



MCB-ARIF HABIB
Savings and Investments Limited

QUARTERLY REPORT

SEPTEMBER
2017
(UNAUDITED)

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



MCB Pakistan Asset Allocation 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 Muhammad 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 Shahre-e-Faisal Karachi-74400.
Bankers	United Bank Limited Bank Al-Habib Limited Allied Bank Limited Bank Al-Falah Limited Faysal Bank Limited MCB Bank Limited JS bank Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Zarai Taraqati Bank Finca Micro Finance 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
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 by PACRA

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Asset Allocation Fund's** accounts review for the quarter ended September 30th, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

The economic scorecard in first quarter of FY18 posted a mixed picture relative to several economic indicators. The LSM grew at an astounding pace of 13% YoY, boosted by growth in Steel, Auto and Food & Beverages sector. Add to this the agricultural sector growth (being reflected in cotton crop, sugar crop and wheat crop bumper numbers coming in), we are well on our way to meet the 6% target GDP growth for FY18.

CPI for the first quarter averaged at a moderate level of 3.4% YoY, supported by lower oil prices, stable food prices and a higher base effect. Going forward we expect inflation to remain under control, averaging below 4.5% for FY18, as stable commodity prices along with a contained currency to rein in inflation. As a result of the stable indicators, the monetary policy committee maintained a status quo in its first meeting held for the current fiscal year.

Indicators that have started to sound a warning alarm include the widening fiscal deficit and current account deficit (CA). On the back of rising overall imports bill, the CA deficit for 2MFY18 has doubled from USD 1.3bn in SPLY to USD 2.6bn. As a result of the financing gap, the foreign exchange reserves of the country fell by USD 1.3 billion during the 1QFY18.

Fiscal account which was one source of comfort turned out to be a red herring. Fiscal deficit for FY17 was recorded at ~ PKR 1.8 tn and provinces recorded an unexpected deficit on account of election preparation spending. Keeping this in view we remain skeptical on the government's ability to meet the target of 4.1% of GDP.

PIB yields during the quarter inched up by ~45 bps for 3 year, and 56 bps for 5 year bonds. Political uncertainty along with deterioration in the external account kept the market participants at bay from long tenor bonds. Furthermore, the bearish sentiment was also backed by SBP in its MPS, which highlighted its concerns on external account as trade deficit widened.

EQUITIES MARKET OVERVIEW

Equity market remained in the red zone throughout the quarter with political uncertainty taking the centre stage. After Prime Minister's disqualification and continuous worsening of external account caused the benchmark index to lose ~11.5% in 2MFY18, foreign buying drove gains in Sep'17 where KSE-100 gained 2.9% in Sep'17 to close at 42,409 pts. However, the first quarter of the new fiscal year closed itself down 8.9%, the worst quarterly return since FY09.

During the quarter, foreigners remained net sellers of USD 90 million; the buying was majorly absorbed by Banks (USD \$33.5 mn) & Insurance Companies (USD \$49.3 mn). Sep'17 saw the first net foreign inflow (US\$28 mn) since the start of fiscal year, primarily on account of inclusion of five Pakistani stocks (MCB, BAFL, SNGP, THAL and MTL) in the FTSE Global Indices. Average volumes during the quarter dwindled to 178 Mn shares compared to 280 Mn shares in the preceding quarter while average value traded declined to PKR 9.3 Bn from PKR 15.0 Bn from last quarter.

Amongst major sectors that pulled the index down were cements (down 28% QoQ) continuing the lackluster performance on concerns over future pricing discipline on upcoming capacity expansions of ~5 Mn tons in the next 6-7 months in the Southern region. In the banking space, sentiments turned out to be sour when HBL received a notice from New York (NY) State Department of Financial Services (DFS) seeking to impose a hefty penalty of USD 629.6 mn on the bank which was later reduced to US\$225 Mn. Fertilizer sector (down 3% QoQ) recouped some of the losses in third month of the quarter on the back of surge in international urea prices by ~22% in September 2017. Autos also continued to witness correction (-19% QTD) along with dampened sentiments due to anticipated pressure on USD-PKR parity as external account continued to deteriorate. E&Ps was the only major sector that witnessed gains (up by 8% QoQ) due to increase in oil prices by ~22% QoQ peaking at US\$ 56.6/bbl.

FUND PERFORMANCE

The fund posted a negative return of 2.35% during the period compared to the benchmark return of 2.08%. The fund enhanced its exposure towards equities from 24% to 35.4% after the equity market rallied. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks.

On the fixed income side, the exposure towards T-bills was decreased to 0% and the Exposure in Term deposits with banks was decreased to 4.6%.

The Net Assets of the Fund as at September 30, 2017 stood at Rs. 3,192 million as compared to Rs.3,439 million as at June 30, 2017 registering a decrease of 7.18%.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs. 79.1231 as compared to opening NAV of Rs. 81.0263 per unit as at June 30, 2017 registering a decrease of Rs.1.9032 per unit.

FUTURE OUTLOOK

While the government has been able to stabilize the economy, its ambitious plan to revive the growth can come in doldrums if it is not able to contain the twin deficits. We project a current account deficit of USD 17 billion for the FY18, and as such the ability of government to manage inflows will be highly tested. Nevertheless, our in-house projections estimate a financing gap of USD 6 billion which will gobble up the existing foreign exchange reserves. On the whole, cracks have started appearing in the economic façade which warrant immediate policy measure by the government of Pakistan if the economic progress is expected to be kept on track.

Going forward, we expect market to remain volatile in the short run, as political uncertainty along with twin deficits continue to haunt the basic macroeconomic fundamentals. We believe certain policy adjustments are necessary to maintain the direction of economic growth. Nevertheless, market valuations remain at a very attractive level, and they will sooner or later come into play. The risk premiums (difference between earnings yield and 10-year interest rates) are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 7.9x, at a steep discount of 35% from its emerging market peer group. Enduring themes that should play out over the medium-term regardless of the political situation include (i) PKR depreciation and higher interest rates (ii) CPEC and continued GoP support for the textiles sector that would encourage exports. We advice local investors to carefully watch the economic trends and build exposure on any weakness.

On the fixed income front, market is expected to remain cautious on back of a precarious external account position along with an uptick in inflation trajectory. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

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.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
October 20, 2017



Samad A. Habib
Director

ڈائریکٹرز رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی پاکستان Asset ایلوکیشن فنڈ (سابق: ایم سی بی ڈائنامک ایلوکیشن فنڈ) کے 30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

مالی سال 2018ء کی پہلی سہ ماہی میں معاشی اشاریوں میں ملا جلارہ جان پایا گیا اور اکانامک سکور کارڈ میں صورتحال مختلف معاشی علامات کی بنیاد پر پلٹی چلی رہی۔ LSM نے توقعات سے زیادہ یعنی YoY 13% کے ساتھ فروغ پایا جس میں بنیادی کردار اسٹیل، آٹو اور غذائی ایشیا و مشروبات کی کارکردگی نے ادا کیا۔ علاوہ ازیں زرعی سیکٹر کی ترقی کے مطابق (جو کہ کپاس، چینی اور گیہوں کی فصلوں کے آنے والے اعداد و شمار سے ظاہر ہے) ہم پورے 2018ء کیلئے اپنا ہدف GDP 6% گروتھ حاصل کرنے کی راہ پر گامزن ہیں۔ پہلی سہ ماہی میں CPI اوسطاً YoY 3.4% پر رہا جسے تیل کی قیمت میں کمی اور غذائی ایشیا کی مستحکم قیمتوں سے سہارا ملا۔ ہمیں امید ہے کہ آگے افراتر ز مقررہ حد میں رہے گا جس کا اوسط مالی سال 2018ء میں 4.5% سے کم رہنے کا امکان ہے کیونکہ کموڈٹی کی مستحکم قیمتوں کیساتھ روپے کی مضبوط قدر افراتر ز کو قابو میں رکھے گی۔ لہذا ان سب انڈیکٹرز کے نتیجے میں مالیاتی پالیسی کمیٹی نے رواں مالی سال کیلئے ہونے والی اپنی پہلی میٹنگ میں شرح سود کو برقرار رکھا۔

انڈیکٹرز جنہوں نے انتہائی گھٹی بجانی شروع کردی ان میں شامل ہیں وسیع ہوتے ہوئے فیکل اور کرنٹ خسارہ جات شامل ہیں (CA)۔ بنیادی طور پر بڑھتے ہوئے امپورٹ بل کی وجہ سے اس سال کے پہلے دو ماہ میں ہی ڈیفیسٹ 1.3 بلین ڈالر سے دوگنا ہو کر 2.6 بلین ڈالر ہو گیا۔ اس مالیاتی خلا کے نتیجے میں 1QFY18 کے دوران ملک کے غیر ملکی زرمبادلہ کے ذخائر میں 1.3 بلین ڈالر کمی ہوئی۔

فیکل اکاؤنٹ جو کہ پرسکون طور پر چل رہا تھا خطرے میں نظر آیا۔ FY17 میں فیکل ڈیفیسٹ 1.8 ٹریلین روپے پر ریکارڈ کیا گیا اور صوبائی سطح پر آنے والے الیکشن کی وجہ سے غیر متوقع خسارہ ریکارڈ کیا گیا۔ اس صورتحال کو سامنے رکھتے ہوئے ہم حکومت کا 4.1% معاشی ترقی کا ہدف پورا کرنے کی صلاحیت پر غیر یقینی کا شکار ہیں۔

PIB کا منافع اس سہ ماہی کی دوران نہایت ہی سست رفتاری سے تین سالہ بانڈز کیلئے 45 bps اور پانچ سالہ بانڈز کیلئے 56bps بڑھا۔ سیاسی عدم استحکام اور بیرونی اکاؤنٹ کی نازک صورتحال نے مارکیٹ کے شراکت داروں کو طویل المیعاد بانڈز سے دور رکھا۔ مزید برآں SBP کے MPS میں روپے نے Bearish Sentiment کو سہارا دیا جس نے اپنے تحفظات کا اظہار بیرونی اکاؤنٹ پر کیا کیونکہ مالیاتی خسارہ وسعت اختیار کر گیا تھا۔

ڈائریکٹرز رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

ایکویٹیز مارکیٹ کا مجموعی جائزہ

حالات حاضرہ کے منظر عام پر سیاسی عدم استحکام کی موجودگی نے ایکویٹی مارکیٹ کو غیر محفوظ رکھا۔ وزیراعظم کی نااہلی کے بعد اور بیرونی اکاؤنٹس کی مستقل گرتی ہوئی صورتحال کی وجہ سے 2MFY18 میں بیچ مارک اینڈیکس %11.5 کم ہوا۔ 17 Sep، میں بیرونی خریداری بڑھی اور KSE-100 %2.9 اضافے کے ساتھ ستمبر 2017 میں 42,909 پوائنٹس پر بند ہوا۔ اس سب کے ساتھ نئے مالیاتی سال کی پہلی سہ ماہی %8.9 پر بند ہوئی، جو کہ FY09 کے بعد اب تک کی کسی سہ ماہی کی پست ترین کارکردگی تھی۔ سہ ماہی کے دوران غیر ملکی ہی 90 ملین ڈالر کے کلی خریدار رہے۔ زیادہ تر خریداری بینکوں نے جذب کی (33.5 ملین ڈالر) اور انشورنس کمپنیوں نے جذب کی (49.3 ملین ڈالر)۔

مالی سال کی ابتداء سے 17 ستمبر میں پہلی مرتبہ 28 ملین کا حجم دیکھا گیا، بنیادی طور پر FTSE Global Indices میں پاکستانی اسٹاک (MTL، THAL، SNGP، BAFL، MCB) کی شمولیت کی وجہ سے ممکن ہوا۔ سہ ماہی کے دوران اوسط حجم 178 ملین شیئرز تک گرا بمقابلہ گزشتہ سہ ماہی جس میں حجم 280 ملین شیئرز تھا۔ اوسطاً تجارتی حجم گزشتہ سہ ماہی کے مقابلے میں 15.0 بلین سے 9.3 بلین تک زوال پذیر ہوا۔

بنیادی طور پر جو سیکیورٹیز انڈیکس کو زوال پزیر کرنے کا سبب بنے ان میں سیمنٹ (down 28% Qod) کی کارکردگی مسلسل پست رہی بوجہ تحفظات مستقل کی قیمتوں کے تعین اور آنے والے توسیعی پروگرام جن میں اگلی اگلے 6-7 ماہ میں جنوبی خطے کی پیداوار کو پانچ ملین ٹن تک وسیع کرنے کا انتظام کرنا شامل رہا۔ بینکنگ کے شعبے میں رجحانات اس وقت ناخوش گوار ہو گئے جب H B L کو N.Y (Newyork) کے شعبے مالیاتی خدمات (DFS) کی طرف سے نوٹس موصول ہوا جس میں 629.6 ملین ڈالر کا جرمانہ بینک پر عائد کیا گیا تھا جو بعد میں کم کر کے 225 ملین ڈالر کر دیا گیا۔

فریٹلائزر سیکٹر (down 3% Qod) نے سہ ماہی کے تیسرے مہینے میں اپنے کچھ نقصانات کا ازالہ کیا جب عالمی منڈی میں 17 Sept، میں یورپا کی قیمتوں میں %22 کا اضافہ ہوا۔ آٹوز کی کارکردگی بھی کمزور رہی (down 19% Qtb) کے ساتھ رجحانات مزید پست ہو گئے کیوں کہ بیرونی اکاؤنٹس کے حجم گرنے کی وجہ سے روپے اور ڈالر کی قدر کو برابر رکھنے کیلئے دباؤ کی امید کی جا رہی تھی۔ E&P واحد ایسا سیکٹر تھا جس میں منافع (up by 8% Qod) دیکھنے کو ملا بوجہ تیل کی قیمتوں میں %22 اضافہ جس سے تیل \$56.6/bbl پر پہنچ گیا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے %2.35 منفی ریٹرن حاصل کیا بمقابلہ مقررہ معیار ریٹرن %2.08 کے۔ ایکویٹی مارکیٹ کے کججا ہونے کے بعد فنڈ نے ایکویٹیز میں اپنا حصہ %24 سے بڑھا کر %35.4 کر دیا۔ فنڈ نے اپنی تمام تر توجہ ڈیفینسو ہائی یلڈنگ اور گروتھ اسٹاک پر مرکوز رکھی۔ فلکسڈ انکم کی جانب فنڈ کا ٹی بلز میں حصہ %0 تک کم ہوا اور بینک ٹرم ڈپازٹس میں حصہ %4.6 تک کم ہوا۔

ڈائریکٹرز رپورٹ

برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

30 ستمبر 2017ء کو فنڈ کے net اثاثہ جات کی مالیت 3,192 ملین روپے تھی، جو 30 جون 2017ء پر 3,439 ملین روپے مالیت کے مقابلے میں %7.18 کم ہے۔ 30 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 79.1231 روپے تھی، جو 30 جون 2017ء پر 81.0263 روپے فی یونٹ قدر کے مقابلے میں 1.9032 روپے فی یونٹ کم ہے۔

مستقبل کا منظر

گوکہ حکومت اب تک معیشت کو مستحکم رکھنے میں خاصی کامیاب رہی ہے۔ تاہم خدشات ہیں کہ جڑواں خساروں کو سنبھالنا ایک چیلنج ثابت ہو سکتا ہے۔ ہمارے اندازوں کے مطابق کرنٹ اکاؤنٹ خسارہ FY18 میں 17 بلین ڈالر کے قریب ہوگا، جو جمع شدہ زرمبادلہ کو تیزی کے ساتھ کم کرنے کی صلاحیت رکھتا ہے۔ اگر سارے حالات کو دیکھا جائے تو معاشی افق پر واضح اور تسلسل کے ساتھ پالیسیوں پر کام کرنے کی فوری ضرورت ہے تاکہ ہم اپنی معاشی ترقی کی راہ پر گامزن رہ سکیں۔

مزید براں، رجحان کے مطابق ابھی کچھ عرصے تک مارکیٹ غیر مستحکم رہ سکتی ہے کیونکہ سیاسی عدم استحکام بشمول جڑواں خساروں کے بنیادی مالیاتی بنیادوں پر اثر انداز ہوتا رہے گا۔ ہمارا یقین ہے کہ معاشی ترقی کی سمت کو برقرار رکھنے کیلئے کچھ پالیسی ترامیم ضروری ہیں۔ اس کے باوجود اسٹاک مارکیٹ کے اعداد و شمار پر کشش سطح پر ہیں اور جلد یا بدیر شیراز کی قیمتوں میں بہتری آسکتی ہے۔ خدشات کے پریکٹس (دس سالہ شرح منافع اور رینگ بیڈ کی تفریق) Equity Risk Premium تاریخ کی اونچی سطح کے قریب ہونے کے باعث مارکیٹ کو بہت سستار بننے کا اشارہ دے رہے ہیں۔ اس کے ساتھ ساتھ کے ایس ای 100، 7.9x کے PE Ratio پر اپنے ایمرجنگ مارکیٹ پیئرز گروپ سے پینتیس فیصد سے زائد ڈسکاؤنٹ پر تجارت کر رہا ہے۔ سیاسی صورتحال سے قطع نظر ان پائیدار عوامل کو میڈیم ٹرم سے وسیع ہو کر دیکھنا چاہیے (i) پاکستانی روپے کی قیمت میں کمی اور سود کی اعلیٰ شرح (ii) سی پیک، اور ٹیکسٹائل کے شعبے کے لیے حکومت پاکستان کا تعاون جو کہ برآمدات کی حوصلہ افزائی کرے گا۔ ہم مقامی سرمایہ کاروں کو معاشی رجحانات پر خصوصی توجہ دیتے ہوئے کسی بھی گراؤٹ کو شینر جمع کرنے کا موقع سمجھ کر سرمایہ کاری کرنے کا مشورہ دے رہے ہیں۔

فلسفہ انکم مارکیٹ میں غیر معمولی بیرونی اکاؤنٹس کی محتاط پوزیشن پر رہنے کی امید ہے۔ معاشی محاذ پر صورتحال، خاص طور پر ادائیگیوں کا توازن، فلسفہ انکم مارکیٹوں کی سمت تعین کرنے میں اہم کردار ادا کرے گا۔

ڈائریکٹرز رپورٹ
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے اور من جانب بورڈ

محمد ثاقب سلیم

محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

20 اکتوبر 2017ء

صہب

صہب

ڈائریکٹر

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2017**

	Note	30 September 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited)
Assets			
Balances with banks	5	1,803,782	1,232,442
Investments	6	1,421,933	2,062,777
Dividend, profit and other receivables		17,178	15,436
Receivable against sale of investment		3,308	202,521
Advances, deposits and prepayments		4,476	23,133
Receivable from National Clearing Company of Pakistan Limited		3,315	4,491
Total assets		3,253,992	3,540,800
Liabilities			
Payable to the Management Company		12,790	8,924
Payable to Central Depository of Pakistan Limited - Trustee		392	383
Payable to Securities and Exchange Commission of Pakistan		809	2,284
Payable against purchase of investment		-	41
Payable against redemption of units		41	18,250
Accrued expenses and other liabilities	7	48,348	72,118
Total liabilities		62,380	102,000
Net assets		3,191,612	3,438,800
Unit holders' fund (as per statement attached)		3,191,612	3,438,800
Contingencies and commitments	8		
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		40,337,300	42,440,527
		(Rupees)	
Net asset value per unit		79.1231	81.0263

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

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Note	30 September 2017	30 September 2016
------(Rupees in '000)-----			
Income			
Capital gain / (loss) on sale of investments		(4,783)	126,124
Dividend income		12,767	17,231
Profit on bank deposits and term deposit deposit		19,611	5,822
Income from government securities		14,072	9,323
Income from term finance certificates		2,194	2,284
Income from spread transactions		-	1,093
Other Income		4	4
		43,865	161,881
Net unrealised diminution in the fair value of future contracts		-	616
Element of (loss) / income and capital gains / (losses) included in the prices of units issued less those in units redeemed		-	(2,647)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'		(89,967)	2,657
Total income		(46,102)	162,507
Expenses			
Remuneration of the Management Company		17,025	12,886
Sindh Sales tax and Federal Excise Duty on Management Fee		2,213	1,675
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,103	896
Sindh Sales tax on remuneration of Trustee		143	117
Annual fee to Securities and Exchange Commission of Pakistan		809	612
Auditor's remuneration		340	178
Allocated expenses		962	644
Marketing & Selling Exp	9	3,405	-
Brokerage and settlement charges		5,297	4,038
Other expenses		170	250
Total operating expenses		31,467	21,296
Net income for the period before taxation		(77,569)	141,211
Taxation	11	-	-
Net income for the period after taxation		(77,569)	141,211
Allocation of Net Income for the period:		September 30, 2017	
Income / (loss) already paid / (shared) on units redeemed		(484)	
Accounting income available for distribution			
-Relating to capital (loss)		(95,342)	
-Excluding capital gains		17,289	
Accounting Income available for Distribution			(78,053)

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

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



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Note	30 September 2017	30 September 2016
------(Rupees in '000)-----			
Net income for the period after taxation		(77,569)	141,211
Other comprehensive income:			
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'		(912)	(1,604)
Total comprehensive (loss) / income for the period		(78,481)	139,607

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

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	30 September 2017	30 September 2016
	----- (Rupees in '000) -----	-----
Net assets at beginning of the period	3,438,800	2,718,292
Issue of 5,466,140 (2016: 2,560,482) units	438,587	207,250
Redemption of 7,569,367 (2016:9,436,765) units	(607,294)	(774,570)
	(168,707)	(567,320)
Accounting income for the period	(78,053)	143,858
Income already paid on units redeemed	484	
Net unrealised (diminution) on re-measurement on investments classified as available for sale	(912)	(1,604)
Net assets as at the end of the period	3,191,612	2,293,226
Net Assets value per unit as at beginning of the period	81.0263	79.0558
Net Assets value per unit as at end of the period	79.1231	83.3652
Distribution during for the period:		
Undistributed (loss) brought forward comprises of:		
- Realised (loss)	(705,678)	(597,931)
- Unrealised (loss)	(104,840)	(172,208)
	(810,518)	(770,139)
Accounting income available for distribution:		
-Relating to capital gains	(95,342)	
-Excluding capital gains	17,289	
	(78,053)	141,211
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	-	122,956
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'	(912)	-
Distributions during the period	-	
Undistributed (loss) / income carried forward	(889,483)	(505,972)
Undistributed income carried forward comprises of:		
- Realised (loss)	(799,516)	(509,248)
- Unrealised (loss)	(89,967)	3,276
	(889,483)	(505,972)

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

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

Note	30 September 2017	30 September 2016
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	(77,569)	141,211
Adjustments for non-cash charges and other items:		
Net unrealised appreciation on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	89,967	(2,657)
Element of income and capital gains included in the prices of units issued less those in units redeemed	-	2,647
Net cash generated from operations before working capital changes	<u>12,398</u>	<u>141,201</u>
Decrease / (increase) in assets		
Investments - net	549,965	191,186
Receivable against sale of investment	199,213	(436,235)
Fair value of derivative asset	-	3,850
Profit and other receivable	(1,742)	(12,732)
Advances and deposits	15	11
Receivable from National Clearing Company of Pakistan Limited	19,818	(14,855)
(Decrease) / increase in liabilities	<u>767,269</u>	<u>(268,775)</u>
Payable to the Management Company	3,866	176
Payable to Central Depository Company of Pakistan Limited - Trustee	9	(45)
Payable to Securities and Exchange Commission of Pakistan	(1,475)	(2,371)
Payable against purchase of investment	(41)	345,276
Payable against redemption of units	(18,209)	(99,462)
Accrued expenses and other liabilities	(23,770)	1,516
	<u>(39,620)</u>	<u>245,090</u>
Net cash generated / (used) from operating activities	<u>740,047</u>	<u>117,516</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	438,587	207,250
Payments against redemption of units	(607,294)	(774,570)
Net cash generated from financing activities	<u>(168,707)</u>	<u>(567,320)</u>
Net increase in cash and cash equivalents	<u>571,340</u>	<u>(449,804)</u>
Cash and cash equivalents at beginning of the period	<u>1,232,442</u>	<u>635,630</u>
Cash and cash equivalents at end of the period	<u>1,803,782</u>	<u>185,826</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB Pakistan Asset Allocation Fund (the Fund) was established under a Trust Deed dated November 22, 2007 executed between MCB Asset Management Company Limited (which merged with and into Arif Habib Investments Limited with effect from June 27, 2011) as the Management Company and the Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007.
- 1.2** Pursuant to the merger of MCB-Asset Management Company Limited and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.
- 1.3** The Management Company of the Fund has been licensed to act as an asset management company under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off. Shaheed-e Millat Expressway, near KPT interchange, Karachi, Pakistan.
- 1.4** The Fund is an open-end collective investment scheme categorised as an "asset allocation" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The units of the Fund were initially offered for public subscription at a par value of Rs 100 per unit. Thereafter, the units are being offered for public subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2++' (stable outlook) to the Management Company and has assigned a short-term ranking of "3-Star" & long-term of "4-Star" to the Fund.

- 1.5** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2. BASIS OF PREPARATION

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 Act 2017, 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, Companies Act 2017 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, Companies Act 2017 or the directives issued by the SECP prevail.

The Companies Act, 2017 was enacted on 30th May 2017 and is applicable with immediate effect. However, owing to the practical difficulty being faced by the companies in the preparation of the Financial Statements Circular No. 17/ 2017 dated October 06, 2017 issued by Institute of Chartered Accountants of Pakistan to be read with circular no. 23 of 2017 dated October 04, 2017 issued by Securities and Exchange Commission of Pakistan (SECP) have notified that the companies whose interim period ends on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

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, 2017.

The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2017 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2017, where as the comparative in condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2016.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 3.1** The accounting policies adopted and the methods of computation of balances in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for change in accounting policy as stated in note 3.2

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

3.2 The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008). The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (Amount distributable to unit holders) of the NBFC Regulations, 2008. As per the notification, Element of Income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed to the extent it was represented by distributable income earned during the year was recognised in the income statement and the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed represented by distributable income carried forward from prior period was included in the distribution statement.

As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, a change in accounting policy requires retrospective application as if that policy had always been applied. However, the management has applied the above changes in accounting policy prospectively from July 01, 2017 as per clarification issued by the Mutual Funds Association of Pakistan and, accordingly, corresponding figures have not been restated.

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 2017.

	Note	30 September 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited)
5. BALANCE WITH BANKS			
Current accounts		1,535	3,774
Saving accounts	5.1	1,802,247	1,228,668
		1,803,782	1,232,442
5.1 These carry mark-up at rates ranging from 3.75% to 7% per annum (30 June 2017: 3.75% to 6.35% per annum).			
6. INVESTMENTS		30 September 2017 (Unaudited) (Rupees in '000)	30 June 2017 (Audited)
6.1 Held for trading			
Listed equity securities	6.1.1	1,116,141	796,714
Listed debt securities	6.1.2	117,199	135,531
Government Securities	6.1.3	457	624,490
		1,233,797	1,556,735
6.2 Available for sale investments			
Listed equity securities	6.2.1	35,010	52,878
Government Securities	6.2.2	3,126	3,164
		38,136	56,042
6.3 Loans and receivables			
Term deposit receipts (TDR)	6.3.1	150,000	450,000
		1,421,933	2,062,777

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

6.1.1 Listed equity securities 'Held for trading'

Name of investee company	As at 1 July 2017	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 30 September 2017	Carrying Cost as at 30 September 2017	Market value as at 30 September 2017	(Diminution) / Appreciation as at 30 September 2017	Market value as percentage of net assets	Market value as percentage of total investment
Automobile Assembler										
Honda Atlas Cars(Pakistan) Limited	-	50,000	-	-	50,000	33,000	26,975	(6,026)	0.85	0.04
Indus Motors Company Limited	1,480	-	-	1,480	-	-	-	-	-	-
Pak Suzuki Motor Co	-	5,250	-	-	5,250	3,672	2,403	(1,269)	0.08	0.01
						36,672	29,378	(7,295)	0.93	0.05
Cable & Electrical Goods										
Pak Elektron	500,000	1,290,000	-	950,000	840,000	79,291	63,798	(15,493)	2.00	0.17
						79,291	63,798	(15,493)	2.00	0.17
Cement										
Cherat Cement	-	194,700	-	194,700	-	-	-	-	-	-
D.G. Khan Cement	375,396	200,000	-	375,000	200,396	30,769	29,430	(1,339)	0.92	0.05
Lucky Cement	112,600	35,000	-	45,850	101,750	83,429	57,507	(25,922)	1.80	0.03
Pioneer Cement Ltd	-	300,000	-	300,000	-	-	-	-	-	-
						114,198	86,937	(27,261)	2.72	0.08
Chemicals										
Engro Polymer & Chemical	500,000	3,696,500	-	4,196,500	-	-	-	-	-	-
Commercial Banks										
Bank Al Falah Limited	1,002,000	1,464,500	-	-	2,466,500	99,157	104,629	5,472	3.28	0.15
Bank Al Habib Limited	-	182,000	-	-	182,000	9,555	10,483	928	0.33	0.02
Faysal Bank Limited	-	1,406,500	-	300,000	1,106,500	23,975	24,786	811	0.78	0.08
Habib Bank Limited	199,500	161,900	-	361,400	-	-	-	-	-	-
Mcb Bank Limited*	-	546,000	-	464,300	81,700	17,225	17,075	(149)	0.54	0.01
United Bank Limited	155,100	445,400	-	100,000	500,500	105,351	95,180	(10,171)	2.98	0.04
						255,263	252,153	(3,109)	7.91	0.30
Engineering										
Aisha Steel Ltd	1,000,000	-	-	1,000,000	-	-	-	-	-	-
Crescent Steel & Allied Prod	-	211,200	-	151,400	59,800	10,095	9,460	(635)	0.30	0.08
International Industries	145,900	240,200	-	197,800	188,300	63,840	54,645	(9,196)	1.71	0.16
International Steels Ltd	-	180,000	-	-	180,000	22,515	21,803	(712)	0.68	0.04
Mughal Iron & Steel*	71,000	310,000	-	120,000	261,000	18,555	14,934	(3,621)	0.47	0.10
						115,005	100,842	(14,164)	3.16	0.38
Fertilizer										
Engro Corporation Limited	225,100	126,400	-	105,900	245,600	79,666	74,439	(5,227)	2.33	0.05
Fauji Fertilizer Company Ltd	-	675,000	-	675,000	-	-	-	-	-	-
						79,666	74,439	(5,227)	2.33	0.05
Insurance										
Pakistan Reinsurance Co. Ltd	488,000	-	-	-	488,000	23,819	22,204	(1,615)	0.70	0.16
						23,819	22,204	(1,615)	0.70	0.16

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

6.1.2 Listed Debt Securities - Term Finance Certificates

Name of investee company	Issue Date	As at 1 July 2017	Purchased during the period	Sold / matured during the period	As at 30 September 2017	Carrying Cost as at 30 September 2017	Market value as at 30 September 2017	(Diminution) / Appreciation as at 30 September 2017	Market value	
									as a percentage of net assets	as a percentage of total investments
Certificates having a face value of Rs. 5,000 each unless stated otherwise										
Bank Alfalah Limited-V	20-Feb-13	2,000	-	-	2,000	10,267	10,223	(44)	-	0.01
Habib Bank Limited - I	19-Feb-16	1,250	-	1,250	-	-	-	-	-	-
Bank Al-Habib Limited-II	17-Mar-16	-	21,228	-	21,228	106,978	106,976	(2)	0.03	0.08
Total - 30 September 2017						117,245	117,199	(46)	0.03	0.09
Total - 30 June 2017						135,168	135,531	363	0.04	0.07

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

Name of Security	Mark-up rate (per annum)	Issue date	Maturity date
Bank Al-Habib Limited-II	6 months KIBOR +0.75%	17-Mar-16	17-Mar-26
Habib Bank Limited-I	6 months KIBOR +0.5%	19-Feb-16	19-Feb-26

6.1.3 Government Securities

Name of investee company	As at 1 July 2017	Purchased during the period	Matured During the period	Sales during the period	As at 30 September 2017	Carrying Cost as at 30 September 2017	Market value as at 30 September 2017	(Diminution) / Appreciation as at 30 September 2017	Market value as percentage of	
									net assets	total investments
Treasury Bills										
Treasury Bills - 3 Months	625,000	3,310,000	3,935,000	-	-	-	-	-	-	-
Treasury Bills - 6 Months	-	138,400	138,400	-	-	-	-	-	-	-
Treasury Bills - 1 year	-	37,465	37,000	465	457	457	457	-	-	-
Total - 30 September 2017						457	457	-	-	-
Total - 30 June 2017						624,495	624,490	5	18.16%	30.00%

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
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6.2 Available for sale investments
6.2.1 Listed equity securities

Name of investee company	As at 1 July 2017	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 30 September 2017	Carrying Cost as at 30 September 2017	Market value as at 30 September 2017	(Diminution) / Appreciation as at 30 September 2017	Market value as percentage of net assets	Market value as percentage of total investments
..... (Rupees in '000)										
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.										
Automobile Assembler										
Indus Motors Company Limited	1,500	-	-	1,500	-	-	-	-	-	-
Food & Personal Care Products										
Shezan International	4,650	-	-	-	4,650	5,882	2,183	(3,699)	0.10	0.10
						5,882	2,183	(3,699)	0.10	0.10
Pharmaceutical S										
Searle Company	1,516	-	-	-	1,516	456	612	157	-	-
						456	612	157	-	-
Power Generation & Distribution										
Kot Addu Power Co. Ltd	308,000	-	-	165,500	142,500	12,538	10,836	(1,703)	0.30	-
						12,538	10,836	(1,703)	0.30	-
Textile Composite										
Kohinoor Textile Mills Ltd	238,000	-	-	-	238,000	19,134	21,058	1,924	0.70	0.10
Kohinoor Textile Mills Ltd(R)	-	-	14,280	-	14,280	-	321	321	-	-
						19,134	21,379	2,245	0.70	0.10
Total - 30 September 2017						38,010	35,010	(3,000)	1.10	0.20
Total - 30 June 2017						46,263	52,878	6,615	1.54%	2.57%

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6.2.2 Government Securities

Particulars	As at 1 July 2017	Purchased during the period	Sold during the period	Matured during the period	As at 30 September 2017	Carrying value as at 30 September 2017	Market Value as at 30 September 2017	(diminution) / Appreciation as at 30 September 2017	Market value	
									as a percentage of net assets	as a percentage of total investments

Pakistan Investment Bond

PIB - 5 years	3,000	200,000	200,000	-	3,000	3,220	3,126	(94)	0.10%	0.22%
Total - 30 September 2017						3,220	3,126	(94)	0.10%	0.22%
Total - 30 June 2017						3,169	3,164	(5)	0.09%	0.15%

6.3 Term deposit receipt - Loans and receivables

Particulars	Profit / mark-up rates	Issue date	Maturity date	At September 30, 2017	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
Zarai Taraqiat Bank Limited	6.50%	14-Sep-17	13-Mar-18	150,000	4.70%	10.55%
As at September 30, 2017				150,000	4.70%	10.55%
As at June 30, 2017				450,000	13.09%	21.82%

This carries profit at the rate of 6.5% (2017: 6.18% to 6.5%) per annum

6.3.1

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
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	Note	30 September 2017 (Unaudited)	30 June 2017 (Audited)
7. ACCRUED EXPENSES AND OTHER LIABILITIES			
(Rupees in '000)			
Provision for Federal Excise Duty and related taxes on management fee	7.1	19,027	19,027
Provision for Federal Excise Duty on sales load	7.1	16,173	16,173
Provision for Workers' Welfare Fund	7.2	9,073	9,073
Withholding tax payable (deducted on capital gains)		10	246
Auditors' remuneration payable		209	473
Brokerage payable		2,757	5,523
Sindh sales tax payable on allocated expenses		684	574
Sale load payable to MCB		46	-
Advance against issuance of units		-	20,000
Others		369	1,029
		48,348	72,118

- 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 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 Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the period ended, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgment of the SHC. The matter is still pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED amounting to Rs 35.2 million (June 30, 2016: Rs 35.2 million) made for the period from June 13, 2013 till June 30, 2016 is being retained in the condensed interim financial information of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at March 31, 2017 would have been higher by Rs. 0.8726 per unit (June 30, 2017: Rs 0.8294).

- 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

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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 the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange Limited on January 12, 2017. The SECP vide its letter dated February 1, 2017 had advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, necessary adjustments in this respect were recorded in the books of the Funds on January 12, 2017.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Re 0.0.2249 per unit.

8. CONTINGENCIES AND COMMITMENTS

8.1 CONTINGENCIES

There were no contingencies and commitments as at 30 September 2017.

9. SELLING AND MARKETING EXP

The Securities and Exchange Commission of Pakistan "the Commission", in exercise of its power through Circular No. 40 of 2016 amended through Circular No. 05 of 2017 prescribed the conditions for asset management companies for permissibility of charging selling and marketing expenses to open end equity, asset allocation and index funds subject to a maximum of 0.4% per annum of net assets of the fund or actual, whichever is lower, from January 1, 2017 to December 31, 2019, an initially allowed period of three years. Management after approval of their Board of Directors and fulfillment of the criteria prescribed by the Commission has accordingly made an accrual of Rs. 0.185 million since March 24, 2017 at the maximum rate of 0.4% per annum of net assets of the fund being less than the actual expenses allocable to the Fund.

10. TOTAL EXPENSE RATIO

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

11. TAXATION

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

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

12. EARNINGS PER UNIT

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

13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include MCB-Arif Habib Savings and Investments Limited (being the Management Company) and its related entities, the Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors, key management personnel and officers of the Management Company.

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

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

13.1 Unit Holders' Fund

	For the quarter ended September 30, 2017										
	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017	
			Units							Rupees in '000	
Associated Companies											
Adamjee Life Assurance Co. Ltd. Conventional Business	210,744	-	-	-	210,744	17,076	-	-	-	16,675	
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	35,028	-	-	-	35,028	2,838	-	-	-	2,772	
Adamjee Life Assurance Co. Ltd.	352,830	-	-	-	352,830	28,589	-	-	-	27,917	
SECURITY GENERAL INSURANCE COMPANY LTD	3,745,546	-	-	-	3,745,546	303,488	-	-	-	296,359	
Adamjee Life Assurance Co. Ltd. Employees Provident Fund	28,189	-	-	-	28,189	2,284	-	-	-	2,230	
	69,466	1,687,716	-	1,660,458	96,724	5,629	135,366	-	133,990	7,653	
Mandate Under Discretionary Portfolio Services											
Key management personnel	60,847	-	-	1,586	59,261	4,830	-	-	125	4,689	

Key management personnel

	For the quarter ended September 30, 2016										
	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016	
			Units							Rupees in '000	
Associated Companies											
Adamjee Life Assurance Co. Ltd. Conventional Business	200,410	-	-	-	200,410	15,843	-	-	-	16,707	
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	32,774	-	-	-	32,774	2,591	-	-	-	2,732	
Adamjee Life Assurance Co. Ltd.	335,529	-	-	-	335,529	26,525	-	-	-	27,971	
MCB Arit Habib Savings and Investments	974,696	-	-	-	974,696	77,053	-	-	-	81,256	

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FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

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

	Quarter ended 30 September	
	2017	2017
	------(Rupees in '000)-----	
MCB-Arif Habib Savings and Investments Limited		
Remuneration of the Management Company (including indirect taxes)	19,238	14,561
Allocated expenses (including indirect taxes)	962	644
Selling and Marketing	3,405	-
Back End Load	2,255	-
Central Depository Company of Pakistan Limited		
Remuneration of trustees (including indirect taxes)	1,246	1,013
CDC settlement charges	201	399
MCB Bank Limited		
Dividend income	1,336	-
Profit on bank deposits	45	195
Bank charges	12	4
Lalpir Power Limited		
Dividend income	-	597
Pakgen Power Limited		
Dividend income	-	1,326
Arif Habib Limited		
Dividend income	2,300	-
Arif Habib Limited		
Brokerage expense	485	224
Silk Bank Limited		
Purchase of securities		
Face Value 2017: 485,865,000 (2016: 50,000,000)	497,121	53,991
Sell of securities		
Face Value 2017: 400,000,000 (2016: Nil)	403,990	-
Next Capital Limited		
Brokerage expense	110	41

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
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13.3 Balance outstanding as at the period / year end	30 September 2017 (Unaudited) ------(Rupees in '000)-----	30 June 2017 (Audited)
MCB-Arif Habib Savings and Investments Limited		
Remuneration payable to the Management Company	5,290	5,141
Sales tax payable on remuneration of Management	688	668
Sales load payable	59	58
Payable against allocated expenses	548	257
Marketing & selling expenses	6,205	2,800
Central Depository Company of Pakistan Limited		
Remuneration payable to the Trustee	347	339
Sales tax payable on trustee fees	45	44
Security deposits	100	100
	30 September 2017 (Unaudited) ------(Rupees in '000)-----	30 June 2017 (Audited)
MCB Bank Limited		
Bank deposits	2,374	10,007
Profit receivable	2	23
Sale Load Payable	46	35
D.G. Khan Cement Company Limited		
200,396 shares held by the Fund (30 June 2017: 375,396 shares)	29,430	80,019
Nishat Mills Limited		
359,200 shares held by the Fund (30 June 2017: Nil shares)	52,120	-
MCB Bank Limited		
81,700 shares held by the Fund (30 June 2017: Nil shares)	17,075	-
Sui Northern Gas		
535,600 shares held by the Fund (30 June 2017: Nil shares)	71,695	-
Mughal Iron & Steel		
261,000 shares held by the Fund (30 June 2017: 71,000 shares)	14,934	5,732
Arif Habib Limited		
230,300 shares held by the Fund (30 June 2017: 230,300 shares)	12,595	18,494
Arif Habib Limited		
Brokerage *	292	8
Next Capital Limited		
Brokerage *	106	8

* 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

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14. GENERAL

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.

15 DATE OF AUTHORIZATION FOR ISSUE

15.1 This condensed interim financial information was authorized for issue on 20th October, 2017 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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