



**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



# **Pakistan Capital Market 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>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited Standard Chartered Bank Limited Zarai Taraqiati Bank Limited	
<b>Auditors</b>	<b>Deloitte Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
<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 **Pakistan Capital Market Fund's** accounts review for 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

During the period under review, the fund posted a negative return of 5.81% compared to a negative return of 5.50% posted by the benchmark.

On the equities front, the overall allocation was slightly increased to 41.5% from 39.0%. Exposure in cash was increased drastically from 29.6% to 53.1% at the end of the period under review. Sector-wise, the fund increased its exposure in Oil & Gas Exploration Companies, Banks & Automobile Assemblers.

On the fixed income side, the fund decreased its exposure in T-Bills to 0% as of 30th September, 2017 and in TDRs to 3.9%.

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

The Net Assets of the Fund as at September 30, 2017 stood at Rs. 619 million as compared to Rs. 675 million as at June 30, 2017 registering a decrease of 8.30%.

The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs. 10.86 as compared to opening NAV of Rs. 11.53 per unit as at June 30, 2017 showing a decrease of Rs. 0.67 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 Office  
October 20, 2017



**Samad A. Habib**  
Director

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

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان کیپٹل مارکیٹ فنڈ 30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار کا مجموعی جائزہ

مالی سال 2018ء کی پہلی سہ ماہی میں معاشی اشاریوں میں ملا جلا رجحان پایا گیا اور اکاؤنٹس سیکور کارڈ میں صورتحال مختلف معاشی علامات کی بنیاد پر ملتی جلی 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 اوسطاً 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 افراتر زمر 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 زمر 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 گھٹنی 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 ڈیفیسیٹ 1.3 بلین ڈالر سے دو گنا 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۔



## ڈائریکٹر 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۔ 17، Sep، 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 FTSE Global Indices پاکستانی اسٹاک (MCB, BAFL, SNGP, THAL, MTL) 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 سیلٹرز اینڈیکس کو زوال پزیر کرنے کا سبب بنے ان میں سیمنٹ (down 28% QoQ) 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(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۔

فریٹلائزرسیکٹر (down 3% QoQ) نے سہ ماہی کے تیسرے مہینے میں اپنے کچھ نقصانات کا ازالہ کیا جب عالمی منڈی میں 17 Sept، میں یورپ کی قیمتوں میں تقریباً 22% کا اضافہ ہوا۔ آٹوز کی کارکردگی بھی کمزور رہی (down 19% QoQ) 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 ایسا سیکٹر تھا جس میں منافع (up by 8% QoQ) 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 5.81% منفی ریٹرن دیا بمقابلہ مقررہ معیار منفی ریٹرن 5.50% کے۔ ایکویٹیز کے گوشے میں مجموعی شمولیت میں معمولی اضافہ ہوا اور وہ 39.0% سے 41.5% کی سطح پر پہنچ گئی۔ زیر جائزہ مدت میں نقد میں فنڈ کا حصہ نہایت تیز رفتاری کے ساتھ 29.6% سے 53.1% پر پہنچ گیا۔ سیکٹرز کے حساب سے فنڈ نے آئل اینڈ گیس سیکٹر، بینکوں اور آٹو موبائل اسمبلرز میں اپنی شمولیت میں اضافہ کیا۔ فکسڈ انکم کے گوشے میں فنڈ نے 30 ستمبر 2017ء تک ٹی بلز میں اپنی شمولیت کو کم کر کے



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

0% کرد یا جبکہ TDRs میں میں شمولیت کو کم کر کے 3.9% کر دیا۔  
30 ستمبر 2017ء کو فنڈ کے net اثاثہ جات کی مالیت 619 ملین روپے تھی، جو 30 جون 2017ء پر 675 ملین روپے مالیت کے مقابلے میں 8.30% کم ہے۔  
30 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 10.86 روپے تھی، جو 30 جون 2017ء پر 11.53 روپے فی یونٹ قدر کے مقابلے میں 0.67 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 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۔ 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 پُرکشش سطح پر ہیں اور جلد یا بدیر شیراز کی قیمتوں میں بہتری آ سکتی ہے۔ خدشات کے پرمیئم (دس سالہ شرح منافع اور رینگ ییلڈ 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۔

ڈائریکٹرز رپورٹ  
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

اظہارِ تشکر

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

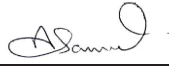
برائے اور من جانب بورڈ



محمد نایب سلیم

چیف ایگزیکٹو آفیسر

20 اکتوبر 2017ء



صدائے حبیب

ڈائریکٹر

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

		(Un-audited) September 30, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balances with banks	5	337,273	204,777
Investments	6	288,581	468,729
Dividend and profit receivables		3,103	2,800
Advances deposits and prepayments		6,052	6,049
Receivable against sale of investment		-	10,154
<b>Total assets</b>		<b>635,009</b>	<b>692,509</b>
<b>LIABILITIES</b>			
Payable to the Management Company		1,274	1,549
Payable to the Central Depository Company of Pakistan Limited - Trustee		116	128
Payable to the Securities and Exchange Commission of Pakistan		137	568
Payable against redemption of units		216	216
Accrued expenses and other liabilities	7	13,814	14,866
<b>Total liabilities</b>		<b>15,557</b>	<b>17,327</b>
<b>NET ASSETS</b>		<b>619,453</b>	<b>675,182</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>619,453</b>	<b>675,182</b>
<b>Contingencies and commitments</b>	10		
		(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>57,065,252</b>	<b>58,575,216</b>
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		<b>10.86</b>	<b>11.53</b>

The annexed notes from 1 to 14 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

		Quarter ended September 30,	
		2017	2016
	Note	----- (Rupees in '000) -----	
<b>INCOME</b>			
Dividend income		2,166	4,024
Income from government securities		1,881	2,488
Profit on bank deposits and TDR		3,096	793
Income from term finance certificate		18	
Capital gain on sale of investments - net		(15,826)	21,904
Income on deposit with NCCPL against exposure margin		5	5
		<u>(8,660)</u>	<u>29,214</u>
Net element of Income included in prices of units issued less those in units redeemed.		-	(794)
Unrealised (diminution) / appreciation on re-measurement of investments classified as at fair value through profit or loss - net		<u>(22,056)</u>	<u>(93)</u>
<b>Total income</b>		<u><b>(30,716)</b></u>	<u><b>28,327</b></u>
<b>EXPENSES</b>			
Remuneration of the Management Company		3,229	3,142
Sindh Sales tax and Federal Excise Duty on remuneration of the Management Company		420	409
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		323	314
Sales tax on remuneration of the trustee		42	41
Securities and Exchange Commission of Pakistan - fee		137	134
Allocated expense		182	178
Securities transaction cost		523	463
Settlement and bank charges		228	170
Fees and subscription		35	66
Auditors' remuneration		180	133
Printing and related cost		79	79
Legal and professional charges		59	15
<b>Total expenses</b>		<u><b>5,438</b></u>	<u><b>5,144</b></u>
<b>Net income for the period before taxation</b>		<u><b>(36,154)</b></u>	<u><b>23,183</b></u>
Taxation	8	-	-
<b>Net income for the period after taxation</b>		<u><b>(36,154)</b></u>	<u><b>23,183</b></u>
<b>Earning Per Share</b>	9	-	-
<b>Allocation of Net Income for the peroid:</b>		<b>September 30, 2017</b>	
Income already paid on units redeemed		542	
Accounting income available for distribution carried to			
-Relating to capital (loss)		(37,313)	
-Excluding capital gains		1,701	
<b>Accounting (loss)/ Income available for Distribution</b>			<u><b>(35,612)</b></u>

The annexed notes from 1 to 14 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**

	Quarter ended September 30,	
	2017	2016
	----- (Rupees in '000) -----	
<b>Net income for the period after taxation</b>	<b>(36,154)</b>	<b>23,183</b>
<b>Other comprehensive income for the period</b>		
Items that may be reclassified to profit and loss account		
Unrealised (diminution) / appreciation in value of investments classified as available for sale - net	(2,731)	14,292
<b>Total comprehensive income for the period</b>	<b>(38,886)</b>	<b>37,475</b>

The annexed notes from 1 to 14 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**

	Quarter ended September 30,	
	2017	2016
	---(Rupees in '000)-----	
<b>Net assets at beginning of the period</b>	<b>675,182</b>	626,922
Issue of 2,395,020 units (2016: 3,221,563)	<b>26,631</b>	35,782
Redemption of 3,904,984 units (2016: 8,744,858)	<b>(43,474)</b>	(97,885)
	<b>(16,843)</b>	(62,103)
Accounting income for the period	(35,612)	23,977
Income already paid on units redeemed	(542)	-
Net unrealised appreciation on re-measurement on investments classified as available for sale	(2,731)	14,292
<b>Net assets as at the end of the period</b>	<b>619,453</b>	603,088
<b>Net Assets value per unit as at beginning of the period</b>	<b>11.53</b>	10.69
<b>Net Assets value per unit as at end of the period</b>	<b>10.86</b>	11.36
<b>Distribution during for the period:</b>		
<b>Undistributed income brought forward comprises of:</b>		
- Realised Gain	72,282	(137,052)
- Unrealised (loss)	(4,279)	150,336
	<b>68,003</b>	<b>13,284</b>
<b>Accounting income available for distribution:</b>		
-Relating to capital (loss)	(37,313)	
-Excluding capital gains	1,701	
	<b>(35,632)</b>	23,183
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred	-	(6,075)
Distributions during the period	-	-
<b>Undistributed income carried forward</b>	<b>32,391</b>	30,392
<b>Undistributed income carried forward comprises of:</b>		
- Realised Gain	54,447	30,485
- Unrealised (loss)	(22,056)	(93)
	<b>32,391</b>	<b>30,392</b>

The annexed notes from 1 to 14 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**

	Quarter ended September 30,	
	2017	2016
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	(36,154)	23,183
Adjustments for:		
Unrealised appreciation in value of investments classified as at fair value through profit or loss - net	22,056	93
Element amount representing (income) / loss and realised capital (gains) / losses transferred to the income statement:	-	793
	<b>(14,099)</b>	<b>24,069</b>
<b>Decrease / (Increase) in assets</b>		
Investments	155,360	(13,896)
Dividend and profit receivables	(303)	(2,595)
Advances deposits and prepayments	(3)	(16)
Receivable against issue of units	10,154	(8,536)
	<b>165,208</b>	<b>(25,042)</b>
<b>(Decrease) / Increase in liabilities</b>		
Payable to the Management Company	(275)	(97)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(12)	(8)
Payable to the Securities and Exchange Commission of Pakistan	(431)	(514)
Payable against redemption of units	-	(1,002)
Payable against purchase of investment	-	8,611
Accrued expenses and other liabilities	(1,052)	(1,697)
	<b>(1,770)</b>	<b>5,294</b>
<b>Net cash generated from operating activities</b>	<b>149,339</b>	<b>4,320</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units sold	26,631	35,782
Cash paid on units redeemed	(43,474)	(97,885)
<b>Net cash (used in) from financing activities</b>	<b>(16,843)</b>	<b>(62,103)</b>
<b>Net Increase / (decrease) in cash and cash equivalents during the period</b>	<b>132,496</b>	<b>(57,783)</b>
Cash and cash equivalents at beginning of the period	204,777	80,904
<b>Cash and cash equivalents at end of the period</b>	<b>337,273</b>	<b>23,122</b>

The annexed notes from 1 to 14 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** Pakistan Capital Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB - Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is currently situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.
- 1.3** During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund has been categorised as "Balanced Scheme" and offers units for public subscription on continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on Pakistan Stock Exchange, formerly listed on Karachi, Lahore and Islamabad stock exchanges.
- 1.4** The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse purchase transactions.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned as asset manager of "AM2++" to the Management Company and long term stability rating of 3-star and short term rating of 4-star to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

- 2.1.1** This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies 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.
- 2.1.2** 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.
- 2.1.3** 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.
- 2.1.4** 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 2016.
- 2.1.5** These condensed interim financial statements are unaudited and are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

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

**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.

**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 risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended 30 June 2017.

		(Un-audited) September 30, 2017	(Audited) June 30, 2017
	Note	------(Rupees in '000)-----	
<b>5 BALANCES WITH BANKS</b>			
In current accounts		1,298	6,757
In deposit accounts		335,976	198,020
	5.1	<u>337,273</u>	<u>204,777</u>

**5.1** These accounts carry profit at the rate ranging from 3.75% to 6.18% (June 2017: 3.75% to 6.18%) per annum.

		(Un-audited) September 30, 2017	(Audited) June 30, 2017
	Note	------(Rupees in '000)-----	
<b>6 INVESTMENT</b>			
At fair value through profit or loss			
Listed equity securities			
Government securities	6.1	225,245	211,352
	6.2	-	148,851
Loans and receivable		<u>225,245</u>	<u>360,203</u>
Term deposit receipt			
	6.3	25,000	50,000
Available for sale			
Listed equity securities	6.4	38,336	58,526
		<u>288,581</u>	<u>468,729</u>

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

6.1 Listed equity securities 'at fair value through profit or loss'  
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2017	As at September 30, 2017				Market value as percentage of net assets	Market value as a percentage of total investments
						Cost	Market value	Appreciation / (diminution)	%		
----- Rupees in '000' -----											
Automobile Assembler	19,300	-	-	-	19,300	11,658	10,808	(850)	1.74	0.02	
	9,500	-	-	-	9,500	6,176	4,737	(1,439)	0.76	0.04	
	4,440	-	-	4,220	220	239	(49)		0.04	-	
	-	20,000	-	-	20,000	13,200	10,790	(2,410)	1.74	0.01	
						31,322	26,574	(4,748)	4.28	0.07	
Cable & Electrical Goods	139,000	70,000	-	125,000	84,000	8,880	6,380	(2,500)	1.03	0.02	
Pak Elektron						8,880	6,380	(2,500)	1.03	0.02	
Cement	150,000	-	-	150,000	-	-	-	-	-	-	
	48,000	-	-	48,000	-	-	-	-	-	-	
	23,100	-	-	23,000	100	84	57	(27)	0.01	-	
	70,000	-	-	65,000	5,000	200	129	(71)	0.02	0.01	
						283	185	(98)	0.03	0.01	
Chemicals	282,000	-	-	280,000	2,000	73	67	(6)	0.01	-	
Engro Polymer & Chemical						73	67	(6)	0.01	-	
Commercial Banks	200	-	-	-	200	18	17	(1)	-	-	
	-	300,000	-	-	300,000	6,260	5,700	(560)	0.92	0.02	
	-	325,000	-	-	325,000	13,000	13,787	787	2.23	0.02	
	-	600,000	-	-	600,000	13,521	13,440	(81)	2.17	0.05	
	2,500	80,000	-	-	82,500	17,399	17,243	(157)	2.78	0.01	
	-	100,000	-	50,000	50,000	10,789	9,509	(1,281)	1.53	-	
						60,988	59,695	(1,293)	9.63	0.10	
Engineering	-	100,500	-	100,000	500	58	51	(7)	0.01	-	
	-	5,000	-	-	5,000	1,060	791	(269)	0.13	0.01	
	55,500	-	-	25,000	30,500	11,241	8,851	(2,390)	1.43	0.03	
	50,000	-	-	50,000	-	-	-	-	-	-	
	135,500	43,000	-	90,000	88,500	7,022	5,064	(1,958)	0.82	0.04	
Fertilizer	-	-	-	-	-	19,381	14,757	(4,624)	2.39	0.08	
Engro Corporation Limited		80,000	-	80,000	-	-	-	-	-	-	
Glass & Ceramics	-	-	-	-	-	-	-	-	-	-	
	280,500	-	-	-	280,500	4,984	3,410	(1,594)	0.55	0.08	
	107,500	-	-	-	107,500	11,907	11,303	(604)	1.82	0.15	
						16,900	14,712	(2,188)	2.37	0.23	
Insurance	150,000	-	-	-	150,000	7,322	6,825	(497)	1.10	0.05	
Pakistan Reinsurance Co. Ltd						7,322	6,825	(497)	1.10	0.05	
Inv.Banks/Inv.Co M./Securities Cos.	56,000	-	-	-	56,000	4,503	3,087	(1,416)	0.50	0.10	
						4,503	3,087	(1,416)	0.50	0.10	
Leasing Companies	80,500	-	-	-	80,500	3,240	3,524	284	0.57	0.06	
Onx Leasing Pakistan Ltd						3,240	3,524	284	0.57	0.06	
Leather & Tanneries	550	-	-	-	550	1,815	1,623	(193)	0.26	0.01	
	8,900	-	-	-	8,900	12,273	8,117	(4,156)	1.31	0.07	
						14,088	9,739	(4,349)	1.57	0.08	

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

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2017	As at September 30, 2017			Market value as a percentage of total investments
						Cost	Market value	Appreciation / (diminution)	
<b>Oil &amp; Gas Exploration Companies</b>									
Marl Petroleum Company	200	-	-	-	200	315	301	(14)	0.05
Oil & Gas Development Co Ltd	-	140,000	-	55,000	85,000	12,319	12,634	315	2.04
Pakistan Petroleum Ltd	45,000	40,000	-	-	85,000	13,431	14,854	1,423	2.40
						<b>26,065</b>	<b>27,789</b>	<b>1,725</b>	<b>4.49</b>
<b>Oil And Gas Marketing</b>									
HP-Tech Lubricants	17,400	-	-	-	17,400	1,897	1,715	(182)	0.28
						<b>1,897</b>	<b>1,715</b>	<b>(182)</b>	<b>0.01</b>
<b>Oil And Gas Marketing Companies</b>									
Sui Northern Gas	-	140,000	-	-	140,000	20,365	18,740	(1,625)	3.03
						<b>20,365</b>	<b>18,740</b>	<b>(1,625)</b>	<b>3.03</b>
<b>Pharmaceuticals</b>									
Searle Company	433	-	-	-	433	222	175	(47)	0.03
						<b>222</b>	<b>175</b>	<b>(47)</b>	<b>0.03</b>
<b>Power Generation &amp; Distribution</b>									
Hub Power Company Ltd	111,000	-	-	110,000	1,000	117	112	(6)	0.02
K-Electric Ltd*	1,000,000	-	-	-	1,000,000	6,900	7,040	140	1.14
						<b>7,017</b>	<b>7,152</b>	<b>134</b>	<b>1.16</b>
<b>Real Estate Investment And Services</b>									
Dolmen City Reit	249,500	-	-	-	249,500	2,952	2,727	(225)	0.44
						<b>2,952</b>	<b>2,727</b>	<b>(225)</b>	<b>0.44</b>
<b>Sugar &amp; Allied Industries</b>									
Faran Sugar Mills Limited	44,000	-	-	-	44,000	3,531	3,479	(52)	0.56
						<b>3,531</b>	<b>3,479</b>	<b>(52)</b>	<b>0.56</b>
<b>Technology &amp; Communications</b>									
Netsol Technologies	50,000	-	-	-	50,000	2,892	3,300	409	0.53
						<b>2,892</b>	<b>3,300</b>	<b>409</b>	<b>0.53</b>
<b>Textile Composite</b>									
Kohinoor Textile Mills Ltd	-	70,000	-	-	70,000	7,000	6,194	(806)	1.00
Kohinoor Textile Mills Ltd(R)	-	-	4,200	-	4,200	-	95	95	0.02
Nishat (Chunian) Limited***	-	100,000	-	-	100,000	5,400	5,452	52	0.88
Nishat Mills Ltd***	-	20,000	-	-	20,000	2,980	2,902	(78)	0.47
						<b>15,380</b>	<b>14,642</b>	<b>(738)</b>	<b>2.37</b>
<b>Total as at September 30, 2017</b>						<b>247,300</b>	<b>225,245</b>	<b>(22,055)</b>	<b>36.37</b>
Total as at June 30, 2017						212,638	211,352	(1,286)	31.29
									<b>44.48</b>

\* These have a face value of Rs. 3.5 per share.

\*\* The above include shares with a market value aggregating to Rs. 7,886.1 million (June 30, 2017: Rs. 16,73) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

\*\*\* These include transaction with related parties

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

**6.2 Government securities - 'at fair value through profit or loss'**

Issue date	Face value					As at September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2017	Purchased during the period	Disposed during the period	Matured during the period	As at September 30, 2017	Carrying value	Market value	Appreciation / (Diminution)		
-----%-----										
----- (Rupees in '000) -----										
Treasury bills - 3 months	150,000	150,000	150,000	150,000	-	-	-	-	0.00	0.00
<b>Total as at September 30, 2017</b>						-	-	-	<b>0.00</b>	<b>0.00</b>
<hr/> <hr/>										
Total as at June 30, 2017						148,888	148,851	(37)	22.05	31.76

**6.3 Term deposit receipt - Loans and receivables**

Particulars	Profit / mark-up rates	Issue date	Maturity date	At June 30, 2017	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
Zarai Taraqati Bank Limited	6.50%	14-Sep-17	13-Mar-18	25,000	4.04%	8.66%
<b>As at September 30, 2017</b>				<b>25,000</b>	<b>4.04%</b>	<b>8.66%</b>
As at June 30, 2017				50,000	7.00%	11.00%

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

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

**6.4 Listed equity securities - 'Available for sale'**

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

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2017	As at September 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
						Carrying Value	Market value	Appreciation / (diminution)		
Rupees in '000' %										
Number of shares										
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise										
Automobile Assembler										
Indus Motors Company Limited	50	-	-	-	50	66	86	20	0.01	-
						66	86	20	0.01	-
Chemicals										
ICIIPakistan	7,500	-	-	-	7,500	3,182	6,852	3,670	1.11	0.01
						3,182	6,852	3,670	1.11	0.01
Commercial Banks										
Habib Bank Limited	1,300	-	-	100	1,200	230	217	(13)	0.04	-
	100	-	-	-	100	22	21	(1)	-	-
						252	238	(14)	0.04	-
Food & Personal Care Products										
Al-Shaheer Corporation	805	-	-	-	805	43	25	(17)	-	-
	2,600	-	-	-	2,600	3,290	1,220	(2,070)	0.20	0.03
						3,333	1,246	(2,087)	0.20	0.03
Oil & Gas Expoloration Companies										
Mari Petroleum Company	15,400	-	-	-	15,400	8,964	23,177	14,213	3.74	0.01
						8,964	23,177	14,213	3.74	0.01
Power Generation & Distribution										
Hub Power Company Ltd	140,000	-	-	140,000	-	-	-	-	-	-
						-	-	-	-	-
Textile Composite										
Kohinoor Textile Mills Ltd	75,000	-	-	-	75,000	6,030	6,636	606	1.07	0.03
	-	-	4,500	-	4,500	-	101	101	0.02	-
						6,030	6,737	708	1.09	0.03
Total as at September 30, 2017										
						21,827	38,336	16,509	6.19	0.08
Total as at June 30, 2017										
						37,171	58,526	21,356	8.67	12.48

\* These include transaction with related parties

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

	Note	(Un-audited) September 30, 2017	(Audited) June 30, 2017
<b>7 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	7.1	3,900	10,732
Provision for Federal Excise Duty and related tax			
- On management fee	7.2	5,872	5,872
- On sales load	7.2	393	393
Withholding tax payable		15	2,396
Dividend payable		2,783	2,783
Auditors' remuneration		153	419
Zakat		1	125
Brokerage		60	540
Other		635	395
		<u>13,814</u>	<u>23,655</u>

**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 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



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

- the provision in respect of Sindh WWF should be made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

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 0.0683 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 6.265 million (2016: Rs 6.265 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 0.1098 per unit (June 30, 2017: Re 0.1070 per unit)

## **8 TAXATION**

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

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

## **9 EARNING PER SHARE**

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.

## **10 CONTINGENCIES AND COMMITMENTS**

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

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

**11. TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the fund including government levies as on September 30, 2017 is 0.85%. Total expense for the period includes 0.10% representing Government levies.

**12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

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

**12.1 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) -----				

Key management personnel	115,211	-	-	9,132	106,078	1,328	-	-	100	1,152
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For the quarter ended September 30, 2016

	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2016	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2016
	-----Units-----					----- (Rupees in '000) -----				

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

**12.2 Details of transactions with connected persons are as follows:**

	Quarter ended September 30,	
	2017	2016
	----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investment Limited</b>		
<b>- Management Company</b>		
Remuneration (including indirect taxes)	3,649	3,551
Allocated expenses (including indirect taxes)	182	178
 <b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration (including indirect taxes)	365	355
CDS charges	106	43
 <b>Arif Habib Limited - Brokerage House</b>		
Brokerage*	-	99
 <b>Next Capital Private Limited - Brokerage House</b>		
Brokerage *	-	112
 <b>MCB Bank Limited</b>		
Bank charges	9	8
Profit on bank deposit	34	66
Dividend Income	330	
 <b>Pakgen Power Limited</b>		
Dividend Income	-	480
 <b>Arif Habib Limited</b>		
Dividend Income	560	

\* 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 the connected persons.

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

	(Un-audited) September 30, 2017	(Audited) June 30, 2017
	----(Rupees in '000)----	
<b>12.3 Amounts outstanding as at period / year end:</b>		
<b>MCB-Arif Habib Savings and Investment Limited</b>		
<b>- Management Company</b>		
Management fee payable	1,022	1,131
Sindh sales tax payable on management fee	133	147
Sales load payable	11	189
Sindh sales tax payable on sales load	2	26
Allocated expense payable	106	56
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	103	113
Sindh sales tax payable on remuneration of Trustee	13	15
Security deposit	300	300
<b>MCB Bank Limited</b>		
Bank balance	99	6,152
Profit receivable on bank deposits	38	41
82,600 shares held (June 30, 2017: 2,600 shares)	17,264	547
<b>Arif Habib Limited - Brokerage House</b>		
Brokerage payable *	-	91
<b>Next Capital Private Limited - Brokerage House</b>		
Brokerage payable *	-	63
	(Un-audited)	(Audited)
	September 30,	June 30,
	2016	2017
	----(Rupees in '000)----	
<b>Thatta Cement Limited</b>		
5,000 shares held (June 30, 2017: 70,000 shares)	129	2,798
<b>Arif Habib Limited</b>		
56,000 shares held (June 30, 2017: 56,600 shares)	3,067	4,503
<b>Dolmen City Reit</b>		
249,500 shares held (June 30, 2017: 249,500 shares)	2,727	2,952
<b>Nishat Mills Limited</b>		
20,000 shares held (June 30, 2017: Nil shares)	2,902	-
<b>Sui Northern Gas Limited</b>		
140,000 shares held (30 June 2017: Nil shares)	18,740	-
<b>Nishat (chunian) Limited</b>		
100,000 shares held (30 June 2017: Nil shares)	5,452	-
<b>Mughal Iron &amp; Steel</b>		
88,500 shares held (30 June 2017: 135,000)	5,064	10,939

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

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\* 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.

**13 General**

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison and better presentation. The effect of rearrangement / reclassification is not considered to be material.

**14 DATE OF AUTHORIZATION FOR ISSUE**

**14.1** This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on October 20, 2017.

**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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