Listed debt securities	5.4	382,845	284,553
Unlisted debt securities	5.5	104,780	127,271
		821,346	469,253
<i>Loans and receivables</i>			
Term deposit receipts	5.6.1	380,000	-
Commercial Paper	5.6.2	96,099	-
		<u>1,317,146</u>	<u>1,205,461</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 - Available for Sale

Issue date	Face value				At March 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	At July 01, 2016	Purchases during the period	Sales / matured during the period	At March 31, 2017	Carrying value	Market value	Appreciation/ (diminution)		
Pakistan Investment Bond - 3 Years	455,000	600,000	1,055,000	-	-	-	-	-	-
Pakistan Investment Bond - 5 Years	54,900	1,550,500	1,604,600	800	854	856	1	0.00	0.00
Pakistan Investment Bond - 10 Years	150,000	750,000	900,000	-	-	-	-	-	-
Pakistan Investment Bond - 15 Years	18,000	-	-	18,000	18,420	18,846	426	0.01	0.01
As at March 31, 2017					19,274	19,702	427	0.01	0.01
As at June 30, 2016					732,673	736,208	3,535	0.30	0.61

5.2 Government securities - 'at fair value through profit or loss'

Issue date	Face value			At March 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	At July 01, 2016	Purchases during the period	Sales / matured during the period	At March 31, 2017	Carrying value	Appreciation/(diminution)		
				(Rupees in '000)			%	%
Treasury bills - 3 months	-	700,000	650,000	50,000	0	49,450	0.02	0.04
Treasury bills - 6 months	-	1,150,000	1,150,000	-	-	-	-	-
Treasury bills - 12 months	-	1,325,000	1,325,000	-	-	-	-	-
As at March 31, 2017					49,454	49,450	0.02	0.04
As at June 30, 2016					57,171	57,429	0.02	0.05

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 Investments - 'at fair value through profit or loss - held-for-trading'

Listed Equity Securities

Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise

Name of investee company	Number of shares				Balance as at March 31, 2017			Market value as a % of net assets of the company	% of the paid-up capital of the company
	As at July 01, 2016	Purchases during the year	Bonus / right issue during	Sales during the year	As at March 31, 2017	Cost	Market value	Appreciation / (Diminution)	%
(Rupees in '000)									
CABLE & ELECTRICAL GOODS									
Pak Elektron	-	2,446,000		1,779,000	667,000	59,509	61,431	1,922	2.39
Tpl Trakker Ltd	-	2,215,000		2,215,000	-	-	-	-	-
					667,000	59,509	61,431	1,922	
CEMENT									
Cherat Cement	-	69,500		69,500	-	-	-	-	-
D.G. Khan Cement*	-	437,000		435,500	1,500	357	349	(9)	0.01
Fauji Cement Co Ltd	-	3,097,500		3,017,000	80,500	3,521	3,436	(85)	0.13
Maple Leaf Cement Factory Ltd	-	375,000		375,000	-	-	-	-	-
Pioneer Cement Ltd	-	75,500		75,500	-	-	-	-	-
					82,000	-	3,784	(94)	
COMMERCIAL BANKS									
Askari Bank Limited	-	27,500		27,500	-	-	-	-	-
Bank Al Falah Limited	-	325,500		325,500	-	-	-	-	-
National Bank Of Pakistan	-	986,500		61,500	925,000	69,545	69,070	(475)	2.69
					925,000	69,545	69,070	(475)	0.04
ENGINEERING									
Amreli Steels Limited	-	337,000		337,000	-	-	-	-	-
International Steels Ltd	-	734,000		503,000	231,000	30,496	29,785	(711)	1.16
					231,000	30,496	29,785	(711)	0.05
FERTILIZER									
Engro Corporation Limited	-	805,000		805,000	-	-	-	-	-
Engro Fertilizer Limited	-	3,785,500		3,571,000	214,500	14,449	13,441	(1,008)	0.52
Fatima Fertilizer Company *	-	24,000		24,000	-	-	-	-	-
Fauji Fertilizer Bin Quaim Ltd	-	441,000		391,500	49,500	2,631	2,585	(46)	0.10
Fauji Fertilizer Company Ltd	-	529,500		510,000	19,500	2,150	2,020	(130)	0.08
					283,500	19,230	18,046	(1,184)	
FOOD & PERSONAL CARE PRODUCTS									
Engro Foods Limited	-	385,000		353,000	32,000	5,926	5,198	(728)	0.20
					32,000	5,926	5,198	(728)	
INSURANCE									
Adamjee Insurance Co. Ltd *	-	103,500		103,500	-	-	-	-	-
OIL & GAS EXPLORATION COMPANIES									
Oil & Gas Development Co Ltd	-	263,000		263,000	-	-	-	-	-
Pakistan Oilfields Limited	-	7,000		7,000	-	-	-	-	-
Pakistan Petroleum Ltd	-	23,000		23,000	-	-	-	-	-
					-	-	-	-	
OIL AND GAS MARKETING COMPANIES									
Hasecol Petroleum	-	297,500		297,500	-	-	-	-	-
Pakistan State Oil Co Ltd.	-	267,500		247,500	20,000	8,914	8,470	(444)	0.33
					20,000	8,914	8,470	(444)	0.01
POWER GENERATION & DISTRIBUTION									
Hub Power Company Ltd	-	65,000		64,000	1,000	134	131	(3)	0.01
K-Electric Ltd	-	14,418,500		13,248,500	1,170,000	11,023	9,571	(1,452)	0.37
Kot Addu Power Co. Ltd	-	8,000		8,000	-	-	-	-	-
					1,171,000	11,157	9,702	(1,456)	
REFINERY									
Attock Refinery Limited	-	845,000		714,000	131,000	59,686	58,794	(892)	2.29
					131,000	59,686	58,794	(892)	0.15
TECHNOLOGY & COMMUNICATIONS									
P.T.C.L "A"	-	334,500		331,500	3,000	51	49	(2)	-
TRG Pakistan	-	2,521,000		2,521,000	-	-	-	-	-
					3,000	51	49	(2)	
TEXTILE COMPOSITE									
Nishat (Chumian) Limited *	-	1,959,000		1,662,500	296,500	18,551	17,959	(592)	0.70
Nishat Mills Ltd *	-	209,000		197,000	12,000	2,032	1,982	(50)	0.08
					308,500	20,583	19,941	(642)	
As at 31 March 2017						285,098	284,270	(4,706)	
As at 30 June 2016						-	-	-	

* These represents transactions with related parties

The movement in equity securities represent spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income due to difference in ready and future stock prices.

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	(Unaudited) March 31, 2017	(Audited) June 30, 2016
Note	— (Rupees in '000)	—
5.4 Listed debt securities		
Less: Provision at July 1		
Less: Provision charged / (reversed) during the period		
Pace Pakistan Limited	460,098	354,367
- Reversal against carrying value matured		
- Charge against face value receivable	(64,716)	(59,618)

2,341	9,878
(14,877)	(14,976)
(12,536)	(5,098)
382,845	289,651

5.4.1 Listed debt securities - term finance certificates

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

Name of investee company	Number of Certificates				At March 31, 2017			Market value*** as a percentage of total investment
	At July 01, 2016	Purchased during the period	Matured during the period	Disposed off during the period	At March 31, 2017	Carrying value**	Market value	
								Rupees in '000 — %
Commercial banks								
Askari Bank Limited (23-12-11 issue)*	82	-	-	-	82	83,064	83,064	0.03
Askari Bank Limited (30-09-14 issue)*	15,000	-	-	-	15,000	76,424	76,349	0.03
Habib Bank Limited (19-02-16 issue)	1,250	-	-	-	1,250	124,969	124,825	0.05
The Bank Of Punjab - TFC (23-12-16)	1,000	-	-	25	975	97,500	98,609	0.04
Real Estate investment and services								
Pace Pakistan Limited (15-02-08 issue)	15,000	-	15,000	-	-	2,341	2,341	-
- Redeemable amount						74,911	74,911	-
- Due but not received						77,252	77,252	-
As at March 31, 2017					891	460,098	460,098	0.11
As at June 30, 2016						353,141	354,367	0.02

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

** Carrying value before provision

*** Market value after provision

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	Note	(Unaudited) March 31, 2017	(Audited) June 30, 2016
	5.5.1	115,031	137,522
		(10,252)	(27,395)
		-	-
		-	17,144
		-	(10,251)
		104,780	127,271

5.5 Unlisted debt securities

Less: Provision as at July 01
Less: Provision charged / (reversed) during the period
Pak Electron Limited - Sukuk
- Charge against face value receivable
- Reversal against carrying value matured

5.5.1 Unlisted debt securities - term finance certificates

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

Name of investee company	Number of Certificates				At March 31, 2017		Market value*** as a percentage of total investment
	At July 01, 2016	Purchased during the period	Matured during the period	Disposed off during the period	At March 31, 2017	Appreciation / (diminution)	
					Carrying value**	Market value as a percentage of net assets	%
Commercial banks							
Bank Alfalah Limited - (02-12-09) Floating	9,000	-	9,000		-	-	
Bank Al Falah Limited (20-02-13 issue)	7,181	16,600		12,200	11,581	59,056	222
Bank Al Habib Limited (17-03-16 issue)	9,000				9,000	44,971	530
Construction and Material							
Eden Housing Limited - Sukuk - (31-03-2008 issue)							
- Due but not received	10,415	-	-	-	10,415	10,252	0.33
Total as at March 31, 2016						114,279	115,031
Total as at June 30, 2016						137,718	137,522
						(196)	
Total of TFCs as at March 31, 2016						573,487	575,129
Total of TFCs as at June 30, 2016						490,859	491,889
						1,030	

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

** Market value after provision

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

5.6 Loans and Receivables

5.6.1 Term Deposit Receipts

Particulars	Profit / Mark - up rate	Issue Date	Maturity Date	At March 31, 2017	Market value as a percentage of net assets	Market value as a percentage of total investments
				Rupees in '000'	-----%	
JS Bank Limited	6.75%		4-May-17	180,000	0.07	0.14
Zarai Tarakati Bank Limited	6.50%		24-May-17	200,000	0.08	0.15
Total as at March 31, 2016				380,000	0.15	0.29
Total as at June 30, 2016				-	-	-

5.6.2 Commercial Paper

Particulars	Profit / Mark - up rate	Issue Date	Maturity Date	Face Value	Amortized Cost	Market value as a percentage of net assets	Market value as a percentage of total investments
						-----%	
				Rupees in '000'			
Pak Elektron Limited	7.89%	12-Jan-17	9-Oct-17	100,000	96,099	0.04	0.07
Total as at March 31, 2016				100,000	96,099	0.04	0.07
Total as at June 30, 2016				-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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6 REMUNERATION OF MANAGEMENT COMPANY

Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008.

Till March 19, 2017 the Management company has charged fee at 1.5 % of net assets. On March 20, 2017 the Management company made an amendment in the Offering Document of the Fund & accordingly since then has charged the fee at the lower of 15% of the gross earnings of the scheme calculated on a daily basis not exceeding the maximum rate of remuneration permitted under the Rules & Regulations. Provided that Fund is subject to a minimum fee of 0.25% of the average daily net assets of the Scheme.

7. ACCRUED EXPENSES AND OTHER LIABILITIES	(Unaudited) March 31, 2017 (Rupees in '000)	(Audited) June 30, 2016
Federal excise duty and related tax on remuneration		
to the Management Company	7.1	16,590
Federal excise duty on sales load		16,590
Provision for Workers' Welfare Fund	7.2	4,746
Brokerage		3,709
Auditors' remuneration		18,228
Withholding tax payable		1,948
Printing and related expenditure		344
Capital gain tax		237
Zakat		419
Legal and professional charges		-
Other		9,278
		102
		757
		1,667
		695
		45
		2,153
		30,982
		52,469

- 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.

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

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. 21.34 million (June 30, 2016: Rs. 21.34 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.0.46 per unit (June 30, 2016: Rs. 0.46 per unit).

- 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 SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- i. The 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 SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF 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:

	(Unaudited) March 31, 2017 (Rupees in '000)	(Audited) June 30, 2016
Reversal of WWF (up to June 30, 2015)	16,357	-
Charge of sindh WWF	1,839	-

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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.

8. CONTINGENCIES AND COMMITMENTS

8.1 CONTINGENCIES

There were no contingencies and commitments as at March 31, 2017 (30 June 2016 nil).

	(Unaudited) March 31, 2017 (Rupees in '000)	(Audited) June 30, 2016
8.2 COMMITMENTS		

Margin Trading System (MTS) transactions entered into by the Fund in
in respect of which the purchase transactions not settled as at period end

<u>-</u>	<u>-</u>
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Margin Trading System (MTS) transactions entered into by the Fund in
in respect of which the sales transactions not settled as at period end

<u>46,415</u>	<u>-</u>
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9. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at March 31, 2016 is 1.88% which includes 0.28% 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 for a collective investment scheme categorised as an income fund.

10. 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.

11. EARNINGS PER UNIT

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

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

12. TRANSACTIONS WITH CONNECTED PERSONS

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

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

12.1 Detail of transaction with connected persons are as follows:

	Nine months ended 31 March		Quarter ended 31 March	
	2017	2016	2017	2016
	(Rupees in '000)			
MCB Arif Habib Savings and Investment Limited - Management Company				
Remuneration including indirect taxes	31,148	42,493	9,848	8,201
Allocated expense	2,102	1,373	682	-
Issue of 1,769,162 units (2016: Nil units) and 1,769,162 units (2016: Nil) for the nine months and quarter ended respectively	97,193	-	97,193	-
Central Depository Company of Pakistan Limited - Trustee				
Remuneration including indirect taxes	2,508	2,803	816	1,163
CDS Charges	397	12	389	4
MCB Bank Limited				
Profit on Bank Deposit	694	1,152	28	486
Bank Charges	42	48	10	16
Purchase of Securities Face Value : Nil (2015: Nil) and Face value : Nil (2015: Nil) for the nine months and quarter ended respectively	-	217,163	-	164,530
Sale of Securities Face Value : Nil (2015: Nil) and Face Value : Nil (2015: Nil) for the nine months and quarter ended respectively	-	53,022	-	-
Silk Bank Limited				
Purchase of Securities Face Value : Nil (2016: 300,000,000) and Face value : Nil (2016: 100,000,000) for the nine months and quarter ended respectively	-	322,844	-	113,733
Sale of Securities Face Value : 250,000,000 (2016: 50,000,000) and Face Value : Nil (2016: Nil) for the nine months and quarter ended respectively	238,360	58,138	-	-
Adamjee Insurance Company Limited - Employees Gratuity Fund				
Redemption of 342,744 Units (2016: Nil units) and Nil units (2016: Nil units) for the nine months period and quarter ended respectively	18,409	-	-	-
Adamjee Insurance Company Limited - Employees Provident Fund				
Issue of 1,590,004 units (2016: Nil units) and Nil units (2016: Nil) for the nine months and quarter ended respectively	86,067	-	-	-
Redemption of 1,590,591 Units (2016: Nil units) and Nil units (2016: Nil units) for the nine months period and quarter ended respectively	86,067	-	-	-

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 - Investment Department

Redemption of 6,409,782 Units (2016: Nil units) and Nil units (2016: Nil units) for the nine months period and quarter ended respectively

342,475 - - -

Directors and Executive of the Management Company

Issue of 61,187 units (2016: 27,670 units) and Nil units (2016: Nil units) for nine months and quarter ended respectively.

3,257 1,500 - -

Redemption 66,173 of units (2016 : 26,742 units) and Nil units (2016: Nil units) for the nine months period and quarter ended respectively

3,529 1,450 - -

Mandate under discretionary portfolio

Issue of 16,945,275 units (2016: 246,905 units) and 9,952,025 units (2016: Nil units) for the nine months and quarter ended respectively.

921,594 13,402 543,063 -

Redemption of 15,181,311 units (2016 : 246,905 units) and 15,102,917 units (2016 : Nil units) for the nine months period and quarter ended respectively

826,519 13,676 822,336 -

Next Capital Limited

Brokerage expense*

48 137 - 55

Arif Habib Limited

Brokerage expense*

- 3 - -

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

12.2 Amount outstanding as at period end / year end

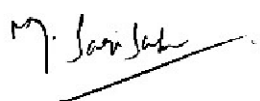
	(Unaudited) March 31, 2017	(Audited) June 30, 2016
	-----Rupees in '000'-----	
MCB - Arif Habib Savings & Investment Limited - Management Company		
Remuneration payable	2,533	1,546
Sale tax payable on remuneration to the Management Company	329	232
Legal and professional charges payable	-	100
Sales load payable including related taxes	19	143
Allocated expense payable	192	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes payable	235	156
Sindh Sales tax payable on remuneration of Trustee	31	-
Security deposits	-	200

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

	(Unaudited) March 31, 2017	(Audited) June 30, 2016
	-----Rupees in '000'-----	
Arif Habib Limited		
Brokerage payable	-	4
Next Capital Limited		
Brokerage payable	-	8
Nishat (Chunian) Limited		
296,500 shares held as at March 31, 2017 (2016: Nil units)	17,959	-
Nishat Mills Limited		
12,000 shares held as at March 31, 2017 (2016: Nil units)	1,982	-
D.G.Khan Cement		
Nil shares held as at March 31, 2017 (2016: Nil units)	-	-
Fatima Fertilizer Company		
Nil shares held as at March 31, 2017 (2016: Nil units)	-	-
MCB Bank Limited		
Bank deposit held	4,241	6,717
Accrued profit on bank deposit	25	82
Sales load payable including related taxes	1,591	-
Mandate under discretionary portfolio		
4,583,724 units held (2016 : Nil units)	252,521	-
Adamjee Life Assurance Company Limited - Conventional Bussiness		
198,375 units held (2016 : Nil units)	10,929	-
Adamjee Insurance Company Limited - Employees Provident Fund		
1,590,004 units held (2016 : Nil units)	87,595	-

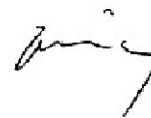
13 DATE OF AUTHORISATION

This condensed interim financial information was authorised 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

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