



**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 Frequent Payout Fund**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi	
<b>Board of Directors</b>	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr Abdul Basit	
<b>Trustee</b>	MCB Financial Services Limited 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allid Bank Limited Nib Bank Limited Bank Al-Habib Limited Zarai Taraqiati Bank Limited JS Bank Limited Tameer Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited NRSP Micro Finance Bank Limited Mobilink Finance Bank Limited Finca Finance Bank Limited	
<b>Auditors</b>	<b>A.F Ferguson &amp; Co.</b> Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	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 Frequent Payout Fund's accounts review for the quarter months 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

During the period under, the fund posted a return of 0.8% compared to the benchmark return of 1.47%. On the equities front, the overall allocation was increased to 2.0% from 1.2%. The fund increased its exposure in T-bills to 25.5% from 8.2% and decreased its exposure in Term deposits to 14.3% from 22.4%.

The Net Assets of the Fund as at September 30, 2017 stood at Rs. 743 million as compared to Rs. 900 million as at June 30, 2017 registering a decrease of 17.4%. The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs. 100.9596, a decrease of Rs. 0.4656 over June 30, 2017.

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

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### 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

یورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی پاکستان فریکوینٹ پے آؤٹ فنڈ 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 جلا رجحان پایا گیا اور اکاؤنٹ سکور کارڈ میں صورتحال مختلف معاشی علامات کی بنیاد پر پلجی رہی۔ LSM نے توقعات سے زیادہ یعنی 13% YoY کے ساتھ فروغ پایا جس میں بنیادی کردار اسٹیل، آٹو اور غذائی اشیاء 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 اوسط 3.4% YoY پر رہا جسے تیل کی قیمت میں کمی اور غذائی اشیاء کی مستحکم قیمتوں سے سہارا ملا۔ ہمیں امید ہے کہ آگے افراط زر 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 افراط زر 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 بجائی شروع کر دی 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 ڈیفیسیٹ 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 کی کمی ہوئی۔

فیکل اکاؤنٹ جو کہ پرسکون طور پر چل رہا تھا خطرے میں نظر آیا۔ FY17 میں فیکل ڈیفیسیٹ 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

سیاسی عدم استحکام اور بیرونی اکاؤنٹ کے بڑھتے ہوئے خسارہ نے ایکویٹی مارکیٹ میں منفی رجحان پیدا کیا۔ سہ ماہی کے پہلے دہ ماہ میں بیج مارک اینڈیکس %11.5 کم ہوا۔ Sep، 17ء میں بیرونی سرمایہ کاری سے 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 میں پست ترین کارکردگی تھی۔ سہ ماہی کے دوران غیر ملکی 90 ملین ڈالر کے کلی خریدار رہے۔ زیادہ تر خریداری بینکوں (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 ایکسٹرا 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، مقابل گزشتہ سہ ماہی جس میں حجم 280 ملین شیئرز تھا۔ اوسطاً تجارتی حجم گزشتہ سہ ماہی کے مقابلے میں 15.0 ملین سے 9.3 ملین تک زوال پذیر ہوا۔

بنیادی طور پر جو سیکیورز اینڈیکس کو زوال پزیر کرنے کا سبب بنے ان میں سیمنٹ (QoQ %28 down) کی کارکردگی مسلسل پست رہی، بوجہ سیمنٹ کی قیمتوں میں مستقل کمی 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 HBL کو N.Y. (New York) 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۔

فریٹلائزرس کیل (QoQ %3 down) نے سہ ماہی کے تیسرے مہینے میں اپنے کچھ نقصانات کا ازالہ کیا جب عالمی منڈی میں 17 Septء میں یورپ کی قیمتوں میں تقریباً %22 کا اضافہ ہوا۔ آٹوز کی کارکردگی بھی کمزور رہی (%19 Qtb-) کے ساتھ رجحانات مزید پست ہو گئے کیوں کہ بیرونی اکاؤنٹس کے حجم گرنے کے خدشات کی وجہ سے روپے اور ڈالر کی قدر کو برابر رکھنے کیلئے دباؤ کی امید کی جارہی تھی۔ E&P واحد ایسی سیکیور تھا جس میں منافع (QoQ %8 up by) 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 مقررہ معیار %1.47 کے مقابلے میں %0.8 منافع حاصل کیا۔ ایکویٹیز کے گوشے میں مجموعی شمولیت کو %1.2 سے بڑھا کر %2.0 کر دیا گیا۔ فنڈ نے ٹی بلز میں اپنی شمولیت %8.2 سے بڑھا کر %25.5 کر دیا جبکہ ٹرم ڈپازٹ میں اپنی شمولیت %22.4 سے گھٹا کر %14.3 کر دی۔

30 ستمبر 2017 کو فنڈ کے net اثاثہ جات کی مالیت 743 ملین روپے تھی، جو 30 جون 2017ء پر 900 ملین روپے



## ڈائریکٹر رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

مالیت کے مقابلے میں 17.4% زیادہ ہے۔ 30 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 100.9596 روپے تھی، یہ قیمت 30 جون 2017ء کی قیمت سے 0.4656 روپے 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 برآں، 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۔ ہمارے 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 پُرکشش سطح پر ہیں اور جلد یا بدیر شیراز کی قیمتوں میں بہتری آ سکتی ہے۔ خدشات کے پریہنم (دس سالہ شرح منافع اور رانگ سیلڈ کی تفریق) Equity Risk Premium تاریخ کی اونچی سطح کے قریب ہونے کے باعث مارکیٹ کو بہت سستارہنے کا اشارہ دے رہے ہیں۔ اس کے ساتھ ساتھ کے ایس ای 100، 7.9x PE Ratio پر اپنے ایمرجنگ مارکیٹ پیئر 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 شیراز 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۔

ڈائریکٹر رپورٹ  
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

اظہار تشکر

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

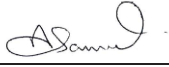
برائے اور مین جانب بورڈ



محمد نایب سلیم

چیف ایگزیکٹو آفیسر

20 اکتوبر 2017ء



صمد اے۔ حبیب

ڈائریکٹر

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED)

## As At September 30, 2017

		(Unaudited) September 30, 2017 (Rupees in '000)	(Audited) June 30, 2017
	Note		
<b>Assets</b>			
Balances with banks		386,414	541,451
Investments	4	487,293	290,609
Dividend and profit receivable		3,027	1,800
Fair value of Derivative Asset		826	-
Advances, deposits and prepayments		5,670	5,737
Receivable against sale of investments		-	38,360
Receivable against Marginal Trading System		65,536	16,065
Receivable from National Clearing Company of Pakistan Limited		27,198	20,286
<b>Total assets</b>		<b>975,963</b>	<b>914,308</b>
<b>Liabilities</b>			
Payable to Management Company		2,684	1,950
Payable to MCB Financial Services Limited - Trustee		85	102
Payable to the Securities and Exchange Commission of Pakistan		191	996
Payable against purchase of investments		220,384	-
Dividend payable		3,053	3,725
Accrued expenses and other liabilities	7	6,935	7,939
<b>Total liabilities</b>		<b>233,330</b>	<b>14,712</b>
<b>Net assets</b>		<b>742,633</b>	<b>899,596</b>
<b>Unit holders' fund</b>		<b>742,633</b>	<b>899,596</b>
<b>Contingencies and commitments</b>	8		
		(Number of units)	
<b>Number of units in issue</b>		<b>7,355,739</b>	<b>8,869,552</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>100.9596</b>	<b>101.4252</b>

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

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

	30 September 2017	30 September 2016
Note	----- (Rupees in '000) -----	
<b>Income</b>		
Capital gain on sale of investments - net	1,108	(3,459)
Dividend income	830	579
Profit on savings and term deposits	6,137	3,980
Income from debt securities	166	-
Income from government securities	5,629	9,950
Income from spread transaction	-	522
Income from Marginal trading system	93	-
Income from NCCPL deposit against margin	70	-
	<b>14,033</b>	<b>11,572</b>
Net element of Income / (loss) included in prices of units issued less those in units redeemed.	-	(2,721)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	<b>(3,045)</b>	<b>(147)</b>
<b>Total income</b>	<b>10,989</b>	<b>8,704</b>
<b>Expenses</b>		
Remuneration of the Management Company	1,919	2,342
Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company	250	304
Remuneration of MCB Financial Services Limited -Trustee	241	283
Sindh Sales Tax on remuneration of the Trustee	31	37
Annual fee to the Securities and Exchange Commission of Pakistan	191	228
Auditors' remuneration	186	175
Amortisation of preliminary expenses and floatation costs	38	37
Settlement and bank charges	361	543
Legal Charges	55	-
Fees and subscription	66	73
Allocated expenses	227	271
Selling and Marketing Expenses	803	-
Printing and related charges	40	67
<b>Total operating expenses</b>	<b>4,409</b>	<b>4,360</b>
<b>Net income from operating activities</b>	<b>6,579</b>	<b>4,344</b>
Provision for Sindh Workers' Welfare Fund	132	-
<b>Net income for the period before taxation</b>	<b>6,448</b>	<b>4,344</b>
Taxation	10	-
<b>Net income for the period after taxation</b>	<b>6,448</b>	<b>4,344</b>
<b>Earnings per unit</b>	11	
<b>Sep 30, 2017</b>		
<b>Allocation of Net income for the period:</b>		
Income already paid on units redeemed	3	
Accounting income available for distribution:		
-Relating to capital gains	(1,938)	
-Excluding capital gains	8,389	
<b>Accounting Income available for Distribution</b>		<b>6,451</b>

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

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

Chief Executive Officer

Chief Financial Officer

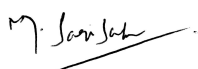
Director

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

	30 September 2017	30 September 2016
	----- (Rupees in '000) -----	
<b>Net income for the period after taxation</b>	<b>6,448</b>	4,344
<b>Other comprehensive income</b>		
Items that are or may be reclassified subsequently to income statement		
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'	-	8,112
<b>Total comprehensive income for the period</b>	<u><u><b>6,448</b></u></u>	<u><u>12,456</u></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

**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) -----	
<b>Net assets at the beginning of the period</b>	<b>899,596</b>	796,202
Issue of 343,179 units (2016: 4,674,861 units)	<b>34,808</b>	468,251
Redemption of 1,856.992 units (2016: 1,308,414 units)	<b>(188,352)</b> <b>(153,544)</b>	(131,074) 337,177
Accounting income for the period	<b>6,451</b>	7,065
Income already paid on units redeemed	<b>(3)</b>	
Net unrealised diminution/ appreciation on re-measurement on investments classified as available for sale	-	8,112
Distributions during the period	<b>(9,867)</b>	(14,783)
<b>Net assets as at the end of the period</b>	<b>742,633</b>	1,133,773
<b>Net Assets value per unit as at beginning of the period</b>	<b>101.4252</b>	100.2203
<b>Net Assets value per unit as at end of the period</b>	<b>100.9596</b>	100.2367
<b>Distribution during for the period:</b>		
<b>Undistributed income brought forward comprises of:</b>		
- Realised Gain	<b>12,707</b>	1,708
- Unrealised Gain	<b>(66)</b>	(147)
	<b>12,641</b>	1,561
<b>Accounting income available for distribution:</b>		
-Relating to capital gains	<b>(1,938)</b>	
-Excluding capital gains	<b>8,389</b>	
	<b>6,451</b>	4,344
Net element of income / (loss) and capital (losses) / gain included in the prices of units issued less those in units redeemed	-	3,256
Interim distributions during the period		
- Cash Distribution	<b>(9,867)</b>	(14,783)
<b>Undistributed income carried forward</b>	<b>9,225</b>	<b>(5,622)</b>
<b>Undistributed income carried forward comprises of:</b>		
- Realised Gain	<b>12,270</b>	(5,475)
- Unrealised Gain	<b>(3,045)</b>	(147)
	<b>9,225</b>	<b>(5,622)</b>

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

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

30 September 2017	30 September 2016
----- (Rupees in '000) -----	

## CASH FLOWS FROM OPERATING ACTIVITIES

Net income / (loss) for the period before taxation 6,448 4,344

### Adjustments for non-cash charges and other items:

Net unrealised appreciation on re-measurement of investments  
classified as 'financial assets at fair value through profit or loss' 3,045 147

Net element of (income) included in prices of units issued less those  
in units redeemed. - 2,721

**Net cash generated from operations before working capital changes** 9,492 7,212

### (Increase) / decrease in assets

Investments - net	(200,555)	(194,708)
Dividend and profit receivable	(1,227)	18,376
Advances, deposits and prepayments	67	65,985
Receivable from National Clearing Company of Pakistan Limited	(18,023)	(9,394)
	<u>(219,737)</u>	<u>(153,758)</u>

### (Decrease) / Increase in liabilities

Payable to Management Company	734	1,429
Payable to MCB Financial Services Limited - Trustee	(17)	35
Payable to the Securities and Exchange Commission of Pakistan	(805)	(99)
Payable against purchase of investment	220,384	17,561
Dividend payable	(672)	5,582
Accrued expenses and other liabilities	(1,004)	499
	<u>218,618</u>	<u>24,426</u>

**Net cash (used in) / generated from operating activities** 8,374 (122,120)

## CASH FLOWS FROM FINANCING ACTIVITIES

Net receipts from issuance of units	34,808	468,251
Net payments against redemption of units	(188,352)	(131,072)
Cash distributions made during the period	(9,867)	(14,783)
<b>Net cash generated from financing activities</b>	<u>(163,411)</u>	<u>322,396</u>

**Net increase in cash and cash equivalents** (155,037) 200,276

Cash and cash equivalents at beginning of the period 541,451 200,594

**Cash and cash equivalents at end of the period** 386,414 400,870

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**

MCB Pakistan Frequent Payout Fund ("the Fund") was established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited as the Management Company and MCB Financial Services Limited as the Trustee. The Trust Deed was executed on July 22, 2015 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 16, 2015.

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 Fund is listed on the Pakistan Stock Exchange Limited. 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 purchase, redemption, transfer, switching, etc. only during the first five business days of every month. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering them to the Fund.

The objective of the Fund is to provide regular monthly payments to investors by investing the assets of the Fund in debt and equity instruments.

The Management Company of the Fund has been licensed to act as an asset management company under the NBFC Rules 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.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (2015: AM2+ with a stable outlook) to the Management Company on June 8, 2016.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the Trustee of the Fund.

**2 BASIS OF PREPARATION**

- 2.1** This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies 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.
- 2.2** 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.
- 2.3** 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.
- 2.4** 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 2017.
- 2.5** These condensed interim financial statements are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

**3 ACCOUNTING POLICIES, KEY ACCOUNTING ESTIMATES AND JUDGEMENTS**

- 3.1** The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements of the Fund for the year ended June 30, 2017 except for change in accounting policy for recognition of Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed (Element of Income) discussed in detail in Note No. 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.

		(Unaudited) September 31, 2017	(Audited) June 30, 2017
		(Rupees in '000)	
<b>4. INVESTMENTS</b>			
<b>At fair value through profit or loss - held for trading</b>			
- Listed equity securities	4.1.1	78,690	10,841
- Government securities - Market Treasury Bills	4.1.2	248,537	74,768
- Term Finance Certificates	4.1.3	20,067	-
		<u>347,293</u>	<u>85,609</u>
<b>Loans and receivables</b>			
Term deposit receipt	4.1.4	140,000	205,000
		<u>487,293</u>	<u>290,609</u>

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

**4.1 At fair value through profit or loss - held for trading**

**4.1.1 Listed equity securities**

Name of investee company	As at July 1, 2017	Purchased during the period	Bonus / rights issue during the period	Sales during the period	As at September 30, 2017	Carrying value As at September 30, 2017	Market value As at September 30, 2017	Unrealised appreciation/ (diminution) As at September 30, 2017	Market value as percentage of net assets	Market value as percentage of total investment	Par value as percentage of issued
----- (Rupees in '000) -----											
----- (Number of shares) -----											
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
<b>AUTOMOBILE ASSEMBLER</b>											
HONDA ATLAS CARS(PAKISTAN) LIMITED	-	10,000	-	-	10,000	6,600	5,395	(1,205.10)	0.73%	1.11%	0.00 %
						<b>6,600</b>	<b>5,395</b>	<b>(1,205)</b>	<b>0.01</b>	<b>0.01%</b>	<b>0.00 %</b>
<b>CABLE &amp; ELECTRICAL GOODS</b>											
PAK ELEKTRON	-	178,900	-	138,900	40,000	4,154	3,038	(1,116.12)	0.41%	0.62%	0.00 %
TPL TRAKKER LTD	-	126,500	-	-	126,500	1,142	1,146	4.53	0.15%	0.24%	0.00 %
						<b>5,296</b>	<b>4,184</b>	<b>(1,112)</b>	<b>0.01</b>	<b>0.01%</b>	<b>0.00 %</b>
<b>CEMENT</b>											
D.G. KHAN CEMENT *	-	148,000	-	-	148,000	22,150	21,735	(414.37)	2.93%	4.46%	0.00 %
MAPLE LEAF CEMENT FACTORY LTD	-	5,000	-	-	5,000	438	420	(17.70)	0.06%	0.09%	0.00 %
						<b>22,587</b>	<b>22,155</b>	<b>(432)</b>	<b>0.03</b>	<b>0.05%</b>	<b>0.00 %</b>
<b>COMMERCIAL BANKS</b>											
MCB BANK LIMITED*	-	20,000	-	-	20,000	4,300	4,180	(120.00)	0.56%	0.86%	0.00 %
						<b>4,300</b>	<b>4,180</b>	<b>(120)</b>	<b>0.04</b>	<b>0.05%</b>	
<b>FERTILIZER</b>											
ENGRO CORPORATION LIMITED	3,500	-	-	3,500	-	-	-	-	0.00%	0.00%	0.00 %
						-	-	-	0.04	0.05%	0.00 %
<b>OIL &amp; GAS EXPLOREATION COMPANIES</b>											
OIL & GAS DEVELOPMENT CO LTD	-	42,000	-	-	42,000	6,328	6,243	(84.84)	0.84%	1.28%	0.00 %
PAKISTAN PETROLEUM LTD	-	10,500	-	-	10,500	1,834	1,834	0.39	0.25%	0.38%	0.00 %
						<b>8,162</b>	<b>8,077</b>	<b>(84)</b>	<b>0.01</b>	<b>0.02%</b>	<b>0.00 %</b>
<b>POWER GENERATION &amp; DISTRIBUTION</b>											
HUB POWER COMPANY LTD	-	180,000	-	180,000	-	-	-	-	0.00%	0.00%	0.00 %
						-	-	-	0.01	0.02%	0.00 %
<b>REAL ESTATE INVESTMENT AND SERVICES</b>											
DOLMEN CITY REIT *	820,000	-	-	549,000	271,000	3,206	2,962	(243.90)	0.40%	0.61%	0.00 %
						<b>3,206</b>	<b>2,962</b>	<b>(244)</b>	<b>0.01</b>	<b>0.02%</b>	<b>0.00 %</b>
<b>REFINERY</b>											
ATTOCK REFINERY LIMITED	-	66,500	-	-	66,500	27,746	27,478	(267.56)	3.70%	5.64%	0.00 %
						<b>27,746</b>	<b>27,478</b>	<b>(268)</b>	<b>0.05</b>	<b>0.08%</b>	<b>0.00 %</b>
<b>TECHNOLOGY &amp; COMMUNICATIONS</b>											
TRG PAKISTAN	-	18,000	-	-	18,000	666	665	(1.74)	0.09%	0.14%	0.00 %
						<b>666</b>	<b>665</b>	<b>(2)</b>	<b>0.05</b>	<b>0.08%</b>	<b>0.00 %</b>
<b>TEXTILE COMPOSITE</b>											
KOHINOOR TEXTILE MILLS LTD	-	40,000	-	-	40,000	4,000	3,539	(460.80)	0.48%	0.73%	0.00 %
KOHINOOR TEXTILE MILLS LTD(R)	-	-	2,400	-	2,400	-	54	54.02	0.01%	0.01%	0.00 %
						<b>4,000</b>	<b>3,593</b>	<b>(407)</b>	<b>0.00</b>	<b>0.01%</b>	<b>0.00 %</b>
<b>Total - September 30, 2017</b>						<b>82,563</b>	<b>78,690</b>	<b>(3,873)</b>	<b>0</b>	<b>0.4%</b>	<b>0.00 %</b>
<b>Total as at June 30, 2017</b>						10,895	10,841	(54)	10.60%	16.14%	

\* These denote related parties / connected persons

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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**4.1.2 Government securities - Market Treasury Bills**

Tenure	Face value			Carrying value as at September 30, 2017	Market value as at September 30, 2017	Unrealised appreciation/(diminution)	Market value as a percentage of net assets	Market value as a percentage of total
	As at July 1, 2017	Purchased during the	Sold / matured during the					
				As at September 30, 2017				
3 months	-	110,000	100,000	10,000	9,960	0.32	1.34%	2.04%
6 months	-	250,000	250,000	-	-	-	-	-
1 year *	75,000	450,000	275,000	250,000	238,590	(13)	48.96%	48.96%
<b>Total - September 30, 2017</b>				<b>248,549</b>	<b>248,537</b>	<b>(12)</b>	<b>50.30%</b>	<b>51.00%</b>
<b>Total as at June 30, 2017</b>				<b>74,775</b>	<b>74,768</b>	<b>(7)</b>	<b>8.31%</b>	<b>25.73%</b>

\* These include treasury bills with market value of Rs. 49,114 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

**4.1.3 Debt securities - Term finance certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss - held-for-trading - Unlisted**

Name of investee company	Number of Certificates				Balance as at September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total
	As at July 01, 2017	Purchased during the	Matured during the	Disposed during the	As at September 30, 2017	Carrying value	Market value (diminution) / Appreciation		
<b>Commercial banks</b>									
The Bank of Punjab(23-Dec-2016)	-	200	-	-	200	20,056	20,067	10.96	2.70%
Balance carried forward						20,056	20,067	11	

**4.1.4 Term Deposit Receipts - Loans and receivables**

Name of Financial institution	Profit / mark-up rate %	Maturity date	Amount (in '000)	Value as a percentage of net assets	Value as a percentage of investment
Zarai Taraqati Bank Limited	6.50%	13-Mar-2018	70,000	9.43%	0.00002%
JS Bank Limited	6.60%	27-Dec-2017	70,000	9.43%	0.00002%
			<b>140,000</b>		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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	Note	(Unaudited) September 30, 2017 (Rupees in '000)	(Audited) June 30, 2017
<b>6</b>	<b>PAYABLE TO THE MANAGEMENT COMPANY</b>		
	Management fee payable	625	734
	Sindh sales tax payable on management fee	81	95
	Sales load payable	-	-
	Payable against allocated expenses	129	75
	Selling and Mark Exp	1849	1046
		2,684	1,950

	Note	(Unaudited) September 30, 2017 (Rupees in '000)	(Audited) June 30, 2017
<b>7</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Auditors' remuneration payable	159	458
	Provision for Workers' Welfare Fund (Net)	7.1 1,647	1,515
	Brokerage payable	70	944
	Sales load payable to MCB Bank Limited - related party	107	153
	Printing and other charges payable	131	161
	Provision for Federal Excise Duty on management fee including related taxes	7.2 841	841
	Provision for Federal Excise Duty on sales load including related taxes	7.2 3,625	3,625
	Other Payable	356	242
		6,935	7,939

- 7.1** The Finance Act, 2008 had 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 (CISs) / mutual funds 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. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the 'very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

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)

Accordingly, on January 12, 2017 the provision for WWF was reversed and the provision for SWWF was made for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made on a daily basis going forward.

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 0.2239 per unit.

- 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 made till June 30, 2016 amounting to Rs 9.449 million (2016: Rs 9.449 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED 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 0.1143 per unit (June 30, 2017: Re 0.0948 per unit)



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

There were no contingencies and commitments as at September 30, 2017 and June 30, 2017 other than those below:

	September 30, 2017	June 30, 2017
	(Rupees in '000)	
- Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sell transactions not settled as at period end	65,536	16,065

**9 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund as at September 30, 2017 is 0.57% which includes 0.08% representing government levies on the Fund such as federal excise duties and sales taxes, annual fee 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 asset allocation scheme.

**10 TAXATION**

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

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

**11 EARNINGS PER UNIT**

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

**12 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, MCB Financial Services Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors, key management personnel and officers of the Management Company.

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

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



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the period / year end are as follows:

	September 30, 2017	September 30, 2016
<b>12.1 Transactions during the period</b>		
	(Rupees in '000)	
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration of the Management Company	1,919	2,342
Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company	250	304
Allocated expenses	227	271
Marketing and Selling Expenses	803	-
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration of MCB Financial Services Limited -Trustee	241	283
Sindh Sales Tax on remuneration of the Trustee	31	37
<b>MCB Bank Limited - Holding Company of the Management Company</b>		
Profit on bank deposits	27	96
Bank charges	1	6
<b>Arif Habib Limited - Group company of the Management Company*</b>		
Brokerage expense	28	89
	(Unaudited) September 30 2017	(Audited) June 30, 2017
	(Rupees in '000)	
<b>12.2 Balance outstanding as at the period end</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Management fee payable	625	734
Sindh sales tax payable on management fee	81	95
Selling and Marketing Expenses Payable	1,849	1,046
Payable against allocated expenses	129	75
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration payable to the Trustee	75	90
Sales tax payable on trustee fees	10	12
<b>MCB Bank Limited - Holding Company of the Management Company</b>		
Balances in saving accounts	584	3,330
Profit receivable	4	13
Sale load payable	107	120
<b>Arif Habib Limited - Group company of the Management Company*</b>		
Brokerage payable	2	43

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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**13 INTERIM DISTRIBUTIONS MADE DURING THE PERIOD**

	Rate per unit	Declaration date	Bonus Distribution Units	Amount --- (Rupees in '000) ----	Cash Distribution
For the month ended July 2017	Re. 0.4310	July 31, 2017	-	-	3,496
For the month ended August 2017	Re. 0.4305	August 31, 2017	-	-	3,318
For the month ended Sep. 2017	Re. 0.4150	September 30, 2017	-	-	3,053
			-	-	9,867


**14 DATE OF AUTHORISATION FOR ISSUE**

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

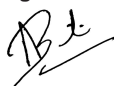
**15 GENERAL**

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.

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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