

**Half Year Report**  
**December 31, 2016**  
**(Unaudited)**



**Funds Under Management**  
**of**  
**MCB-Arif Habib Savings and Investments Limited**  
Rated: AM2++ by PACRA

**PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION 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 Mohammad Mansha	Chairman
	Mr. Nasim Beg	Vice Chairman
	Mr. Muhammad Saqib Saleem	Chief Executive Officer
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmed	Director
<b>Audit Committee</b>	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
	Mr. Nasim Beg	Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer</b>	Mr. Asif Mehdi Rizvi	
<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-Faisak Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdepakistan.com	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Bank Al-Habib Limited Meezan Bank Limited Habib Bank Limited Dubai Islamic Bank Pakistan Limited Askari Bank Limited Bank Islami Pakistan Limited	
<b>Auditors</b>	<b>Ernst &amp; Young Ford Rhodes Sidat Hyder</b> Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.	
<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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan International Element Islamic Asset Allocation Fund** accounts review for half year ended December 31, 2016.

## ECONOMY AND MONEY MARKET OVERVIEW

Weakness in external account raised concerns in otherwise progressive improvement in headline economic indicators continuing for the last 2 years. Weak trade balance, primarily due to subdued trend in exports and higher imports along with weak contribution from services and remittances kept the pressure on overall Current Account balance which widened 92% in 1HFY17 to USD 3.6 billion. It is pertinent to note that partial increase in imports is triggered by machinery imports which have increased by 8.3% along with increase in oil import bill which is expected to widen further given recent arrangements from OPEC to support Int'l Crude Oil prices. The cushion to Balance of Payments was bolstered by financial account of USD 3.7 bn where major respite came from the net borrowing of USD 740 million along with the inflow materialized in FDI on completion of acquisition of stake in Engro Foods by Freisland Campina. Overall balance of the Balance of Payments stood at USD 225 mn compared to USD 1.5 bn during same period of last year.

Foreign exchange reserves stood at USD 23.2 bn (06<sup>th</sup> Jan 2017). It is pertinent to note that SBP reserves explain most of the volatility in For-ex reserves where government borrowing and retirement of loans has net negative balance in 1HFY17 while closing approx USD 1bn lower from peak seen in Oct 16.

Undergoing appreciation of about 0.4% in 1HFY17, PKR continues to remain resilient against USD which also raises concerns given the relative weakness in other developing economies and also reflected from REER as measured by SBP reaching to a high of 126 depicting significant overvaluation.

Fiscal deficit increased to 1.3 % (1QFY17) of GDP as against 1.1% in SPLY due to sharp decline in non-tax revenue. On provisional basis, tax authority has managed to collect PKR 1,460 billion during 1HFY17, recording a shortfall of PKR ~127 billion from the desired target. With annual tax collection target of PKR 3.6 trillion; demanding a growth rate of 17% YoY, and higher development spending, fiscal deficit is likely to exceed 4.5% against budgetary target of 3.8%. Focus of government on development spending is however positive for the overall long term direction and thus slippage on this front is not a major concern.

LSM grew by 3.24% YoY in 5MFY17. The growth is driven through consumer, electrical, automobiles and cement manufacturing.

Inflation continued its upward trajectory with first half averaging 3.88% compared to 2.08% for 1HFY16. The withering of low base effect along with inherent increases in food and housing pricing triggered inflationary pressures. The government kept on absorbing the incremental petrol prices which kept the inflation subdued.

M2 growth posted year to date growth of 5.45% by the end of the year. The deposits grew seasonally by PKR 420 bn in a week supported by year end efforts of banks to expand balance sheet size. Thereafter, the M2 growth has normalized to 3.68%. Moreover, the abnormal accumulation in currency in circulation (CIC) last year triggered after imposition of withholding tax on cash withdrawals has normalized though CIC to M2 ratio is still high at 26% against previous average of 22%. The Net Domestic Assets increased by PKR 518 bn supported by net government sector borrowings of PKR 390 bn.

## EQUITIES MARKET OVERVIEW

Pakistan Stock Exchange (PSX) continued its positive momentum of 1QFY17 by posting another 16.64% return in 2QFY16 to conclude the period 26.53% higher (47,807 points). In calendar year 2016, the local bourse remained the best performing market in the region and stood 5th in global ranking with a USD based return of 45%. This was despite an aggressive selling from the foreign investors, who remained net sellers of USD 298mn in 1HFY16, compared to USD 240 mn in the corresponding period last year. This heavy selling was absorbed mostly by Mutual Funds and NBFCs with net buying of USD 307mn and USD 102mn, respectively.

Auto Parts Manufacturers and Auto Assemblers remained the best performing sectors during 1HFY17 with returns of 83% and 77%, respectively. Among the mainstream sectors, Banks outperformed the rest with a 33% return during the period under review, mainly on account of improving advances, rising deposits and bottomed out interest rate outlook. Cements also posted a 30% return during the period under review as strong demand coupled with healthy margins kept the investors' interest alive in the sector. Improving crude oil prices also made a mark on the E&Ps, which posted a healthy 27% return during 1HFY17. Fertilizers on the other hand, underperformed the index by posting a modest 2% return, as rising inventories coupled with discounts on urea prices took their toll on the sector.

We expect the positive momentum to continue going ahead as market draws close to its graduation to MSCI EM Index. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. PSX is currently trading at a forward multiple of 11.99x, still trading at a 10.5% discount to the MSCI EM, reflecting further room for re-rating from here.

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

## FUND PERFORMANCE

During the period under review, the fund delivered a return of 23.54% as against its benchmark return of 21.01%.

On the equities front, the overall allocation was 78% at the end of the period under review. The fund decreased its exposure in Power Generation & Distribution, Cement, Fertilizer and Oil and Gas sector during the period.

On the fixed income side, there was no exposure towards Sukuk as it stood at 0.0% of the portfolio at the end of the period under review.

The Net Assets of the Fund as at December 30, 2016 stood at Rs. 1,187 million as compared to Rs. 821 million as at June 30, 2016 registering an increase of 44.58%.

The Net Asset Value (NAV) per unit as at December 30, 2016 was Rs. 78.47 as compared to opening NAV of Rs. 63.52 per unit as at June 30, 2016 registering an increase of Rs. 14.95 per unit.

## FUTURE OUTLOOK

The reversal in crude oil prices is expected to wither of the fiscal space previously available amid growing import bill. The recent decision by government to revise up petroleum prices in its latest fortnightly decision points towards constricting fiscal liberty.

The recently announced textile package is expected to provide support to the export sector. However, the overvalued currency as depicted from REER still remains a blockade for export competitiveness of the country however the same may remain deferred till the government continues to fund the gap through borrowing.

The inflationary pressures are also expected to succumb to expected increments in petroleum prices along with its trickle down impact on food inflation. We expect inflation for the year to average ~4.3%. It is pertinent to note inflation for next half of the year is expected to average around 4.8% with inflation for closing months of the year to exceed 5%.

While, we expect interest rates to remain stable in the short term given the stable inflationary trends, exchange rate overvaluation along with weak external account suggest a close review of emerging trends with potential for inflection on either side though biased in favor of monetary tightening.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The MSCI specific companies are expected to gain limelight as formal inclusion nears. However, the volatility in global markets lead by uncertainty in global economies after Trump's induction as US President and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our positive stance on the market.

## ACKNOWLEDGMENT

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

For and on behalf of the Board,



**Muhammad Saqib Saleem**  
Chief Executive Officer  
February 2, 2017

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان انٹرنیشنل ایسیٹ اسلامک Asset ایلیکشن فنڈ کے 31 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

### معیشت اور بازارز کا مجموعی جائزہ

خارجی اکاؤنٹ میں کمزوری نے اہم ترین معاشی علامات میں گزشتہ 2 برسوں سے جاری ترقیاتی بہتری میں خدشات پیدا کیے۔ کمزور تجارتی توازن کے باعث، جس کی بنیادی وجوہات برآمدات کا پست رجحان اور پہلے سے زیادہ درآمدات، بشمول سروسز اور ترسیلات زر کی کمزور کارکردگی ہیں، مجموعی کرنٹ اکاؤنٹ بیلنس پر دباؤ رہا جو 2017ء کی پہلی ششماہی میں 92% بڑھ کر 3.6 بلین ڈالر ہو گیا۔ یاد رہے کہ درآمدات میں جزوی اضافے کی محرک مشینری کی درآمدات ہیں جن میں 8.3% اضافہ ہوا، بشمول تیل کی درآمد میں اضافے کے، جس میں OPEC کے خام تیل کی بین الاقوامی قیمتوں میں معاونت کے حالیہ اقدامات کے پیش نظر مزید اضافہ متوقع ہے۔ ادائیگیوں کے توازن کے تحفظ کی 3.7 بلین ڈالر کے مالیاتی اکاؤنٹ سے حوصلہ افزائی ہوئی، اور اس ضمن میں اہم ترین پیش رفت 740 ملین ڈالر کے قرض، بشمول اینگرو فونڈز میں Freisland Campina کی حصص داری کی تکمیل پر FDI (غیر ملکی براہ راست سرمایہ کاری) میں اضافے سے ہوئی۔ ادائیگیوں کے توازن کا مجموعی بیلنس 225 ملین ڈالر تھا، جبکہ گزشتہ سال کی اسی مدت کے دوران 1.5 بلین ڈالر تھا۔

زرمبادلہ کے ذخائر 23.2 بلین ڈالر تھے (06 جنوری 2017ء)۔ یاد رہے کہ فوریکس ذخائر میں اتار چڑھاؤ کا سبب SBP (اسٹیٹ بینک آف پاکستان) کے ذخائر ہیں، جہاں 2017ء کی پہلی ششماہی میں حکومت کے قرضوں کے حصول اور قرضوں کی ریٹائرمنٹ کا منفی بیلنس ہے جبکہ اکتوبر 2016ء میں بلند ترین سطح سے تقریباً 1 بلین ڈالر کم پر کلوزنگ ہوئی۔

پاکستانی روپیہ 2017ء کی پہلی ششماہی میں تقریباً 0.4% ترقی کر کے امریکی ڈالر کے مقابلے میں یکدلار رہا، اور اس سے بھی دیگر ترقی پذیر معیشتوں میں کمزوری کو مد نظر رکھتے ہوئے خدشات پیدا ہوئے جن کا اظہار SBP کے پیکائش کردہ REER سے ہوا، جو 126 کی بلند سطح پر پہنچا جس سے خطیر اضافے کی عکاسی ہوتی ہے۔

مالیاتی خسارہ (مالی سال 2017ء کی پہلی سہ ماہی میں) غیر ٹیکس آمدنی میں تیزی سے کمی کے باعث GDP (مجموعی غیر ملکی پیداوار) کے 1.3% تک بڑھ گیا، بالمتقابل SPLY میں 1.1% کے ٹیکس اتھارٹی 2017ء کی پہلی ششماہی کے دوران عارضی بنیادوں پر 1,460 بلین روپے جمع کر سکی، جو مطلوبہ ہدف سے 127 بلین روپے کم ہے۔ 3.6 ٹریلین روپے سالانہ ٹیکس کے ہدف کے پیش نظر، جو YoY 17% کی ترقیاتی شرح اور ترقیاتی کاموں میں زیادہ خرچ کرنے کا تقاضہ کرتا ہے، مالیاتی خسارے میں بجٹ کے 3.8% کے ہدف کے مقابلے میں 4.5% اضافہ متوقع ہے۔ تاہم ترقیاتی کاموں پر خرچ کرنے پر حکومتی توجہ مجموعی طور پر طویل المیعاد سمت میں مثبت ہے، چنانچہ اس گوشے میں انحطاط بڑا مسئلہ نہیں ہے۔

LSM میں 5MFY17 YoY 3.24% ترقی ہوئی جس کے اسباب کمزور بومر، الیکٹریکل، آٹوموبائلز اور سینٹ مینوفیکچرنگ ہیں۔

افراط زر میں بدستور اضافہ ہوتا رہا؛ پہلی ششماہی میں افراط زر کا اوسط 33.8% تھا جبکہ 2016ء کی پہلی ششماہی میں 2.08% تھا۔ پہلے سے پست base effect میں بتدریج کمی اور ایشیائی خورد و نوش اور ہاؤسنگ کی قیمتوں میں فی نفسہ اضافے افراط زر کے دباؤ کے محرک بنے۔ حکومت پٹرول کی بڑھتی ہوئی قیمتوں کا اثر جذب کرتی رہی جس کے باعث افراط زر کی سطح پست رہی۔

M2 ترقی میں سال کے اختتام تک 5.45% year to date ترقی ہوئی۔ اختتام سال پر بیٹیکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 420 بلین روپے موسمی ترقی ہوئی۔ اس کے بعد M2 ترقی 3.68% کی عمومی سطح تک پہنچ گئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر وہ ہولڈنگ ٹیکس عائد کرنے کی وجہ سے زیر گردش روپے (CIC) میں جو غیر معمولی انبار لگ گیا تھا وہ عمومی سطح پر آ گیا ہے، اگرچہ CIC کا M2 سے تناسب اب 2.6% ہے جو گزشتہ اوسط 2.2% سے زیادہ ہے۔ حکومتی سیکٹر کی 390 بلین

روپے قرضوں کی net حصولی کی مدد سے net مقامی اثاثہ جات میں 518 ملین روپے اضافہ ہوا۔

## ایکویٹیز مارکیٹ کا مجموعی جائزہ

پاکستان اسٹاک ایکسچینج (PSX) نے مالی سال 2016ء کی پہلی سہ ماہی کی مثبت رفتار جاری رکھتے ہوئے مالی سال 2016ء کی دوسری سہ ماہی میں ایک اور 16.64% منافع کمایا اور مدت کی تکمیل 26.53% زیادہ (47,807 پوائنٹس) پر کی۔ امریکی ڈالر پر مبنی 45% منافع کے ساتھ مقامی اسٹاک مارکیٹ کیلنڈر سال 2016ء میں خطے میں بہترین کارکردگی کا مظاہرہ کرنے والی مارکیٹ بنی رہی اور عالمی درجہ بندی میں پانچویں نمبر پر تھی۔ یہ کامیابی غیر ملکی سرمایہ کاروں کی طرف سے جارحانہ فروخت کے باوجود تھی، جو 2016ء کی پہلی ششماہی میں 298 ملین ڈالر کے net فروخت کاربنے رہے، بالمتقابل گزشتہ سال کی پہلی ششماہی میں 240 ملین ڈالر کے۔ اس بھاری فروخت کے اثر کا بڑا حصہ میوچل فنڈ زاور NBFCs نے جذب کیا، بالترتیب 307 ملین ڈالر اور 102 ملین ڈالر کی net خریداری کے ساتھ۔

گاڑیوں کے پُرزہ جات کے تیار کنندگان اور گاڑیوں کے اسمبلرز 2017ء کی پہلی ششماہی کے دوران بہترین کارکردگی کا مظاہرہ کرنے والے شعبے بنے رہے، بالترتیب 83% اور 77% منافع کے ساتھ۔ بڑے شعبوں میں سے ٹیکسوں نے زیر جائزہ مدت کے دوران 33% منافع کما کر سب سے عمدہ کارکردگی کا مظاہرہ کیا، جس کی بنیادی وجوہات ایڈوانسز میں بہتری، بڑھتے ہوئے ڈپازٹس اور انٹریٹ پست ترین شرحیں ہیں۔ سینٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران 30% منافع کمایا کیونکہ بھرپور مانگ اور اس کے ساتھ صحتمند margins نے اس شعبے میں سرمایہ کاروں کی دلچسپی برقرار رکھی۔ خام تیل کی قیمتوں میں بہتری سے بھی E&Ps پر مثبت اثرات مرتب ہوئے جس نے 2017ء کے پہلی ششماہی کے دوران صحتمند 27% منافع کمایا۔ دوسری جانب کھاد کے شعبے نے صرف 2% منافع کما کر انڈیکس سے کم کارکردگی کا مظاہرہ کیا، جس کی وجوہات انویٹریز میں اضافہ اور اس کے ساتھ یوریا کی قیمتوں پر ڈسکاؤنٹس نے اس شعبے کو متاثر کیا۔

ہم امید کرتے ہیں کہ جوں جوں مارکیٹ MSCI EM انڈیکس تک اپنی گریجویٹیشن کے قریب پہنچ رہی ہے، یہ مثبت رفتار جاری رہے گی۔ علاوہ ازیں، انٹریٹ کی پست شرحیں بھی فکسڈ آمدنی کے منافع کو پست رکھے ہوئے ہیں، جس سے ایکویٹی مارکیٹ میں liquidity کا رجحان مزید بڑھ رہا ہے۔ PSX موجودہ طور پر 11.99x کے فارورڈ ملٹپل پر، اور ابھی تک MSCI EM کے 10.5% ڈسکاؤنٹ پر تجارت کر رہا ہے، اور اس سے عکاسی ہوتی ہے کہ یہاں ری-ریٹنگ کی مزید گنجائش ہے۔

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے مقررہ معیار 21.01% کے مقابلے میں 23.54% منافع حاصل کیا۔

ایکویٹی کے گوشے میں مجموعی اختصاص اختتام مدت پر 78% تھا۔ فنڈ نے توانائی کی پیداوار اور تقسیم، سینٹ، کھاد اور آرٹیکل اور گیس کے شعبے میں اپنی شمولیت کو کم کیا۔

فکسڈ انکم کے گوشے میں سلگ میں کوئی شمولیت نہیں تھی جو زیر جائزہ مدت کے اختتام پر پورٹ فولیو کا 0.0% تھی۔

31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 1,187 ملین روپے تھی، جو 30 جون 2016ء پر 821 ملین روپے مالیت کے مقابلے میں 44.58% زیادہ ہے۔

31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 78.47 روپے تھی، جو 30 جون 2016ء پر 63.25 روپے فی یونٹ قدر کے مقابلے میں 14.95 روپے فی یونٹ

زیادہ ہے۔

## مستقبل کا منظر

خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بیل کے ماحول میں دستیاب مالیاتی خلاء کے بتدریج ختم ہو جانے کا امکان ہے۔ حکومت کے تازہ ترین پندرہ روزہ فیصلہ جاتی نکات میں پٹرول کی قیمتوں پر نظر ثانی کا حالیہ فیصلہ مالیاتی آزادی پر قدغن کی طرف اشارہ کر رہا ہے۔ حالیہ اعلان کردہ ٹیکس سائل پیکیج سے برآمدات کے شعبے کو معاونت فراہم ہونے کی توقع ہے۔ تاہم مطلوبہ سے زیادہ

قدر کا حامل روپیہ، جیسا کہ REER سے ظاہر ہوتا ہے، ابھی تک ملک کی برآمداتی مسابقت کی صلاحیت کے لئے ایک رکاوٹ ہے۔ تاہم ممکن ہے کہ یہ نوبت تب تک نہ آئے جب تک حکومت قرض کی حصول کے ذریعے اس خلیج کو پُر کرنا جاری رکھے گی۔

پٹرول کی قیمتوں میں اضافوں اور ایشیائی خورد و نوش کے افراط زر پر ان کے اثر سے متوقع طور پر افراط زر کے دباؤ کا بھی زور ٹوٹ جائے گا۔ ہماری توقع ہے کہ اس سال کے افراط زر کا اوسط 4.3% ہوگا۔ یہاں یہ بات قابل ذکر ہے کہ دوسری ششماہی میں افراط زر کا اوسط تقریباً 4.8% متوقع ہے، اور سال کے اختتامی مہینوں میں افراط زر 5% سے زیادہ ہوگا۔

اگرچہ ہمیں اُمید ہے کہ افراط زر کے مستحکم رجحانات کے پیش نظر مختصر میعاد میں انٹریسٹ کی شرحیں مستحکم رہیں گی، لیکن زرمبادلہ کی شرح کی مطلوبہ سے زیادہ قدر، اور اس کے ساتھ کمزور خارجی اکاؤنٹ سے مستقبل میں اُبھرنے والے رجحانات کا باریک بین جائزے کا اندازہ ہوتا ہے، وہ رجحانات جو مالیاتی عناصر کو گس دینے کی حمایت کی طرف جھکے ہونے کے باوجود دونوں جانب مرض پھیلا سکتے ہیں۔ چین پاکستان معاشی راہداری سے ترقی کے لیے بے حد مطلوب قوت حاصل ہونے کا امکان ہے؛ 50 بلین ڈالر سے زائد کا یہ پروگرام متوقع طور پر تعمیرات اور توانائی کی خلاء میں سرگرمیاں پیدا کرنے کا محرک بنے گا اور اس کے اثرات دیگر شعبوں پر بھی مرتب ہوں گے۔ تاہم مختصر میعاد میں درآمداتی بل میں اضافے کے ساتھ غیر ملکی براہ راست سرمایہ کاریوں کی آمدات سے کرنٹ اکاؤنٹ میں مزید انحطاط متوقع ہے۔ طویل میعاد میں منافع کی وطن واپسی بھی ادائیگیوں کے توازن کی صورتحال کے لیے ایک خدشہ ہوگی۔

پاکستان انٹریسٹ کی پست / مستحکم شرح کے ماحول اور اس کے ساتھ چین پاکستان معاشی راہداری کی صورت میں ترقی کے محرک کے باعث بہتر مقام بنانے اور معاشی توسیعی چکر میں ہونے کی وجہ سے اُبھرتی ہوئی مارکیٹ کی دیگر معیشتوں کے مقابلے میں بہتر کارکردگی کا مظاہرہ کرے گا۔ اُمید کی جارہی ہے کہ اس پروگرام سے تعمیرات اور متعلقہ صنعتی شعبوں کو معاونت فراہم ہوگی۔ بیکاری کے شعبے کو بھی ایڈوانسز کی مضبوط ترقی اور انٹریسٹ کی مستحکم شرح کے ماحول سے متوقع طور پر فائدہ ہوگا۔ باقاعدہ شمولیت کے قریب آنے پر MSCI سے مخصوص کمپنیوں کا منظر عام پر آنا متوقع ہے۔ تاہم ٹرمپ کے امریکی صدر بننے کے بعد عالمی معیشتوں میں غیر یقینی حالات کے نتیجے میں عالمی مارکیٹس میں عدم استحکام اور اُبھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر میعاد کارکردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہارِ شکر

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

برائے بورڈ اور بورڈ کی جانب سے



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
02 فروری 2017ء

# TRUSTEE REPORT TO THE UNIT HOLDERS

## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office:

CDC House, 99-B, Block 'B',  
S.M.C.H.S. Main Shahra-e-Faisal,  
Karachi - 74400, Pakistan.

Tel: (92-21) 111-111-500

Fax: (92-21) 34326020 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com



## TRUSTEE REPORT TO THE UNIT HOLDERS

### PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND

#### Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan International Element Islamic Asset Allocation Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2016 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 17, 2017



# AUDITOR'S REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
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ey.com/pk

## AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan International Element Islamic Asset Allocation Fund** (the Fund) as at **31 December 2016**, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund and notes to the accounts for the half year then ended (here-in-after referred to as "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

**Chartered Accountants**

**Engagement Partner: Shabbir Yunus**

**Date: 02 February 2017**

**Karachi**

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT DECEMBER 31, 2016**

	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
Note	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Balances with banks	213,228	133,896
Investments	987,100	696,680
Receivable against sale of investments	57,678	7,540
Dividend and profit receivable	4,866	2,320
Advances, deposits and prepayments	3,231	3,205
<b>Total assets</b>	<b>1,266,103</b>	<b>843,641</b>
<b>LIABILITIES</b>		
Payable to the Management Company	2,808	2,347
Payable to the Trustee	200	160
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	463	781
Payable against purchase of investments	54,563	-
Accrued and other liabilities	21,494	19,844
<b>Total liabilities</b>	<b>79,528</b>	<b>23,132</b>
<b>NET ASSETS</b>	<b>1,186,575</b>	<b>820,509</b>
<b>Unit holders' fund (as per statement attached)</b>	<b>1,186,575</b>	<b>820,509</b>
<b>Contingencies and commitments</b>	7	
	----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>	<b>15,120,800</b>	<b>12,916,673</b>
	----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>	<b>78.47</b>	<b>63.52</b>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
(Rupees in '000)					
<b>INCOME</b>					
Net gain on sale of investments		106,613	151	77,186	1,164
Dividend income		21,856	14,064	12,674	7,759
Income from investment in sukuk certificates		-	2,440	-	1,207
Profit on bank deposits		5,889	6,347	2,413	3,669
Net unrealised appreciation / (diminution) on revaluation of investments 'at fair value through profit or loss - held-for-trading'	5.1	30,187	(2,547)	30,312	1,561
<b>Total income</b>		<b>164,545</b>	<b>20,455</b>	<b>122,585</b>	<b>15,360</b>
Impairment loss on available-for-sale investment		-	566	-	566
<b>EXPENSES</b>					
Remuneration of the Management Company		9,541	8,496	4,905	4,288
Sales tax and federal excise duty on remuneration of the Management Company		1,238	2,752	636	1,378
Expenses allocated by the Management Company and related taxes		553	90	285	90
Remuneration of the Trustee		981	862	491	434
Sales tax on trustee fee		109	121	64	61
Annual fee to SECP		463	412	238	208
Brokerage, settlement and bank charges		2,183	674	1,490	382
Printing and related costs		87	127	32	64
Fees and subscription		45	150	(66)	89
Shariah advisory fee		450	83	220	83
Auditors' remuneration		287	325	143	154
Donation		428	219	221	87
<b>Total expenses</b>		<b>16,365</b>	<b>14,311</b>	<b>8,659</b>	<b>7,318</b>
<b>Net income from operating activities</b>		<b>148,180</b>	<b>5,578</b>	<b>113,926</b>	<b>7,476</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed:					
- from realised / unrealised capital gains / (losses)		9,965	(2,648)	9,185	(2,666)
- from other (loss) / income		(1,525)	2,359	(1,469)	1,652
		8,440	(289)	7,716	(1,014)
<b>Net income for the period before taxation</b>		<b>156,620</b>	<b>5,289</b>	<b>121,642</b>	<b>6,462</b>
Taxation	8	-	-	-	-
<b>Net income for the period after taxation</b>		<b>156,620</b>	<b>5,289</b>	<b>121,642</b>	<b>6,462</b>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Net income for the period after taxation	156,620	5,289	121,642	6,462
<b>Other comprehensive income / (loss):</b>				
<b>To be reclassified to profit or loss account in subsequent periods</b>				
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'	54,807	(48,569)	27,872	10,184
Other comprehensive income / (loss) for the period	<u>54,807</u>	<u>(48,569)</u>	<u>27,872</u>	<u>10,184</u>
<b>Total comprehensive income / (loss) for the period</b>	<u><u>211,427</u></u>	<u><u>(43,280)</u></u>	<u><u>149,514</u></u>	<u><u>16,646</u></u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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

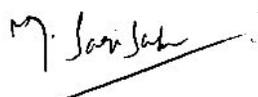


Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
<b>Undistributed income brought forward</b>				
<b>comprises of:</b>				
- Realised income	121,075	97,141	188,707	133,401
- Unrealised income / (loss)	109	17,168	125	(4,108)
Undistributed income brought forward - net	121,184	114,309	188,832	129,293
Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed - amount representing unrealised income / (loss)	44,425	3,526	11,755	(12,631)
Net income for the period	156,620	5,289	121,642	6,462
	201,045	8,815	133,397	(6,169)
<b>Undistributed income carried forward</b>	322,229	123,124	322,229	123,124
<b>Undistributed income carried forward</b>				
<b>comprises of:</b>				
- Realised income	292,042	125,671	291,917	121,563
- Unrealised income / (loss)	30,187	(2,547)	30,312	1,561
	322,229	123,124	322,229	123,124

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Net assets at beginning of the period	820,509	803,601	1,013,916	835,216
Issue of 7,406,388 units (2015: 5,580,063 units) and 3,941,850 units (2015: 2,175,819 units) for the half year and quarter ended respectively	514,087	331,911	287,211	127,301
Redemption of 5,202,261 units (2015: 5,943,872 units) and 3,714,207 units (2015: 4,047,347 units) for the for the half year and quarter ended respectively	(351,008)	(346,862)	(256,350)	(234,518)
Element of (income) / loss and capital (gains) / losses included in the prices of units sold less those in units redeemed:	163,079	(14,951)	30,861	(107,217)
- amount representing (gain) / loss and capital (gains) / losses - transferred to income statement:				
- from realised / unrealised capital (gains) / losses	(9,965)	2,648	(9,185)	2,666
- from other loss / (income)	1,525	(2,359)	1,469	(1,652)
- amount representing unrealised (income) / loss and capital (gains) / losses that forms part of the unit holders' fund transferred to the distribution statement	(44,425)	(3,526)	(11,755)	12,631
	(52,865)	(3,237)	(19,471)	13,645
Net income / (loss) for the period transferred from the distribution statement:				
Net gain on sale of investments	106,613	151	77,186	1,164
Net unrealised appreciation / (diminution) on revaluation of investments 'at fair value through profit or loss - held-for-trading'	30,187	(2,547)	30,312	1,561
Other income for the period	19,820	7,685	14,144	3,737
Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed - amount representing unrealised income / (loss)	44,425	3,526	11,755	(12,631)
	201,045	8,815	133,397	(6,169)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'	54,807	(48,569)	27,872	10,184
<b>Net assets at end of the period</b>	<b>1,186,575</b>	<b>745,659</b>	<b>1,186,575</b>	<b>745,659</b>
	----- (Number of units) -----			
<b>NUMBER OF UNITS IN ISSUE</b>	<b>15,120,800</b>	12,825,200	<b>15,120,800</b>	12,825,200
	----- (Rupees) -----			
<b>NET ASSETS VALUE PER UNIT</b>	<b>78.47</b>	58.14	<b>78.47</b>	58.14

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



**Chief Executive Officer**

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



**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----				
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	156,620	5,289	121,642	6,462
<b>Adjustments for :</b>				
Net unrealised (appreciation) / diminution on revaluation of investments 'at fair value through profit or loss - held-for-trading'	(30,187)	2,547	(30,312)	(1,561)
Impairment loss on 'available-for-sale' investment	-	566	-	566
Element of (income) / loss and capital (gains) / losses included in the prices of units sold				
- from realised / unrealised (capital gains) / losses	(9,965)	2,648	(9,185)	2,666
- from other loss / (income)	1,525	(2,359)	1,469	(1,652)
	<b>117,993</b>	<b>8,691</b>	<b>83,614</b>	<b>6,481</b>
<b>(Increase) / decrease in assets</b>				
Receivable against sale of investments	(50,138)	16,141	(25,145)	(2,399)
Investments	(205,426)	(52,764)	(229,643)	29,667
Dividend and profit receivable	(2,546)	50	5,133	5,106
Advances, deposits and prepayments	(26)	(11)	(278)	(108)
	<b>(258,136)</b>	<b>(36,584)</b>	<b>(249,933)</b>	<b>32,266</b>
<b>Increase / (decrease) in liabilities</b>				
Payable against purchase of investments	54,563	-	54,563	-
Payable to the Management Company	461	(331)	494	(514)
Payable to the Trustee	40	17	14	(4)
Annual fee payable to SECP	(318)	(72)	238	208
Accrued and other liabilities	1,650	(7,844)	(29,197)	1,107
	<b>56,396</b>	<b>(8,230)</b>	<b>26,112</b>	<b>797</b>
<b>Net cash (used in) / generated from operating activities</b>	<b>(83,747)</b>	<b>(36,123)</b>	<b>(140,207)</b>	<b>39,544</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	514,087	331,911	287,211	127,301
Payments on redemption of units	(351,008)	(346,862)	(256,350)	(234,518)
<b>Net cash generated from / (used in) financing activities</b>	<b>163,079</b>	<b>(14,951)</b>	<b>30,861</b>	<b>(107,217)</b>
<b>Net increase / (decrease) in cash and cash equivalents during the period</b>	<b>79,332</b>	<b>(51,074)</b>	<b>(109,346)</b>	<b>(67,673)</b>
Cash and cash equivalents at beginning of the period	133,896	242,427	322,574	259,026
<b>Cash and cash equivalents at end of the period</b>	<b>213,228</b>	<b>191,353</b>	<b>213,228</b>	<b>191,353</b>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 The Pakistan International Element Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (the Management Company, "AHIL") as Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was executed on December 14, 2005 and was approved by SECP under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules).
- 1.2 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.
- 1.3 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.4 The Fund is an open ended mutual fund and is listed on the Pakistan Stock Exchange Limited. The principal activity of the Fund is to make investment in shariah compliant investments in securities or instruments both inside and outside Pakistan. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as "shariah compliant asset allocation scheme" by the Board of Directors of the Asset Management Company in pursuant to Circular No. 7 of 2009 dated March 06, 2009 issued by the SECP.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated June 08, 2016 to the Management Company.
- 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 These condensed interim financial statements for the half year ended December 31, 2016, have been prepared in accordance with the requirements of International Accounting Standard 34: 'Interim Financial Reporting', the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. In case where requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP prevail.
- 2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2016.
- 2.3 These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. Figures for the quarters ended December 31, 2016 and December 31, 2015 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.
- 2.4 These condensed interim financial statements are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

## 3. ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, basis of accounting estimates applied and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2016, except as described in note 3.1 below:

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

**3.1 New / Revised Standards, Interpretations and Amendments**

The Fund has adopted the following standards and amendment to IFRSs which became effective for the current period:

**Standard or Interpretation**

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

**Improvements to Accounting Standards Issued by the IASB in September 2014**

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above standards, amendment and improvement to accounting standards did not have any effect on the condensed interim financial statements.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Fund believes that such improvements to the standards do not have any impact on the Fund's financial statements for the period.

**3.2 FINANCIAL RISK MANAGEMENT**

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

**4. TOTAL EXPENSE RATIO**

As per Directive 23 of 2016 dated July 20, 2016 issued by SECP the Total Expense Ratio of the Fund is 1.69% as on December 31, 2016 and this includes 0.18% representing Government Levy and SECP fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations 60 (5) for a collective investment scheme categorised as an asset allocation scheme.

		<b>(Un-Audited)</b>	<b>(Audited)</b>
		<b>December 31,</b>	<b>June 30,</b>
		<b>2016</b>	<b>2016</b>
	<b>Note</b>	<b>----- (Rupees in '000) -----</b>	
<b>5. INVESTMENTS</b>			
<b>'At fair value through profit or loss - 'held-for-trading'</b>			
Listed equity securities	5.1	<b>468,238</b>	999
<b>'Available-for-sale'</b>			
Listed equity securities	5.2	<b>518,862</b>	695,681
		<b>987,100</b>	696,680

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.1 Listed equity securities - 'at fair value through profit or loss - held-for-trading'

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
(Rupees in '000)											
(Number of shares)											
<b>Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise</b>											
<b>Fertilizer</b>											
Engro Corporation Limited	3,000	-	-	3,000	-	-	-	-	-	-	-
Engro Fertilizers Limited	-	540,000	-	-	540,000	36,639	36,709	70	3.72%	3.09%	0.04%
Dawood Hercules Corporation Limited	-	40,000	-	-	40,000	5,661	5,773	112	0.58%	0.49%	0.01%
Fatima Fertilizer Company Limited - related party	-	454,000	-	200,000	254,000	8,320	9,370	1,050	0.95%	0.79%	0.01%
						50,620	51,852	1,232	5.25%	4.37%	0.06%
<b>Pharmaceuticals</b>											
The Searle Company Limited	-	17,500	-	-	17,500	10,461	11,441	980	1.16%	0.96%	0.01%
GlaxoSmithKline Pakistan Limited	-	120,000	-	-	120,000	27,598	27,996	398	2.84%	2.36%	0.04%
						38,059	39,437	1,378	4.00%	3.32%	0.05%
<b>Oil and gas exploration companies</b>											
Pakistan Petroleum Limited	-	182,000	-	15,000	167,000	27,522	31,426	3,904	3.18%	2.65%	0.01%
Oil & Gas development company Limited	-	100,000	-	-	100,000	16,580	16,535	(45)	1.68%	1.39%	0.00%
						44,102	47,961	3,859	4.86%	4.04%	0.01%
<b>Oil and gas marketing companies</b>											
Sui Northern Gas Pipelines Limited - related party	-	281,500	-	-	281,500	20,146	22,962	2,816	2.33%	1.94%	0.04%
Hascol Petroleum Limited	-	65,000	-	-	65,000	22,574	21,939	(635)	2.22%	1.85%	0.05%
						42,720	44,901	2,181	4.55%	3.79%	0.09%
<b>Refinery</b>											
Attock Refinery Limited	-	71,000	-	-	71,000	27,011	30,196	3,185	3.06%	2.54%	0.08%
National Refinery Limited	-	32,000	-	1,100	30,900	19,085	17,648	(1,437)	1.79%	1.49%	0.04%
						46,096	47,844	1,748	4.85%	4.03%	0.12%
<b>Engineering</b>											
Amreli Steels Limited	-	125,000	-	125,000	-	-	-	-	-	-	-
<b>Cable and electrical goods</b>											
Pak Elektron Limited	-	504,500	-	-	504,500	35,739	35,961	222	3.64%	3.03%	0.10%
						35,739	35,961	222	3.64%	3.03%	0.10%
<b>Chemical</b>											
Ghani Gases Limited	-	25,500	-	25,500	-	-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
----- (Rupees in '000) -----											
----- (Number of shares) -----											
<b>Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise</b>											
<b>Automobile assembler</b>											
Pak Suzuki Motor Company Limited	-	25,000	-	-	25,000	13,947	15,321	1,374	1.55%	1.29%	0.03%
						13,947	15,321	1,374	1.55%	1.29%	0.03%
<b>Leathers and tanneries</b>											
Service Industries Limited	-	10,000	-	-	10,000	12,686	14,971	2,285	1.52%	1.26%	0.08%
						12,686	14,971	2,285	1.52%	1.26%	0.08%
<b>Cement</b>											
Maple Leaf Cement Factory Limited	-	247,500	-	122,500	125,000	15,983	15,948	(35)	1.62%	1.34%	0.02%
Lucky Cement Limited	-	107,250	-	-	107,250	79,998	92,906	12,908	9.41%	7.83%	0.03%
Kohat Cement Company Limited	-	100,000	-	-	100,000	28,001	29,164	1,163	2.95%	2.46%	0.06%
Cherat Cement Company Limited	-	125,000	-	-	125,000	22,000	21,755	(245)	2.20%	1.83%	0.07%
						145,982	159,773	13,791	16.18%	13.46%	0.18%
<b>Commercial banks</b>											
Meezan Bank Limited	-	150,000	-	-	150,000	8,100	10,217	2,117	1.04%	0.86%	0.01%
						8,100	10,217	2,117	1.04%	0.86%	0.01%
<b>December 31, 2016</b>						<b>438,051</b>	<b>468,238</b>	<b>30,187</b>			
<b>June 30, 2016</b>						890	999	109			

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

5.2 Listed equity securities - 'available-for-sale'

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
(Rupees in '000)											
<b>Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise</b>											
<b>Cement</b>											
Lucky Cement Limited	85,000	-	-	85,000	-	-	-	-	-	-	-
Kohat Cement Company Limited	50,000	-	-	50,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	180,000	160,000	-	340,000	-	-	-	-	-	-	-
Cherat Cement Company Limited	238,000	161,800	-	281,000	118,800	20,676	6,853	2.09%	1.74%	0.07%	
Pioneer Cement Limited	238,500	32,000	-	270,500	-	-	-	-	-	-	-
D.G.Khan Cement Company Limited - related party	-	210,000	-	210,000	-	-	6,853	2.09%	1.74%	0.07%	
<b>Automobile assembler</b>											
Honda Atlas Cars (Pakistan) Limited	-	31,300	-	24,500	6,800	4,055	492	0.46%	0.38%	0.01%	
Pak Suzuki Motor Company Limited	-	35,000	-	-	35,000	20,607	842	2.17%	1.81%	0.04%	
						24,662	1,334	2.63%	2.19%	0.05%	
<b>Automobile parts and accessories</b>											
Agriaautos Industries Limited *	52,800	37,000	-	52,800	37,000	10,001	3,245	1.34%	1.12%	0.26%	
						10,001	3,245	1.34%	1.12%	0.26%	
<b>Cable and electrical goods</b>											
Pak Elektron Limited	343,750	340,000	-	683,750	-	-	-	-	-	-	-
<b>Chemical</b>											
Archroma Pakistan Limited	16,000	-	-	16,000	-	-	-	-	-	-	-
ICI Pakistan Limited	61,600	-	-	49,600	12,000	11,925	6,854	1.21%	1.00%	0.01%	
Linde Pakistan Limited	34,000	-	-	-	34,000	2,134	4,509	0.67%	0.56%	0.14%	
Sitara Chemical Industries Limited	-	20,500	-	20,500	-	-	11,363	1.88%	1.56%	0.15%	
<b>Engineering</b>											
International Steels Limited	-	60,000	-	60,000	-	-	-	-	-	-	-
Crescent Steel and Allied Products Limited	-	57,000	-	57,000	-	-	-	-	-	-	-
Amreli Steels Limited	335,000	-	-	335,000	-	-	-	-	-	-	-
Mughal Iron & Steel Industries Limited	-	215,000	-	215,000	-	-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
	----- (Rupees in '000) -----										
	----- (Number of shares) -----										
<b>Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise</b>											
<b>Fertilizer</b>											
Engro Corporation Limited	232,000	45,000	-	277,000	-	-	-	-	-	-	-
Engro Fertilizers Limited	291,000	509,000	-	252,500	547,500	37,219	456	3.77%	3.14%	0.04%	
Dawood Hercules Corporation Limited	179,000	75,000	-	79,000	175,000	25,258	2,432	2.56%	2.13%	0.04%	
Fatima Fertilizer Company Limited - related party	-	65,000	-	-	65,000	2,184	2,398	0.24%	0.20%	0.00%	
						<b>61,773</b>	<b>64,875</b>	<b>3,102</b>	<b>6.57%</b>	<b>5.47%</b>	<b>0.08%</b>
<b>Food and personal care products</b>											
Engro Foods Limited	700	-	-	-	700	114	134	0.01%	0.01%	0.00%	
						<b>114</b>	<b>134</b>	<b>0.01%</b>	<b>0.01%</b>	<b>0.00%</b>	
<b>Glass and ceramics</b>											
Tariq Glass Industries Limited	343,500	-	-	343,500	-	-	-	-	-	-	
						<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Miscellaneous</b>											
Shifa International Hospitals Limited	70,911	-	-	22,800	48,111	13,515	14,790	1.275	1.50%	0.09%	
						<b>13,515</b>	<b>14,790</b>	<b>1,275</b>	<b>1.50%</b>	<b>1.25%</b>	<b>0.09%</b>
<b>Oil and gas exploration companies</b>											
Pakistan Petroleum Limited ***	-	246,500	-	64,000	182,500	29,286	34,343	5,057	3.48%	2.89%	
Oil & Gas Development Company Limited ***	213,900	472,000	-	309,000	376,900	53,690	62,320	8,630	6.31%	5.25%	
Pakistan Oilfields Limited	97,000	25,000	-	43,500	78,500	26,115	41,968	15,853	4.25%	3.54%	
Mari Petroleum Company Limited	30,800	16,500	-	3,100	44,200	35,233	60,771	25,538	6.16%	5.12%	
						<b>144,324</b>	<b>199,402</b>	<b>55,078</b>	<b>20.20%</b>	<b>16.80%</b>	<b>0.09%</b>
<b>Oil and gas marketing companies</b>											
Hi-Tech Lubricants Limited	357,500	-	-	357,500	-	-	-	-	-	-	
Attock Petroleum Limited	-	200	-	-	200	107	137	30	0.01%	0.01%	
Hasecol Petroleum Limited	-	87,800	-	87,800	-	-	-	-	-	-	
Shell Pakistan Limited	14,200	-	-	14,200	-	-	-	-	-	-	
Sui Northern Gas Pipelines Limited - related party	-	360,000	-	360,000	-	-	-	-	-	-	
						<b>107</b>	<b>137</b>	<b>30</b>	<b>0.01%</b>	<b>0.01%</b>	<b>0.00%</b>
<b>Paper and board</b>											
Packages Limited	19,000	37,350	-	56,000	350	245	298	53	0.03%	0.03%	
						<b>245</b>	<b>298</b>	<b>53</b>	<b>0.03%</b>	<b>0.03%</b>	
<b>Refinery</b>											
Attock Refinery Limited	-	30,000	-	-	30,000	10,210	12,759	2,549	1.29%	1.08%	
						<b>10,210</b>	<b>12,759</b>	<b>2,549</b>	<b>1.29%</b>	<b>1.08%</b>	

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of total investments	Market value as a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
(Rupees in '000)											
(Number of shares)											
<b>Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise</b>											
<b>Commercial banks</b>											
Meezan Bank Limited	-	250,000	-	-	250,000	12,812	17,028	4,216	1.73%	1.44%	0.02%
						12,812	17,028	4,216	1.73%	1.44%	0.02%
<b>Leather and tanneries</b>											
Service Industries Limited	-	3,050	-	-	3,050	3,966	4,566	600	0.46%	0.38%	0.03%
						3,966	4,566	600	0.46%	0.38%	0.03%
<b>Textile composite</b>											
Nishat Mills Limited * - related party	285,000	219,000	-	357,100	146,900	18,320	22,368	4,048	2.27%	1.89%	0.04%
Kohinoor Textile Mills Limited	81,000	168,500	-	222,000	27,500	2,185	3,196	1,011	0.32%	0.27%	0.01%
						20,505	25,564	5,059	2.59%	2.16%	0.05%
<b>Technology and communication</b>											
Pakistan Telecommunication Company Limited 'A'	-	725,000	-	725,000	-	-	-	-	-	-	-
Neitsol Technologies Limited	-	330,500	-	-	330,500	19,885	17,940	(1,945)	1.82%	1.51%	0.37%
						19,885	17,940	(1,945)	1.82%	1.51%	0.37%
<b>Pharmaceuticals</b>											
The Searle Company Limited	2,010	-	281	-	2,291	797	1,498	701	0.15%	0.13%	0.01%
IBL HealthCare Limited	39,600	-	585	35,700	4,485	432	763	331	0.08%	0.06%	0.01%
Abbott Laboratories (Pakistan) Limited	32,250	-	-	16,250	16,000	10,589	15,313	4,724	1.55%	1.29%	0.02%
						11,818	17,574	5,756	1.78%	1.48%	0.04%
<b>Power generation and distribution</b>											
Hub Power Company Limited ***	233,744	416,000	-	342,000	307,744	35,715	38,000	2,285	3.85%	3.20%	0.03%
K-Electric Limited **	4,490,892	-	-	2,095,000	2,395,892	18,625	22,450	3,825	2.27%	1.89%	0.02%
Lalpur Power Limited - related party	865,000	-	-	865,000	-	-	-	-	-	-	-
Pakgen Power Limited - related party	722,500	-	-	541,000	181,500	5,304	4,859	(445)	0.49%	0.41%	0.05%
						59,644	65,309	5,665	6.61%	5.50%	0.10%
<b>December 31, 2016</b>											
						<b>414,609</b>	<b>518,862</b>	<b>104,253</b>			
<b>June 30, 2016</b>											
						646,235	695,681	49,446			

\* These have a face value of Rs.5 per share

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

\*\*\* These include shares with market value of Rs.54.81 million (June 30, 2016: Rs.61.36 million) which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund's trades in term of Circular No. 11 dated October 23, 2007 issued by SECP.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

		(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	Note	----- (Rupees in '000) -----	
<b>6. ACCRUED AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	6.1	9,641	9,641
Federal excise duty payable on management fee	6.2	5,910	5,910
Federal excise duty and related taxes payable on sales load	6.2	1,136	1,136
Sales load payable to MCB Bank Limited - related party		189	-
Charity / donation payable		738	310
Auditors' remuneration		207	423
Zakat payable		291	291
Withholding tax payable		1,386	101
Brokerage payable		1,685	1,591
Other payables		311	441
		<b>21,494</b>	<b>19,844</b>

**6.1** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs.0.5 million in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). During the period, the SCP passed a judgment on November 10, 2016, declaring the insertion of amendments introduced in the Finance Act pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh WWF Act, 2014. The Mutual Funds Association of Pakistan (MUFAP) believes that the Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP has obtained a legal opinion on these matters and based on such legal advice, has recommended to all its members on January 12, 2017 the following:

- i. The provision against the Federal WWF held by the Mutual Funds till June 30, 2015 to be reversed on January 12, 2017; and
- ii. Provision against Sindh WWF, on prudent basis, should be made from the date of enactment of the Sindh WWF Act, 2014 (i.e. May 21, 2015) with effect from January 12, 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and SECP vide its letter dated February 01, 2017 advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosure in the financial statements of Mutual Funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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The cumulative net effect of the above two adjustments if had been done at December 31, 2016 would have resulted in increase in the net assets value per unit by Re.0.37 (0.47%) per unit.

- 6.2 There is no change in the status of petition pending with SHC as reported in note 14 to the annual financial statements of the Fund for the year ended June 30, 2016.

Furthermore, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs.7.046 million (June 30, 2016: Rs.7.046 million). Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the net assets value per unit of the Fund would have been higher by Re.0.47 per unit as at December 31, 2016 (June 30, 2016: Re.0.55 per unit).

**7. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at December 31, 2016.

**8. TAXATION**

The Fund's income is exempt from income tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed in cash amongst the unit holders. The Management Company intends to distribute not less than 90% of its annual accounting income in cash, if any, to comply with the above clause at year end. Accordingly, no tax provision has been made in these condensed interim financial statements for the half year ended December 31, 2016.

**9. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES**

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

----- (Un-Audited) -----			
Half year ended		Quarter ended	
December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----			

**9.1 Transactions during the period:**

**MCB Arif Habib Savings and Investments**

**Limited - Management Company**

Remuneration (including indirect taxes)	10,779	11,248	5,541	5,666
Expenses allocated by the Management				
Company and related taxes	553	90	285	-
Shariah advisory fee	450	83	220	83

**Central Depository Company of**

**Pakistan Limited - Trustee**

Remuneration including indirect taxes	1,090	983	555	495
Settlement charges	94	48	51	16

**Group / Associated Companies:**

**MCB Bank Limited**

Bank charges	5	15	1	-
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	----- (Un-Audited) -----			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
<b>Arif Habib Limited *</b>				
Brokerage expense	101	18	5	15
<b>Next Capital Limited *</b>				
Brokerage expense	158	57	67	-
<b>Pakgen Power Limited</b>				
Dividend income	723	723	-	-
<b>Lalpir Power Limited</b>				
Dividend income	303	865	-	-
<b>Nishat Mills Limited</b>				
Dividend income	1,580	-	1,580	-
<b>D.G Khan Cement Company Limited</b>				
Dividend income	450	-	450	-
<b>Fatima Fertilizer Company Limited</b>				
Dividend income	81	-	-	-
<b>Adamjee Life Assurance Company Limited - Investment Multiplier Fund **</b>				
Issuance of 2,032,118 units (2015: Nil units) and 2,032,118 units (2015: Nil units) for the half year and quarter ended respectively	150,000	-	150,000	-
<b>Other Related Parties:</b>				
<b>Key Management Personnel</b>				
Issuance of 1,557 units (2015: 36,507 units) and 1,557 units (2015: 4,752 units) for the half year and quarter ended respectively	105	2,214	105	377
Redemption of 9,720 units (2015: 34,830 units) and 3,538 units (2015: 6,697 units) for the half year and quarter ended respectively	676	2,372	262	698
			(Un-Audited) December 31, 2016	(Audited) June 30, 2016
			-----	-----
			(Rupees in '000)	(Rupees in '000)
<b>9.2 Balances outstanding at period / year end:</b>				
<b>MCB Arif Habib Savings and Investments Limited - Management Company</b>				
Remuneration payable			1,801	1,375
Sindh sales tax payable on management remuneration			234	192
Expense allocated by the Management Company			92	83
Sale load payable			496	352
Sindh sales tax payable on sales load payable			65	49
Back-end load payable			45	-
Shariah advisory fee payable			75	296

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
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	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	----- (Rupees in '000) -----	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable to the trustee (including related taxes)	133	160
Security deposit	200	200
<b>Group / Associated Companies:</b>		
<b>MCB Bank Limited</b>		
Balance with bank	6,281	24,112
Sales load payable	189	-
<b>Arif Habib Limited *</b>		
Brokerage payable	5	173
<b>Next Capital Limited *</b>		
Brokerage payable	44	71
<b>Lalpir Power Limited</b>		
Nil shares held (June 30, 2016: 865,000 shares) - 'available-for-sale'	-	18,771
<b>Sui Northern Gas Pipelines Limited</b>		
281,500 shares held (June 30, 2016: Nil shares) - 'held-for-trading'	22,962	-
<b>Pakgen Power Limited</b>		
181,500 shares held (June 30, 2016: 722,500 shares) - 'available-for-sale'	4,859	17,376
<b>Nishat Mills Limited</b>		
146,900 shares held (June 30, 2016: 285,000 shares) - 'available-for-sale'	22,368	30,752
<b>Fatima Fertilizer Company Limited</b>		
254,000 shares held (June 30, 2016: Nil shares) - 'held-for-trading'	9,370	-
65,000 shares held (June 30, 2016: Nil shares) - 'available-for-sale'	2,398	-
<b>D.G Khan Cement Company Limited - Employees Provident Fund Trust</b>		
99,937 units held (June 30, 2016: 99,937 units)	7,842	6,348
<b>Unit holders holding 10% or more units:</b>		
<b>Adamjee Life Assurance Company Limited - Investment Multiplier Fund</b>		
2,032,118 units held (June 30, 2016: Nil units)	159,466	-
<b>Other Related Parties:</b>		
<b>Key Management Personnel</b>		
43,480 units held (June 30, 2016: 51,643 units)	3,412	3,281

\* The amount disclosed represents the amount of brokerage paid / payable 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

**10. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	----- December 31, 2016 (Un-Audited) -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Financial assets 'at fair value through profit or loss - 'held-for-trading'</b>				
Listed equity securities	468,238	-	-	468,238
	<u>468,238</u>	<u>-</u>	<u>-</u>	<u>468,238</u>
<b>Financial assets classified as 'available-for-sale'</b>				
Listed equity securities	518,862	-	-	518,862
	<u>987,100</u>	<u>-</u>	<u>-</u>	<u>987,100</u>
	----- June 30, 2016 (Audited) -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>Financial assets 'at fair value through profit or loss - 'held-for-trading'</b>				
Listed equity securities	999	-	-	999
	<u>999</u>	<u>-</u>	<u>-</u>	<u>999</u>
<b>Financial assets classified as 'available-for-sale'</b>				
Listed equity securities	695,681	-	-	695,681
	<u>696,680</u>	<u>-</u>	<u>-</u>	<u>696,680</u>

During the period ended December, 31 2016, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

**11. SUBSEQUENT EVENT**

As fully disclosed in note 6.1 to these condensed interim financial statements, the Fund has recorded a reversal of provision maintained against Workers Welfare Fund and simultaneously recorded provision against Sindh Workers Welfare Fund on January 12, 2017. The financial impact of such adjustments are disclosed in the said note.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

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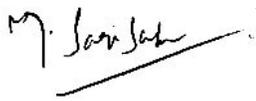
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**12. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue on February 02, 2017 by the Board of Directors of the Management Company.

**13. GENERAL**

Certain prior year's / period's figures have been reclassified for the purpose of comparison. However, there were no material reclassifications to report.



Chief Executive Officer

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



Director

Please find us on



by typing: **MCB Arif Habib Savings**

## **MCB-Arif Habib Savings and Investments Limited**

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