

QUARTERLY REPORT

March 31, 2017
(Unaudited)



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

PAKISTAN INCOME FUND

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FUND'S INFORMATION

Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Director Chief Executive Officer Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr. Abdul Basit	
Share Registrar	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 Allied Bank Limited Habib Metropolitan Bank Limited Bank Al-Habib Limited Bank Al Falah Limited NIB Bank Limited Faysal Bank Limited Zarai Taraqati Bank Limited JS Bank Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited United Bank Limited Habib Bank Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Registered Office	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi - 74900	
Rating	Asset Manager: "AM2++" (PACRA) Entity Ratings: "AA-" Long Term (PACRA) "A1+" Short Term (PACRA)	

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 **Pakistan Income Fund** accounts review for the nine months ended March 31, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

Undergoing appreciation of about 0.08% in 9MFY17, PKR continues to remain resilient against USD which also raises concerns given the relative weakness in other developing economies and also reflected from REER as measured by SBP reaching to a high of 126 depicting significant overvaluation.

Fiscal deficit increased to 2.4% (1HFY17) of GDP as against 2.2% in SPY. Total revenue declined by 1% majorly because of reduction in income from defence services and SBP's profit. Expenses increased by 11% with PSDP (16% increase) and defence expenditure (11% increase).

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

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

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

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 7.17% as against its benchmark return of 5.96%.

At period end, the fund was 18% in TFCs, 0.5% in PIBs, 30.2% in Cash, 10.5% in TDRs, 14.3% in Spread transactions and 3.1% in T-Bills. Weighted average maturity of the fund decreased to 1.4 years at period end compared to 2.3 years at June end as per anticipation of stable interest rate outlook during the period.

The Net Assets of the Fund as at March 31, 2017 stood at Rs. 1,309 million as compared to Rs. 1,050 million as at June 30, 2016 registering an increase of 24.67%.

The Net Asset Value (NAV) per unit as at March 31, 2017 was Rs. 56.4975 as compared to opening NAV of Rs. 53.6100 per unit as at June 30, 2016 registering an increase of Rs. 2.8875 per unit.

REPORT OF THE DIRECTORS 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.

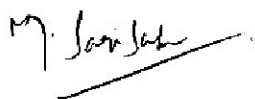
We expect interest rates to remain stable in the short term given stable inflationary trends along with government's increased focus on managing reserves through foreign borrowing. However, exchange rate overvaluation in addition with weak external account suggest a close scrutiny of the emerging trends, 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 پاکستان انکم 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 پراجیکٹس معیشت کو مضبوط تر ترقی کی راہ پر گامزن رہنے کے لئے معاون ماحول فراہم کر رہے ہیں۔ اگرچہ تاحال مختلف علامات بشمول وسیع پیمانے کی مینوفیکچرنگ، کریڈٹ آف ٹیک اور غیر ملکی براہ راست سرمایہ کاری میں حرکت توقعات سے کم ہے لیکن ہم سمجھتے ہیں کہ اگر مستحکم سیاسی ماحول میں کلاں معاشیات کے موجودہ ماحول کے ساتھ ساتھ CPEC کی جانب سے ملنے والی قوت جاری رہی تو سسٹم روئی 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 گھماڑی 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 سسٹم روئی سے چلتے ہوئے مالی سال 2017ء کے ابتدائی آٹھ ماہ میں 2% YoY کم ہو گئیں۔ درآمدات بدستور سبک رفتاری سے چلتے ہوئے مالی سال 2017ء کے ابتدائی آٹھ ماہ میں 11.2% YoY زیادہ ہو گئیں۔ تیل کی درآمدات میں 16% اضافہ ہوا جس کا سبب OPEC کے پیداوار کم کرنے کے فیصلے کے بعد حجم میں ترقی اور تیل کی قیمتوں میں اضافہ ہے۔ مشینری کی درآمدات میں 12% اضافہ ہوا جس کا سبب انفراسٹرکچر کے مختلف منصوبوں کے لئے capital goods کی بدستور آمد ہے۔ مالی سال 2017ء کے ابتدائی نو ماہ میں ترسیل زر کم ہو کر 14.06 بلین امریکی ڈالر ہو گیا 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 اینگروڈوز 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۔

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 یکدہا رہا، جس سے خدشات بھی پیدا ہوتے ہیں کیونکہ دیگر ترقی پذیر معیشتیں نسبتاً کمزور ہیں، اور اسٹیٹ بینک آف پاکستان کے پیمائش کردہ REER سے بھی اس کی عکاسی ہوتی ہے جو 126 کی بلند سطح تک پہنچ گیا جس سے بڑے پیمانے پر پیش قدری ظاہر ہوتی ہے۔

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

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

M2 میں مارچ 2017ء کے اختتام تک 6.09% year to date ترقی ہوئی۔ اختتام سہ ماہی پر بینکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 217 بلین روپے موی ترقی ہوئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر وہولڈنگ ٹیکس عائد کرنے کی وجہ سے زبردگرش 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 7.17% تھا، جبکہ مقررہ معیار 5.96% ہے۔

اختتام مدت پر فنڈ کی سرمایہ کاری 18 فیصد TFCs میں، 0.5 فیصد PIBs میں، 30.2 فیصد نقد میں، 10.5 فیصد TDRs میں، 14.3 فیصد Spread ٹرانزیکشنز میں اور 3.1 فیصد فی بلز میں تھی۔ فنڈ کی weighted اوسط پھوٹی، جو جون 2016ء میں 2.3 سال تھی، دوران مدت انٹریسٹ کی شرح کے مستحکم مستقبل کی توقع کے مطابق کم ہو کر اختتام مدت پر 1.4 سال ہو گئی تھی۔

31 مارچ 2017ء کو فنڈ کے net اثاثہ جات 1,309 ملین روپے تھے، جو 30 جون 2016ء کو 1,050 ملین روپے کے مقابلے میں 24.67% اضافہ ہے۔ 31 مارچ 2017ء کو net اثاثہ جاتی قدر (NAV) نی پونٹ 56.4975 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 53.6100 روپے نی پونٹ کے مقابلے میں 2.8875 روپے نی پونٹ اضافہ ہے۔

مستقبل کا منظر

اگرچہ حکومت مجموعی مقامی پیداوار میں 5.7% ترقی کے اپنے ہدف کو حاصل کرنے کے لئے ہڈمزم 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 مایوس کن ہے۔

علاوہ ازیں، حالیہ اعلان کردہ برآمداتی ٹیکس 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 کنٹریکٹ کی سائبیلیٹ 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 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 کرنسی کے مستقبل کا منظر خارجی حصار میں اغوط کے باعث بدستور پریشان کن ہے۔ چنانچہ اگلے سال سے افراط زر موجودہ اوسط 4.0% کے مقابلے میں 5.0% سے بلند جاسکتی ہے۔

خارجی اکاؤنٹ استحکام کی راہ پر گامزن معیشت کے لئے بدستور خطرہ بنا ہوا ہے کیونکہ حالیہ اعداد و شمار کے مطابق کرنٹ اکاؤنٹ کا خسارہ بدتر ہو کر مجموعی ملکی پیداوار کا 2.7% ہو گیا، جبکہ مکمل مالی سال کا ہدف 1.5% تھا۔ بڑھتی ہوئی درآمدات کے ساتھ ساتھ کمزور برآمدات اور ترسیل زر سے خارجی اکاؤنٹ مزید بگڑ گیا۔ قابل پیش گوئی مستقبل میں کرنسی کی بیش قدری ختم ہونے تک متوقع طور پر بیدرجحان 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 انٹریسٹ 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 کنیڈہ تصریف 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 کمیز 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 میعاد کی مارکیٹ کی کارکردگی کی جانچ ہوتی رہے گی۔ بہر حال، ہم مارکیٹ کے حوالے سے اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار تشکر

بورڈ فنڈ کے گرام 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 منجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے اورین جانب بورڈ

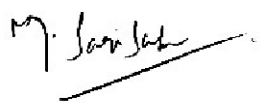
سلطان احمد

محمد قاسم سلیم
چیف ایگزیکٹو آفیسر
21 اپریل 2017ء

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

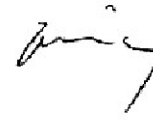
	Note	31 March 2017 (Unaudited) (Rupees in '000)	30 June 2016 (Audited)
ASSETS			
Balances with banks	4	488,021	286,385
Investments	5	696,875	781,941
Receivable against margin trading system		18,475	-
Fair value of derivative asset		1,931	-
Receivable against sale of investment		316,520	-
Dividend and profit receivable		8,427	18,115
Advances, deposits and prepayments		85,731	8,373
Total Assets		1,615,980	1,094,814
LIABILITIES			
Payable to the Management Company	6	2,000	1,673
Payable to Central Depository of Pakistan Limited - Trustee		187	169
Payable to Securities and Exchange Commission of Pakistan		637	909
Payable against redemption of units		47	47
Payable against purchase of investment		289,695	-
Accrued expenses and other liabilities	7	14,877	41,718
Total liabilities		307,443	44,516
NET ASSETS		1,308,537	1,050,298
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,308,537	1,050,298
CONTINGENCIES AND COMMITMENTS	8		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		23,160,958	19,592,850
		(Rupees)	
NET ASSET VALUE PER UNIT (FACE VALUE OF UNITS RS. 50 EACH)		56.4975	53.61

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



Chief Executive Officer

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



Director

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

	Note	Nine months ended		Quarter ended	
		31 March 2017	31 March 2016	31 March 2017	31 March 2016
		(Rupees in '000)			
Income					
Capital (loss) / gain on sale of investments - net		(8,014)	3,773	(4,792)	(1,799)
Dividend income		2,017	-	866	-
Profit on bank deposits		23,675	12,604	9,439	5,331
Income from government securities		13,584	46,493	998	13,293
Income from term finance certificates		15,599	20,378	5,012	7,570
Income from spread transactions and margin trading system		15,803	45	14,578	16
		62,664	83,293	26,101	24,411
Provision against non-performing debt securities		(402)	(3,398)	333	(1,699)
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss' - net		(2,889)	1,186	(3,734)	2,381
Total income		59,373	81,081	22,700	25,093
Expenses					
Remuneration of the Management Company	6.1	12,743	13,729	4,545	4,487
Sindh sales tax and federal excise duty on Management Fee		1,657	4,427	591	1,447
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,360	1,417	467	466
Sindh Sales tax on remuneration of Trustee		177	198	61	65
Annual fee to Securities and Exchange Commission of Pakistan		637	687	227	225
Auditor's remuneration		482	517	159	159
Allocated expenses		960	480	342	341
Brokerage expenses		1,712	141	1,180	42
Settlement and bank charges		911	273	650	73
Fees and subscription		404	281	167	76
Legal and professional		876	45	846	45
Provision of Workers Welfare Fund		(21,539)	-	(21,539)	-
Printing and related costs		167	181	46	43
Total operating expenses		547	22,376	(12,258)	7,469
Net income from operating activities		58,826	58,705	34,958	17,624
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net					
-from realized / unrealized capital gain		(680)	(155)	(472)	(109)
-from other income		7,114	921	5,400	268
		6,434	766	4,928	159
Net income for the period before taxation		65,260	59,471	39,886	17,784
Taxation	11	-	-	-	-
Net income for the period after taxation		65,260	59,471	39,886	17,784
Earnings per unit	12				

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



Chief Executive Officer

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

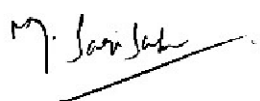


Director

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

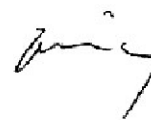
	<u>Nine months ended</u>		<u>Quarter ended</u>	
	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>	<u>31 March</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>(Rupees in '000)</u>			
Net income for the period after taxation	65,260	59,471	39,886	17,784
Other comprehensive income:				
Items that may be reclassified subsequently to income statement				
Unrealised appreciation / (diminution) in investments classified as 'available for sale'	1,466	655	(68)	(404)
Total comprehensive income for the period	<u>66,726</u>	<u>60,126</u>	<u>39,818</u>	<u>17,379</u>

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



Chief Executive Officer

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

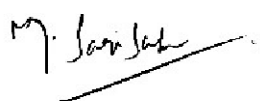


Director

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

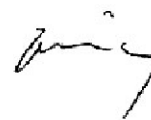
	Nine months ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	(Rupees in '000)			
Undistributed income brought forward	72,335	73,866	103,988	121,827
Net income for the period	65,260	59,470	39,886	17,783
Element of income and capital gains included in the prices of units issued less those in units redeemed - amount representing unrealized appreciation transferred to distribution statement	13,112	5,243	6,833	(1,031)
Undistributed income carried forward	<u>150,707</u>	<u>138,579</u>	<u>150,707</u>	<u>138,579</u>

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



Chief Executive Officer

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

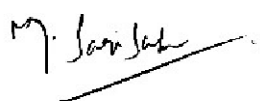


Director

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

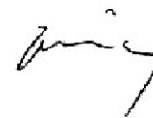
	Nine months ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	(Rupees in '000)			
Net assets at beginning of the period	1,050,298	1,131,448	1,169,033	1,265,338
Issue of 10,739,467 (2016: 8,707,779) units and 5,243,446 (2016: 3,396,502) units for the half year and quarter respectively	592,740	463,015	293,542	174,055
Redemption of 7,159,132 (2016: 7,297,224) units and 2,582,189 (2016: 3,683,333) units for the half year and quarter respectively	(394,793)	(386,479)	(188,928)	(189,270)
	197,947	76,536	104,614	(15,215)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement				
-from realized / unrealized capital gain	680	155	472	109
-from other income	(7,114)	(921)	(5,400)	(268)
- amount representing (income) / loss and capital losses / (gains) transferred to distribution statement	(13,112)	(5,243)	(6,833)	1,031
	(19,546)	(6,009)	(11,761)	872
Element of (loss) and capital (losses) that forms part of unit holders' fund transferred to distribution statement	13,112	5,243	6,833	(1,031)
Net income for the period (excluding net unrealized appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments)	76,163	54,512	48,412	17,202
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	(2,889)	1,186	(3,734)	2,381
Unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	1,466	655	(68)	(404)
Capital gain / (loss) on sale of investments - net	(8,014)	3,773	(4,792)	(1,799)
Total comprehensive income for the period.	66,726	60,126	39,818	17,379
Net assets at the end of the period	1,308,537	1,267,344	1,308,537	1,267,344

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



Chief Executive Officer

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




Director

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

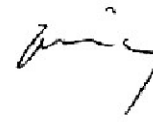
Note	Nine months ended		Quarter ended	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
(Rupees in '000)				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	65,260	59,470	39,886	17,784
Adjustments for non-cash charges and other items:				
Net unrealised (appreciation) / diminution on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	2,889	(1,186)	3,734	(2,381)
Provision against non-performing debt securities	402	3,398	(333)	1,699
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed				
-from realized / unrealized capital gain	680	155	472	109
-from other income	(7,114)	(921)	(5,400)	(268)
Net cash generated from operations before working capital changes	62,117	60,916	38,359	16,943
(Increase) / decrease in assets				
Investments - net	83,241	127,960	(300,179)	(271,359)
Receivable against margin trading system	(18,475)	-	95,501	-
Receivable against sale of investment	(316,520)	-	(58,128)	-
Fair value of derivative asset	(1,931)		(1,931)	
Dividend and profit receivable	9,688	538	2,446	2,086
Advances and deposits	(77,358)	(44,813)	(60,025)	4,799
	(321,355)	83,686	(322,316)	(264,475)
Increase / (decrease) in liabilities				
Payable to the Management Company	327	20	223	(31)
Payable to Central Depository Company of Pakistan Limited - Trustee	18	8	10	(26)
Payable to Securities and Exchange Commission of Pakistan	(272)	(107)	227	225
Payable against purchase of investment	289,695		289,695	
Accrued expenses and other liabilities	(26,841)	(7,569)	(30,737)	866
	262,927	(7,648)	259,418	1,034
Net cash generated from / (used in) operating activities	3,689	136,953	(24,539)	(246,499)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	592,740	463,015	301,615	174,055
Payments against redemption of units	(394,793)	(386,479)	(188,928)	(189,270)
Net cash generated from financing activities	197,947	76,536	112,687	(15,215)
Net increase in cash and cash equivalents	201,636	213,490	88,148	(261,713)
Cash and cash equivalents at beginning of the period	286,385	226,662	399,873	701,865
Cash and cash equivalents at end of the period	488,021	440,151	488,021	440,151

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



Chief Executive Officer

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



Director

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 Fund (the Fund) was established under 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 October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the 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 "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange.
- 1.4 The Fund primarily invests in money market and other short-term instruments which include short-term corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (2016: AM2++) to the Management Company on June 8, 2016 while the Fund has been assigned a Fund stability rating of A+(f) (2016: A+(f)) on December 9, 2016.
- 1.6 The 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 Statement of compliance

- 2.1.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. 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

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

- 2.1.3 These condensed interim financial statements are unaudited.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

**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 JUDGEMENT

- 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..

	Note	31 March 2017 (Unaudited)	30 June 2016 (Audited)
4 BALANCE WITH BANKS			
Current accounts	4.1	4,402	1,367
Saving accounts	4.1 & 4.2	483,619	285,018
		<u>488,021</u>	<u>286,385</u>

- 4.1** Deposits of Rs. 2.232 (June 2016: Rs. 38.901) million in saving accounts and Rs. 4.402 (June 2016: Rs. 1.367) million in current accounts are maintained with MCB Bank Limited, a related party of the Fund.

- 4.2** These carry mark-up at rates ranging from 3.75 % to 9.5% per annum (June 2016: 3.75% to 7.25% per annum).

	Note	31 March 2017 (Unaudited)	30 June 2016 (Audited)
5 INVESTMENTS			
5.1 Financial assets 'at fair value through profit or loss' - net			
Government securities	5.4	49,450	236,630
Listed debt securities	5.5	226,853	226,233
Unlisted debt securities	5.6	15,107	22,824
Listed Equity securities	5.8	227,484	-
		<u>518,894</u>	<u>485,687</u>
5.2 Available for sale investments			
Government securities	5.7	7,981	296,254
5.3 Loans and receivables			
Term deposit receipts	5.9	170,000	-
		<u>696,875</u>	<u>781,941</u>

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

5.4 Government securities - market treasury bills

Issue date	Face value					As at March 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchased during the period	Sales during the period	Matured during the period	As at March 31, 2017	Carrying value	Market value	Appreciation / (diminution)		
									%	%
Treasury bills - 3 months	-	675,000	550,000	75,000	50,000	49,454	49,450	(4)	4	7
Treasury bills - 6 months	50,000	375,000	400,000	25,000	-	-	-	-	-	-
Treasury bills - 12 months	195,000	545,000	515,000	225,000	-	-	-	-	-	-
Total as at March 31, 2017						49,454	49,450	(4)	4.00	7.00
Total as at June 30, 2016						236,447	236,630	183	23.00	30.26

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

5.5 Listed debt securities - term finance certificates

5.5.1 325,063 322,606

Less: Provision at July 1

Pace Pakistan Limited

Telecard Limited

Trust Investment Bank Limited - III

46,542	43,144
31,088	31,088
18,743	18,743
96,373	92,975

Less: Provision charged during the period

Pace Pakistan Limited

- Reversal against carrying value matured

- Charge against face value receivable

(8,147)	(6,586)
9,984	9,984
1,837	3,398
226,853	226,233

5.5.1 Listed debt securities - term finance certificates

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

Name of investee company	No. of certificate					As at March 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchased during the period	Sales during the period	Matured during the period	As at March 31, 2017	Carrying value	Market value	Appreciation / (diminution)		
									%	%
Commercial banks										
Askari Bank Limited (23-12-11 issue)***	37	-	-	-	37	37,480	37,480	-	2.86	5.38
Bank Al Falah Limited (20-02-13 issue)	13,381	-	-	-	13,381	68,236	68,491	255	5.23	9.83
Askari Bank Limited (30-09-14 issue)	5,000	-	-	-	5,000	25,475	25,450	(25)	1.94	3.65
Habib Bank Limited (19-02-16 issue)***	500	-	-	-	500	49,987	49,930	(57)	3.82	7.16
Bank Al-Habib Limited (17-03-16 issue)	9,000	-	-	-	9,000	44,971	45,502	531	3.48	8.53
Financial services										
Trust Investment Bank (04-07-08 issue)	-	-	-	-	-	18,743	18,743	-	-	-
- Due but not received	-	-	-	-	-	-	-	-	-	-
Fixed line telecommunication										
Telecard Limited (27-05-05 issue)	-	-	-	-	-	31,088	31,088	-	-	-
- Due but not received	-	-	-	-	-	-	-	-	-	-
Real Estate investment and services										
Pace Pakistan Limited (15-02-08 issue)	-	-	-	-	-	-	-	-	-	-
- Redeemable amount	10,000	-	-	-	10,000	(1,581)	(1,581)	-	-	-
- Due but not received	-	-	-	-	-	49,940	49,940	-	-	-
						48,379	48,379	-	-	-
Total as at March 31, 2017	37,918	-	-	-	37,918	324,359	325,063	704	17.33	32.55
Total as at June 30, 2016	23,423	14,500	-	5	37,918	320,736	322,606	1,870	18.01	24.14

* Carrying value before provision - Provision details are specified in note 5.5

** Market value after provision - Provision details are specified in note 5.5

*** These certificates have a face value of Rs. 1 million and Rs. 1 hundred thousand respectively.

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 Unlisted debt securities - term finance certificates

Certificates have a face value of Rs 5,000 each

Issue date	No. of certificate					As at March 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchased during the period	Sales during the period	Matured during the period	As at March 31, 2017	Carrying value	Market value	Appreciation / (diminution)		
									Rupees in '000	%
Bank Alfalah Limited - TFC4 (02-12-08) Floating	4,500	-	-	-	4,500	15,216	15,107	(109)	1.15	2.17
Total as at March 31, 2017						15,216	15,107	(109)	1.15	2.17
Total as at June 30, 2016						23,227	22,824	(403)	2.17	2.92

5.7 Government securities - Pakistan investment bonds

Issue date	Face value					As at March 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchased during the period	Sales during the period	Matured during the period	As at March 31, 2017	Carrying value	Market value	Appreciation / (diminution)		
									(Rupees in '000)	%
Pakistan Investment Bond - 03 years	194,000	139,000	333,000	-	-	-	-	-	-	-
Pakistan Investment Bond - 05 years	24,500	748,900	773,400	-	-	-	-	-	-	-
Pakistan Investment Bond - 10 years	57,400	600,000	650,000	-	7,400	8,118	7,981	(135)	0.61	1.15
Total as at March 31, 2017						8,118	7,981	(135)	0.61	1.15
Total as at June 30, 2016						297,855	296,254	(1,601)	28.21	37.89

5.8 Shares of listed companies

All shares have a par value of Rs. 10 each except stated otherwise

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at March 31, 2017	Carrying Value as at March 31, 2017	Market value as at March 31, 2017	Appreciation/ (Diminution) as at March 31, 2017	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
									(Number of shares)	(Rupees in '000)	
Cable and Electrical Goods											
Pak Elektron Limited	-	1,208,500	-	880,500	328,000	28,887	30,209	1,322	-	4.33	0.07
TPL Tracker Limited	-	613,500	-	613,500	-	-	-	-	-	-	-
						28,887	30,209	1,322	-	4	-
Cement											
Cherat Cement Company Limited	-	83,500	-	83,500	-	-	-	-	-	-	-
D G Khan Cement Company Limited*	-	197,500	-	192,500	5,000	1,184	1,162	(22)	-	0.17	-
Fauji Cement Company Limited	-	1,212,500	-	990,000	222,500	9,843	9,496	(347)	-	1.38	0.02
Maple Leaf Cement Factory Limited	-	75,000	-	75,000	-	-	-	-	-	-	-
Pioneer Cement Limited	-	42,500	-	42,500	-	-	-	-	-	-	-
						11,027	10,658	(369)	-	2	-
Commercial Banks											
National Bank Limited	-	660,000	-	660,000	-	49,434	49,282	(152)	-	7.07	0.03
Askari Bank Limited	-	322,000	-	322,000	-	-	-	-	-	-	-
						49,434	49,282	(152)	-	-	-
Engineering											
Amreli Steels Limited	-	87,000	-	87,000	-	-	-	-	-	-	-
International Steels Limited	-	713,500	-	519,500	194,000	26,209	25,014	(1,195)	-	3.59	0.04
						26,209	25,014	(1,195)	-	4	-
Fertilizer											
Engro Fertilizer Limited	-	430,000	-	292,500	137,500	9,195	8,816	(579)	-	1.24	0.01
Engro Corporation Limited	-	221,500	-	216,500	5,000	1,860	1,840	(20)	-	0.26	-
Fatima Fertilizer Company Limited*	-	204,000	-	179,000	25,000	968	975	7	-	0.14	-
Fauji Fertilizer Bin Qasim Limited	-	206,500	-	139,500	67,000	3,573	3,499	(74)	-	0.50	0.01
Fauji Fertilizer Company Limited	-	128,000	-	69,500	58,500	6,280	6,061	(219)	-	0.87	-
						21,876	20,991	(885)	-	3	-
Food and Personal Care Products											
Engro Foods Limited	-	622,000	-	548,500	73,500	12,896	11,939	(957)	-	1.71	0.01
						12,896	11,939	(957)	-	2	-
Insurance											
Adamjee Insurance Company Limited*	-	70,500	-	70,500	-	-	-	-	-	-	-
						-	-	-	-	-	-

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

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at March 31, 2017	Carrying Value as at March 31, 2017	Market value as at March 31, 2017	Appreciation/ (Diminution) as at March 31, 2017	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
	(Number of shares)					(Rupees in '000)					
Oil and Gas Exploration Companies											
Oil and Gas Development Company Limited	-	94,500	-	49,000	45,500	6,742	6,748	6	-	0.97	-
Pakistan Oilfields Limited	-	10,500	-	10,500	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	37,000	-	37,000	-	-	-	-	-	-	-
						6,742	6,748	6	-	1	-
Oil and Gas Marketing Companies											
Haseco Petroleum Limited	-	221,500	-	221,500	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	-	119,000	-	116,000	3,000	1,348	1,271	(77)	-	0.18	-
						1,348	1,271	(77)	-	-	-
Power Generation and Distribution											
Hub Power Company Limited	-	1,000	-	1,000	-	-	-	-	-	-	-
Kot Addu Power Company Limited	-	9,500	-	6,500	3,000	241	241	(1)	-	0.03	-
K- Electric Limited (Par value of Rs. 3.5 each)	-	7,470,000	-	6,112,000	1,358,000	12,680	11,108	(1,572)	-	1.59	-
						12,921	11,349	(1,573)	-	2	-
Refinery											
Attock Refinery Limited	-	323,000	-	238,000	85,000	38,703	38,149	(554)	-	-	0.10
						38,703	38,149	(554)	-	-	-
Technology and Communication											
Hum Network Limited	-	63,500	-	63,500	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	-	1,148,000	-	1,148,000	-	-	-	-	-	-	-
TRG Pakistan Limited	-	379,000	-	379,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Textile Composite											
Nishat Chunian Limited*	-	1,821,000	-	1,303,500	317,500	19,905	19,231	(674)	-	2.76	0.13
Nishat Mills Limited*	-	144,000	-	128,000	16,000	2,763	2,643	(120)	-	0.38	-
						22,668	21,874	(794)	-	-	-
Total - March 31, 2017						232,711	227,484	(5,228)	-	18	-
Total - 30 June 2016						-	-	-	-	-	-

* These denote transactions with related parties.

5.9 Loans and receivables

Term Deposit Receipts - having original maturity of 3 months or less
Term Deposit Receipts - having original maturity exceeding 3 months

Note	(Unaudited) 31 March 2017	(Audited) 30 June 2016
	(Rupees in '000)	
5.9.1	120,000	-
5.9.1	50,000	-
	170,000	-

5.9.1 Term deposit receipts carry mark-up rates ranging from 6.5% to 7% per annum and maturities from May 4, 2017.

6 PAYABLE TO MANAGEMENT COMPANY

Management fee payable
Sindh sales tax payable on management fee
Sales load payable
Payable against allocated expenses

Note	(Unaudited) 31 March 2017	(Audited) 30 June 2016
	(Rupees in '000)	
6.1	1,639	1,384
	213	194
	39	2
	109	93
	2,000	1,673

6.1 As per the amendments made in the NBFC Regulations, 2008 vide SRO 1160(1)/2015 dated November 25, 2015, the Management Company is entitled to a remuneration equal to an amount not exceeding 1.5% of the average annual net assets in case of income schemes. During the half year ended 31 December 2016, the Management Company has charged its remuneration at the rate of 1.5% per annum of the average annual net assets of the Fund as prescribed under the NBFC Regulations, 2008. The fee is payable to the Management Company monthly in arrears.

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

	Note	(Unaudited) 31 March 2017	(Audited) 30 June 2016
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	7.1	2,789	24,327
Legal and professional charges		39	60
Withholding tax on capital gains		28	6,474
Auditors' remuneration		312	461
Brokerage		1,172	77
Zakat		165	165
Provision for Federal Excise Duty and related taxes on management fee	7.2	9,210	9,210
Provision for Federal Excise Duty on sales load	7.2	239	239
Others		923	705
		14,877	41,718

- 7.1 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 and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

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

Accordingly, the provision for Sindh WWF is being made on a daily basis going forward.

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) 31 March 2017	(Audited) 30 June 2016
Reversal of Federal WWF (Upto June 30, 2015)	24,327	-
Charge of Sindh WWF	2,789	-

The cumulative net effect of WWF is Rs.21.54 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 higher by Re. 0.93 as at March 31, 2017.

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

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

On September 4, 2013, a constitutional petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, 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 9.5 million (June 30, 2016: Rs 9.5 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. 0.41 per unit (June 30, 2016: Rs 0.48).

8 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 March 2017 and June 30, 2016 except as disclosed below.

	(Unaudited) March 31, 2017	(Audited) June 30, 2016
	——(Rupees in '000)——	
8.1 Commitments		
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions not settled as at period end	-	-
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions not settled as at period end	1,085	-

9 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at March 31, 2017 is 2.1% which includes 0.33% 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 Scheme".

11 TAXATION

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

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

12 EARNINGS PER UNIT

Earnings per unit has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units 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

13 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include the Management Company, its parent and the related subsidiaries of the parent, associated companies / undertakings of the Management Company, its parents and the related subsidiaries, other funds managed by the Management Company, post employment benefit funds of the Management Company, employment funds of the parent, subsidiaries and its associated undertakings. It also includes the Central Depository Company of Pakistan Limited being the Trustee of the Fund, the directors and officers of the Management Company and any person or Company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

Transactions with connected persons / related parties are in the normal course of business, at contracted rates and terms determined in accordance with the market rates.

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

13.1 Details of transactions with the connected persons / related parties during the period are as follows:

	Nine Months Ended 31 March		Quarter Ended 31 March	
	2017	2016	2017	2016
	(Unaudited)			
	(Rupees in '000)			
MCB-Arif Habib Savings and Investments Limited				
Remuneration of the Management Company (including indirect taxes)	14,400	18,156	5,136	5,934
Allocated expenses (including indirect taxes)	960	480	342	341
Central Depository Company of Pakistan Limited				
Remuneration of the trustee (including indirect taxes)	1,537	1,615	528	531
CDC settlement charges	166	17	149	14
MCB Bank Limited				
Profit on bank deposits	142	625	32	187
Bank charges	6	18	3	4
Next Capital Limited				
Brokerage expense*	33	28	-	15
Arif Habib Limited				
Brokerage expense*	9	1	-	(1)

* 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.

	Nine Months Ended 31 March		Quarter Ended 31 March	
	2017	2016	2017	2016
	(Unaudited)			
	(Rupees in '000)			
Summit Capital (Private) Limited**				
Brokerage expense*	1	-	1	-
Nishat (Chunian) Limited				
Dividend Income	88	-	-	-
Faujl Cement Company Limited**				
Issue of nil units (2016: 2,304,859 units)	-	125,000	-	-
Redemption of nil units (2016: 2,304,859 units)	-	128,150	-	128,150
Directors and Executives of the Management Company				
Redemption of nil units (2016: 6740)	-	364	-	-
Mandate under Discretionary Portfolio Services				
Issue of 198,948 units (2016: Nil units)	10,781	-	-	-
Redemption of 202,627 units (2016: Nil units)	11,014	-	-	-

**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
13.2 Balance outstanding as at the period end	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited		
Remuneration payable to the Management Company	1,639	1,384
Sales tax payable on remuneration of the Management Company	213	194
Sales load payable	39	2
Payable against allocated expenses	109	93
Central Depository Company of Pakistan Limited		
Remuneration payable to the Trustee	165	148
Sales tax payable on trustee fee	22	21
Security deposits	200	200
Nishat Mills Limited		
16,000 shares held (June 2016: Nil shares held)	2,643	-
Nishat Chunian Limited		
317,500 shares held (June 2016: Nil shares held)	19,231	-
D.G.Khan Cement Limited		
5,000 shares held (June 2016: Nil shares held)	1,162	-
Fatima Fertilizer Company Limited		
25,000 shares held (June 2016: Nil shares held)	975	-
MCB Bank Limited		
Bank deposits	6,642	40,268
Profit receivable	4	29
Mandate under Discretionary Portfolio Services		
523 units held (2016: 729)	30	
ADAMJEE LIFE ASSURANCE COMPANY LIMITED-EMPLOYEES GRATUITY FUND		
20,332 units held (2016: Nil)	1,149	-
Other Executives		
Nil units held (2016: 350)	-	19

* 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.

** Current period figures have not been presented since the persons / entities are no longer related parties of the Fund.

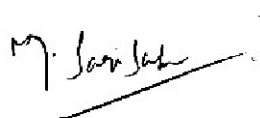
14 DATE OF AUTHORIZATION FOR ISSUE

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

15 GENERAL

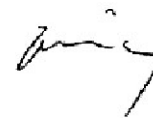
15.1 Figures have been rounded off to the nearest thousand rupees.

15.2 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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