



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY PACRA

HALF YEAR REPORT

DECEMBER
2017
(UNAUDITED)

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

ALHAMRA ISLAMIC ACTIVE ALLOCATION FUND

CONTENTS

1	Fund's Information	338
2	Report of the Directors of the Management Company	339
3	Trustee Report to the Unit Holders	344
4	Auditor's Report to the Unit Holder on Review of Condensed Interim Financial Information	345
5	Condensed Interim Statement of Assets And Liabilities	346
6	Condensed Interim Income Statement (Un-audited)	347
7	Condensed Interim Statement of Comprehensive Income (Un-audited)	348
8	Condensed Interim Statement of Movement in Unit Holder's Funds (Un-audited)	349
9	Condensed Interim Cash Flow Statement (Un-audited)	350
10	Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)	351

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha 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
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Company Secretary	Mr. Muhammad Asif Mehdi Rizvi	
Chief Financial Officer	Mr. Abdul Basit	
Trustee	MCB Financial Services Limited 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
Bankers	MCB Bank Limited Dubai Islamic Bank Pakistan Limited Bank Islami Pakistan Limited Askari Bank Limited Bank Al-Habib Limited United Bank Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Dear Investor,

On behalf of the Board of Directors, We are pleased to present Alhamra Islamic Active Allocation Plan –I and Plan II accounts review for the half year ended December 31st, 2017 (launched on December 29, 2016 and June 16, 2017 respectively).

ECONOMY AND MONEY MARKET OVERVIEW

Economic scorecard continued to remain mixed with real side still indicating strong growth momentum, while external side conversely showing the vulnerabilities. Growth momentum of the economy continued during the period with LSM growing at strong pace of ~6% YoY, bolstered 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), economy looks on track to approach 6% target GDP growth for FY18.

Provisional fiscal deficit for the 1HFY18 was recorded at ~2.5% of GDP, despite commendable tax collection. Tax Authorities managed to collect PKR 1.3 trillion during the period, showing an impressive growth of 20% compared to same period last year.

CPI for the first half averaged at a moderate level of 3.75% YoY, supported by lower oil prices, stable food prices and a higher base effect. However, as of late it had started to inch up as witnessed by Dec'17 figure of 4.57%, owing to rising oil prices and depreciating currency. As a result of the stable indicators, the monetary policy committee has to date maintained its status quo approach.

On the external side, trade deficit widened to alarming levels. The current account deficit (CAD) for the first 6 months clocked in at USD ~7.5 billion (up 59% YoY). Trade deficit for 1HFY18 reached USD 14.3 billion up ~26% YoY. Import registered an increase of ~19% during the 1HFY18, propelled by petroleum imports and an expansionary fiscal and monetary policy. On the flip side, the impact of textile package started to gain some momentum as textile exports grew by ~8% during 1HFY18, though insufficient to bridge the gap created by rising imports. Resultantly, the foreign exchange reserves declined by USD ~1.2 billion, despite USD 2.5 billion floated in international bond markets. PKR also depreciated by ~5% against USD indicating a much need attempt from government to address widening external account.

Money markets took clue from the rising inflation expectations as against all tenors, 3-months t-bills remained the most preferred play. Meanwhile, longer tenor PIBs remained out of favor with very low participation from financial institutions & banks in auctions.

EQUITIES MARKET OVERVIEW

Pakistan Stock Exchange (PSX) continued its bearish momentum of its preceding quarter by posting another negative return of ~4.5% return in 2QFY18. This took 1HFY18/CY17 return to -13%/-15% respectively. Aggressive foreign selling was witnessed in the second half, whom remained net sellers of USD 155 mn in 1HFY18. This heavy selling was absorbed mostly by companies, banks and insurance companies with net buying of USD 71.7 mn, USD 54.2 mn and USD 63.4 mn, respectively.

A quarry of events kept the market in the red zone throughout first half of the current fiscal year. Be it prime minister's disqualification, indictment of Finance Minister Ishaq Dar by NAB, or protests & sit-ins by political parties all over the country. The market also felt jitters after MSCI's semi-annual review (15th Nov 2017) reduced Pakistan's weight in EM Index, and Engro Corporation was downgraded from MSCI EM Standard Index to MSCI Small Cap Index.

The adverse political scenario combined with economic headwinds in the shape of widening of Current Account Deficit (CAD) further deteriorated investor confidence. The most anticipated events of the first half occurred in the last month including Rupee Depreciation and appointment of Mr. Miftah Ismail as Adviser to the PM on Finance. Sector specific events also kept the investors at bay particularly penalty on HBL's New York branch and Govt's ban on import of furnace oil. Even positive news flows such as issuance of USD 1Bn Sukuk in the international bond and FTSE reclassification of five additional stocks into small cap series could not garner investor interest.

In the first half of the fiscal year, the only positive contributors to the index was E&Ps posting a gain of 19% in the wake of rising oil prices given positive outcome of OPEC meeting and regional oil supply disruptions. Fertilizer (-8% YoY) remained in the negative territory but still outperformed on the back of strong offtake numbers, declining inventories and stable international urea prices. Cement sector (-14% YoY) continued its 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. Brief relief was witnessed in the sector due to halt of construction work on a 7,300 tpd capacity expansion by Maple Leaf Cement, following an order issued by the Environmental Protection Agency (EPA), Government of Punjab.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2017

FUND PERFORMANCE

Alhamra Islamic Active Allocation Plan –I

The Fund was launched on December 29, 2016. During the period, the fund posted a negative return of 8.25% against the negative return of 11.95% for the benchmark.

The fund was 45.2% invested in Alhamra Islamic Stock Fund and 49.4% invested in Alhamra Islamic Income Fund at the period end.

The Net Assets of the Fund as at December 31, 2017 stood at Rs. 1,414 million. The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs. 91.7649.

Alhamra Islamic Active Allocation Plan –II

The fund was launched on June 16, 2017. During the period, the fund posted a negative return of 1.40% against a negative return of 11.94% for the benchmark.

The fund was 32% invested in Alhamra Islamic Stock Fund and 61.8% invested in Alhamra Islamic Income Fund as at 31st December, 2017.

The Net Assets of the Fund as at December 31, 2017 stood at Rs. 841 million. The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs. 98.6072.

FUTURE OUTLOOK

Challenges continue to increase on both economic and political front and require comprehensive plan and undeterred focus to consolidate the improvements seen in last few years. Given the current pace of trade deficit and weak performance on remittances, we expect current account deficit to approach USD 17 billion for the FY18 which in our estimates indicate an additional financing need of near USD 5 billion.

Nevertheless, market valuations remain at a very attractive level as indicated by risk premiums (difference between earnings yield and 10-year interest rates) which are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 9.71x, at a steep discount of 40% 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. While markets may react to overall happening events scheduled particularly in 2HFY18, we consider any weakness in the market as an opportunity to build long term exposures.

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

ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
February 23, 2018



Nasim Beg
Vice Chairman / Director

مستقبل کی صورتحال

معاشی اور سیاسی، دونوں رُخ پر مشکلات میں اضافہ ہو رہا ہے۔ چنانچہ حکومت کی مسلسل اور غیر متزلزل توجہ درکار ہے تاکہ گزشتہ کچھ برسوں میں جو بہتری دیکھی گئی ان کو منظم کیا جاسکے۔ تجارتی خسارے کی موجودہ رفتار اور ترسیل زر کی کمزور کارکردگی کو دیکھتے ہوئے ہم سمجھتے ہیں کہ مالی سال 2018ء میں کرنٹ اکاؤنٹ کا خسارہ 17 بلین ڈالر تک پہنچ جائے گا جس سے ہمارے اندازے کے مطابق تقریباً 5 بلین اضافی مالیت کی فراہمی کی ضرورت کی طرف اشارہ ہو رہا ہے۔

تاہم بازار کی قدر بہت پُکشتل سطح پر قائم ہیں، جیسا کہ رسک پریمزم (آمدنی کے حجم اور دس سالہ انٹریسٹ کی شرحوں کے درمیان فرق) سے اشارہ ہوتا ہے، جواب تک کی اونچی ترین سطح پر ہیں، اور اس سے اندازہ ہوتا ہے کہ بازار بہت ستارہ ہے گا۔ علاوہ ازیں، KSE-100 کی تجارت 9.71x کی فارورڈ P/E پر ہوئی جو اس کے اُبھرتے ہوئے مارکیٹ peer گروپ سے 40% بھرپور رعایت ہے۔ مستحکم پیش رفت میں (i) روپے کی قدر میں کمی اور انٹریسٹ کی اونچی شرحیں، اور (ii) CPEC اور ٹیکسٹائل کے شعبے کے لئے حکومت پاکستان کی مسلسل پشت پناہی (جن کی بدولت برآمدات کی حوصلہ افزائی ہوگی) شامل ہیں، جن کو سیاسی صورتحال کے قطع نظر درمیانی مدت سے سبقت لے جانا چاہئے۔ اگرچہ مجموعی سطح پر، اور خاص طور پر نصف آخر 2018 میں، طے شدہ واقعات کے عمل میں آنے پر مارکیٹ کا ردِ عمل ظاہر ہو سکتا ہے، ہم مارکیٹ کی کسی بھی کمزوری کو طویل المیعاد تجربات کا موقع سمجھتے ہیں۔

مقررہ آمدنی کی جہت میں توقع ہے کہ مارکیٹ خارجی اکاؤنٹ کی خطرناک صورتحال اور افراط زر کی سطح میں اضافے کی بنیاد پر محتاط رہے گی۔ معاشی رُخ، خاص طور پر ادائیگیوں کے توازن کی واضح تصویر سے مقررہ آمدنی کی مارکیٹس میں مزید شرکت کی طرف راہنمائی ہوگی۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees 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۔

من جانب ڈائریکٹرز،



نسیم بیگ
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
23 فروری 2018ء

ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

واقعات کی ایک کڑی نے موجودہ مالی سال کے نصف اول کے دوران بازار کو red زون میں رکھا، خواہ وزیراعظم کی نااہلی ہو، وزیر خزانہ اسحاق ڈار کی قومی احتساب بیورو (NAB) کی جانب سے برطرفی، یا ملکہ بھر میں سیاسی جماعتوں کے احتجاج اور دھرنے۔ علاوہ ازیں، جب MSCI کے نصف سالانہ جائسے (۱۵ نومبر ۲۰۱۷ء) میں EM انڈیکس میں پاکستان کی شمولیت میں کمی کی گئی تو مارکیٹ نے جھٹکے محسوس کیے، اور اینگرو کارپوریشن کو MSCI ای ایم اسٹینڈرڈ انڈیکس سے کم سطح پر لا کر MSCI small cap انڈیکس پر کر دیا گیا۔

کرنٹ اکاؤنٹ خسارے (CAD) کی صورت میں ظاہر ہونے والے معاشی جھٹکوں سمیت غیر موافق سیاسی صورتحال نے سرمایہ کاروں کے اعتماد کو مزید متاثر کیا۔ نصف اول کی متوقع ترین پیش رفت آخری مہینے میں ظاہر ہوئیں، جس میں روپے کی قدر میں کمی اور ڈاکٹر مفتاح اسماعیل کی وزیراعظم کے مشیر برائے مالیات کے طور پر تقرری شامل ہیں۔ سیکٹر سے مخصوص پیش رفت سے بھی سرمایہ کاروں کا اعتماد متاثر ہوا، خاص طور پر ایچ بی ایل کی نیویارک کی شاخ پر جرمانہ اور فرنیس آئل کی درآمد پر حکومتی پابندی۔ بین الاقوامی بانڈ میں 1 بلین ڈالر سٹاک کے اجراء اور FTSE کی پانچ اضافی اسٹاکس کی small cap سیریز میں ترتیب تو جیسی مثبت پیش رفت بھی سرمایہ کاروں کی دلچسپی حاصل نہ کر سکیں۔

مالی سال کے نصف اول میں انڈیکس میں مثبت (معیشت کے لئے منفی) کردار صرف E&Ps نے ادا کیا اور 19% منافع حاصل کیا، اگرچہ OPEC میٹنگ کے مثبت نتائج اور تیل کی علاقائی رسد میں خلل کے پس منظر میں تیل کی قیمتوں میں اضافہ ہو رہا تھا۔ کھاد (YoY -8%) منفی سطح پر برقرار رہی لیکن اس کے باوجود اس شعبے نے مستحکم offtake اعداد و شمار، انویسٹریز میں کمی اور یورپ کی بین الاقوامی قیمتوں میں استحکام کی بنیاد پر پہلے سے بہتر کارکردگی کا مظاہرہ کیا۔ سیمنٹ کے شعبے (YoY -14%) نے غیر معیاری کارکردگی جاری رکھی، جو اگلے 6-7 مہینوں میں جنوبی خطے میں استعداد میں 5 ملین ٹن وسعت پر مستقبل میں قیمتوں کے تعین کے نظام پر تشویش کا باعث ہے۔ مہیمل لیف سیمنٹ کی جانب سے استعداد میں 7,300 ٹن یومیہ وسعت کے تعمیری کام روک دیئے جانے کے باعث سیکٹر میں مختصر ریلیف کا مشاہدہ کیا گیا جس کے بعد اینوائز منفل پروڈکشن ایجنسی (EPA)، گورنمنٹ آف پنجاب کی طرف سے حکم نامہ جاری کیا گیا۔

فنڈ کی کارکردگی

I- الحمراء اسلامک ایکٹیو ایلوکیشن پلان

فنڈ کا آغاز 29 دسمبر 2016 کو کیا گیا۔ دورانِ مدت فنڈ نے 8.25% منفی منافع جبکہ مقررہ معیار 11.95% ہے۔ اختتامِ مدت پر فنڈ کی سرمایہ کاری 45.2% الحمراء اسلامک اسٹاک فنڈ میں اور 49.4% الحمراء اسلامک انکم فنڈ میں تھی۔ 31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 1,414 ملین روپے تھے۔ 31 دسمبر 2017 کو Net Asset Value (NAV) فی یونٹ 91.7649 روپے تھی۔

II- الحمراء اسلامک ایکٹیو ایلوکیشن پلان

فنڈ کا آغاز 16 جون 2017 کو کیا گیا۔ دورانِ مدت فنڈ نے 1.40% منفی منافع جبکہ مقررہ معیار 11.95% ہے۔ اختتامِ مدت پر فنڈ کی سرمایہ کاری 32% الحمراء اسلامک اسٹاک فنڈ میں اور 61.8% الحمراء اسلامک انکم فنڈ میں تھی۔ 31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 841 ملین روپے تھے۔ 31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 98.6072 روپے تھی۔

بورڈ آف ڈائریکٹرز کی جانب سے الحمراء اسلامک ایکٹیو ایلوکیشن پلان - I اور پلان - II (آغاز کردہ بالترتیب 29 دسمبر 2016 اور 16 جون 2017) کے 31 دسمبر 2017ء کو اختتام پذیر ہونے والے نصف سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

معاشی اعداد و شمار میں ملاحظہ جاتا رہا۔ حقیقی رُخ بدستور ترقی کی جانب اشارہ کر رہا ہے، جبکہ خارجی رُخ کمزوریوں کو ظاہر کر رہا ہے۔ دورانِ مدت معیشت کی ترقی تیز تر ہوتی رہی۔ اسٹیل، گاڑیوں اور اشیائے خورد و نوش کے شعبے کی ترقی کے باعث LSM نے 6% YoY کی بھرپور رفتار سے ترقی کی۔ علاوہ ازیں، زرعی شعبے کی ترقی کے باعث (جس کی عکاسی کپاس، چینی اور گندم کی فصل کے بھرپور اعداد و شمار میں ہوتی ہے) معیشت مالی سال 2018ء میں مجموعی ملکی پیداوار میں 6% ترقی کے ہدف کے حصول کی جانب گامزن نظر آ رہی ہے۔

پراوٹنل اقتصادی خسارہ برائے نصف اول 2018 قابلِ تحسین ٹیکس وصولی کے باوجود مجموعی ملکی پیداوار کا 2.5% تھا۔ ٹیکس ادارے دورانِ مدت 1.3 ٹریلین روپے جمع کر سکے، جو سالِ گزشتہ کی اسی مدت کے مقابلے میں 20% ترقی ہے۔

CPI کا اوسط برائے نصف اول 3.75% YoY کے درمیانے درجے پر تھا، جس کی پشت پناہی تیل کی پست قیمتوں، اشیائے خورد و نوش کی مستحکم قیمتوں اور اونچے base effect سے ہوئی۔ تاہم حال ہی میں اس میں اضافہ شروع ہو گیا تھا جیسا کہ دسمبر 2017ء کو 4.57% سے ظاہر ہے، جس کی وجوہات تیل کی بڑھتی ہوئی قیمتیں اور روپے کی گھٹتی ہوئی قدر ہیں۔ مستحکم اشاروں کے نتیجے میں مانیٹری پالیسی کمیٹی تاحال اپنے سابقہ لائحہ عمل پر قائم ہے۔

خارجی رُخ پر تجارتی خسارے میں تشویشناک سطح تک اضافہ ہو گیا۔ کرنٹ اکاؤنٹ کا خسارہ (CAD) برائے ابتدائی 6 ماہ 7.5 بلین ڈالر تھا (YoY 59% اضافہ)۔ پہلی ششماہی 2018ء میں تجارتی خسارہ 14.3 ڈالر تک پہنچ گیا، جو 26% YoY اضافہ ہے۔ نصف اول 2018ء کے دوران درآمدات میں 19% اضافہ ہوا جس کے اسباب پٹرولیم کی درآمدات اور وسعت پذیر اقتصادی اور مالیاتی پالیسی ہیں۔ دوسری جانب ٹیکسٹائل ٹیکج کے اثرات نے کچھ رفتار پکڑی اور 2018ء کی پہلی ششماہی کے دوران ٹیکسٹائل کی درآمدات میں 8% اضافہ ہوا، لیکن یہ اضافہ بڑھتی ہوئی برآمدات سے پیدا ہونے والی خلیج کو پُر کرنے کے لئے ناکافی تھا۔ نتیجتاً، غیر ملکی زرمبادلہ کے ذخائر میں 1.2 بلین ڈالر کمی ہوئی، اگرچہ بین الاقوامی بانڈ مارکیٹ میں 2.5 بلین ڈالر کی گردش ہوئی۔ علاوہ ازیں، امریکی ڈالر کے مقابلے میں روپے کی قدر میں 5% کمی ہوئی، جس سے وسعت پذیر خارجی اکاؤنٹ پر حکومتی توجہ کی ضرورت کی عکاسی ہوتی ہے۔

افراطِ زر میں تمام tenors کے مقابلے میں اضافے کی توقعات بازار کے لئے اشارہ تھا۔ سہ ماہانہ ٹی بلز کو سب سے زیادہ ترجیح کیا گیا، جبکہ طویل المیعاد پاکستان انویسٹمنٹ بانڈز (PIBs) سب سے کم مقبول رہے کیونکہ ان کو نیلامی میں مالیاتی اداروں اور بینکوں سے بہت محدود پذیرائی حاصل ہوئی۔

ایکویٹیز مارکیٹ کا جائزہ

پاکستان اسٹاک ایکسچینج (PSX) نے سابقہ سہ ماہی کی اپنی bearish رفتار جاری رکھی اور 2018ء کی دوسری سہ ماہی میں دوبارہ 4.5% منفی منافع دیا۔ اس کے نتیجے میں نصف اول 2018ء اور CY17 کا منافع بالترتیب 13% اور 15% ہو گیا۔ نصف آخر میں بھرپور غیر ملکی فروخت کا مشاہدہ کیا گیا، اور نصف اول 2018 میں غیر ملکی افراد 155 ملین ڈالر کے net فروخت کاررہے۔ اس بھاری فروخت کے خریدار زیادہ تر کارپوریٹ ادارے، بینک اور انشورنس کمپنیاں تھیں، جن کی خریداری کا net حجم بالترتیب 71.7 ملین ڈالر، 54.2 ملین ڈالر اور 63.4 ملین ڈالر تھا۔

TRUSTEE REPORT TO THE UNIT HOLDERS



MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

ALHAMRA ISLAMIC ACTIVE ALLOCATION FUND

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

Al-Hamra Islamic Active Allocation Fund, an open-end Scheme established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited as Management Company and MCB Financial Services Limited as Trustee on November 25, 2016.. The scheme was approved by Securities & Exchange Commission of Pakistan on December 02, 2016.

1. MCB Arif Habib Savings and Investments Limited, the Management Company of Al-Hamra Islamic Active Allocation Fund has, in all material respects, managed Al-Hamra Islamic Active Allocation Fund during the period ended 31st December 2017 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: February 21, 2018

4th Floor, Perdesi House, 2/1, R-Y-16, Old Queens Road, Karachi - 74200
Direct Nos. 021-32430485, 32415454, 32415204, 32428731 PABX No. 021-32419770, Fax No. 021-32416371
Website: <http://www.mcbfsl.com.pk>

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



A.F.FERGUSON&Co.

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Alhamra Islamic Active Allocation Fund** (the Fund) as at December 31, 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2017. The Management Company (MCB-Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this condensed 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 condensed interim financial information based on our review. The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figure for the half year ended December 31, 2017.

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 condensed 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: **Noman Abbas Sheikh**

Dated: February 26, 2018

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD

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

		(Un-audited)			(Audited)		
	Note	AIAAP - I	AIAAP - II	Total	AIAAP - I	AIAAP - II	Total
		December 31, 2017			June 30, 2017		
		(Rupees in 000)					
ASSETS							
Balances with banks	4	73,530	51,416	124,946	104,568	12,996	117,564
Investments	5	1,338,770	789,812	2,128,582	1,492,831	74,956	1,567,787
Profit receivable		429	244	673	3,039	269	3,308
Preliminary expenses and floatation costs	6	2,480	-	2,480	3,740	-	3,740
Other receivable		152	11	163	139	-	139
Total assets		1,415,361	841,483	2,256,844	1,604,317	88,221	1,692,538
LIABILITIES							
Payable to the Management Company	7	192	120	312	5,757	75	5,832
Payable to the Trustee		112	72	184	110	11	121
Payable to Securities and Exchange Commission of Pakistan (SECP)		704	289	993	723	3	726
Dividend payable		-	-	-	12,672	158	12,830
Accrued expenses and other liabilities	8	738	123	861	814	5	819
Total liabilities		1,746	604	2,350	20,076	252	20,328
NET ASSETS		1,413,615	840,879	2,254,494	1,584,241	87,969	1,672,210
UNIT HOLDERS' FUND (as per statement attached)		1,413,615	840,879	2,254,494	1,584,241	87,969	1,672,210
CONTINGENCIES AND COMMITMENTS							
9							
NUMBER OF UNITS IN ISSUE							
		15,404,764	8,527,555		15,839,822	879,643	
		----- (Rupees) -----			----- (Rupees) -----		
NET ASSET VALUE PER UNIT							
		91.7649	98.6072		100.0163	100.0057	
FACE VALUE PER UNIT							
		100.0000	100.0000		100.0000	100.0000	

The annexed notes 1 to 16 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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

Note	AIAAP - I			AIAAP - II			AIAAP - I			AIAAP - I			AIAAP - II			AIAAP - I		
	For the Half Year Ended December 31, 2017	For the Half Year Ended December 31, 2017	Total	For the Half Year Ended December 31, 2017	For the Half Year Ended December 31, 2017	Total	For the period from December 29, 2016 to December 31, 2016	Total	For the period from December 29, 2016 to December 31, 2016	For the Quarter Ended December 31, 2017	For the Quarter Ended December 31, 2017	Total	For the Quarter Ended December 31, 2017	For the Quarter Ended December 31, 2017	Total	For the period from December 29, 2016 to December 31, 2016	Total	For the period from December 29, 2016 to December 31, 2016
Rupees in '000-																		
INCOME																		
Capital loss on sale of investments - net	(48,572)	(6,910)	(55,482)	-	-	-	-	-	-	(37,557)	2,073	(35,484)	-	-	-	-	-	-
Profit on bank deposits	2,418	1,126	3,544	612	612	612	612	612	612	1,113	722	1,835	612	612	612	612	612	612
Contingent load	1,552	101	1,653	-	-	-	-	-	-	506	56	562	-	-	-	-	-	-
	(44,602)	(5,683)	(50,285)	612	612	612	612	612	612	(35,938)	2,851	(33,087)	612	612	612	612	612	612
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	5.2	(80,490)	6,266	(74,224)	-	-	-	-	-	8,887	6,315	15,202	-	-	-	-	-	-
Total income		(125,092)	583	(124,509)	612	612	612	612	612	(27,051)	9,166	(17,885)	612	612	612	612	612	612
EXPENSES																		
Remuneration of the Management Company	7.1	422	189	611	41	41	41	41	41	199	132	331	41	41	41	41	41	41
Sindh sales tax on remuneration of the Management Company	7.2	54	25	79	5	5	5	5	5	25	18	43	5	5	5	5	5	5
Remuneration of the Trustee		618	289	907	5	5	5	5	5	306	189	495	5	5	5	5	5	5
Sindh sales tax on remuneration of the Trustee		80	38	118	1	1	1	1	1	39	25	64	1	1	1	1	1	1
Annual fee to Securities and Exchange Commission of Pakistan (SECP)		704	289	993	5	5	5	5	5	340	200	540	5	5	5	5	5	5
Allocated expenses	7.3	837	344	1,181	6	6	6	6	6	404	238	642	6	6	6	6	6	6
Auditors' remuneration		175	52	227	3	3	3	3	3	98	35	133	3	3	3	3	3	3
Amortisation of preliminary expenses and floatation costs	6	1,260	-	1,260	21	21	21	21	21	630	-	630	21	21	21	21	21	21
Printing charges		(24)	14	(10)	2	2	2	2	2	(60)	6	(54)	2	2	2	2	2	2
Settlement and bank charges		6	6	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Listing fee		13	1	14	-	-	-	-	-	6	1	7	-	-	-	-	-	-
Legal and professional charges		82	18	100	1	1	1	1	1	33	13	46	1	1	1	1	1	1
Provision for Sindh Workers' Welfare Fund	8.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total expenses		4,227	1,265	5,492	90	90	90	90	90	2,020	857	2,877	90	90	90	90	90	90
Net (loss) / income from operating activities		(129,319)	(682)	(130,001)	522	522	522	522	522	(29,071)	8,309	(20,762)	522	522	522	522	522	522
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		-	-	-	12	12	12	12	12	-	-	-	12	12	12	12	12	12
Net (loss) / income for the period before taxation		(129,319)	(682)	(130,001)	534	534	534	534	534	(29,071)	8,309	(20,762)	534	534	534	534	534	534
Taxation	12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net (loss) / income for the period after taxation		(129,319)	(682)	(130,001)	534	534	534	534	534	(29,071)	8,309	(20,762)	534	534	534	534	534	534
Allocation of net (loss) / income for the period																		
Net (loss) / income for the period after taxation		(129,319)	(682)	(130,001)						(29,071)	8,309	(20,762)						
Income already paid on units redeemed		-	-	-						-	-	-						
		(129,319)	(682)	(130,001)						(29,071)	8,309	(20,762)						
Accounting income available for distribution																		
- Relating to capital gains		-	-	-						-	-	-						
- Excluding capital gains		-	-	-						-	-	-						

The annexed notes 1 to 16 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 COMPREHENSIVE INCOME (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

	AIAAP - I	AIAAP - II		AIAAP - I		AIAAP - I	AIAAP - II		AIAAP - I	
	For the Half Year Ended December 31, 2017	For the Half Year Ended December 31, 2017	Total	For the period from December 29, 2016 to December 31, 2016	Total	For the Quarter Ended December 31, 2017	For the Quarter Ended December 31, 2017	Total	For the period from December 29, 2016 to December 31, 2016	Total
-----Rupees in '000-----										
Net income / (loss) for the period after taxation	(129,319)	(682)	(130,001)	534	534	(29,071)	8,309	(20,762)	534	534
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive income / (loss) for the period	<u>(129,319)</u>	<u>(682)</u>	<u>(130,001)</u>	<u>534</u>	<u>534</u>	<u>(29,071)</u>	<u>8,309</u>	<u>(20,762)</u>	<u>534</u>	<u>534</u>

The annexed notes 1 to 16 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' FUNDS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	AIAAP - I			AIAAP - II			AIAAP - I
	For the Half Year Ended December 31, 2017						For the period from December 29, 2016 to December 31, 2016
	Capital Value	Undistributed income	Unrealised (losses) / gains on AFS investment	Capital Value	Undistributed income	Unrealised (losses) / gains on AFS investment	Total
-----Rupees in '000-----							
Net assets at the beginning of the period	1,583,983	258	-	87,964	5	-	1,672,210
Issuance of units (AIAAP-I: 107,206, AIAAP-II: 7,685,269) (2016: AIAAP-I:8,763,571)							
- Capital value (at net asset value per unit at the beginning of the period)	10,722	-	-	768,571	-	-	779,293
- Element of income	-	-	-	(11,311)	-	-	(11,311)
Total proceeds on issuance of units	10,722	-	-	757,260	-	-	767,982
Redemption of units (AIAAP-I: 542,264, AIAAP-II: 37,357) (2016: AIAAP-I:Nil)							
- Capital value (at net asset value per unit at the beginning of the period)	54,235	-	-	3,736	-	-	57,971
- Element of income	(2,206)	-	-	(68)	-	-	(2,274)
Total payments on redemption of units	52,029	-	-	3,668	-	-	55,697
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	-	-	-	-	-	-	(12)
Total comprehensive income / (loss) for the period	-	(129,319)	-	-	(682)	-	(130,001)
Distribution during the period	-	-	-	-	-	-	-
Net income / (loss) for the period less distribution	-	(129,319)	-	-	(682)	-	(130,001)
Net assets at end of the period	1,542,676	(129,061)	-	841,556	(677)	-	876,892
Undistributed income brought forward							
- Realised	(6,534)			49			(6,485)
- Unrealised	6,792			(44)			6,748
	258			5			263
Accounting income available for distribution							
- Relating to capital gains	-			-			-
- Excluding capital gains	-			-			-
	-			-			-
Net (loss) / income for the period after taxation	(129,319)			(682)			(130,001)
Distribution during the period	-			-			-
Undistributed income carried forward	(129,061)			(677)			(129,738)
Undistributed income carried forward							
- Realised	(48,571)			(6,943)			(55,514)
- Unrealised	(80,490)			6,266			(74,224)
	(129,061)			(677)			(129,738)
	(Rupees)			(Rupees)			(Rupees)
Net assets value per unit at beginning of the period	100.0163			100.0057			-
Net assets value per unit at end of the period	91.7649			98.6072			100.0610

The annexed notes 1 to 16 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 HALF YEAR ENDED DECEMBER 31, 2017

Note	AIAAP - I	AIAAP - II	AIAAP - I	
	For the Half Year Ended December 31, 2017	For the Half Year Ended December 31, 2017	For the period from December 29, 2016 to December 31, 2016	Total
		Total		
-----Rupees in '000-----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	(129,319)	(682)	(130,001)	534
Adjustments for:				
Amortisation of preliminary expenses and floatation costs	1,260	-	1,260	21
Element of (income) / loss and capital (gain) / losses included in prices of units issued less those in units redeemed	-	-	-	(12)
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	80,490	(6,266)	74,224	-
	81,750	(6,266)	75,484	9
(Decrease) / Increase in assets				
Investments	73,571	(708,590)	(635,019)	(250,000)
Profit receivable	2,610	25	2,635	(612)
Receivable against issue of units	-	-	-	(12,128)
Preliminary expenses and floatation costs	-	-	-	(5,000)
Other receivable	(13)	(11)	(24)	(10)
	76,168	(708,576)	(632,408)	(267,750)
Decrease / (Increase) in liabilities				
Payable to MCB Arif Habib Savings and Investments - Management Company	(5,565)	45	(5,520)	5,234
Payable to MCB Financial Services Limited - Trustee	2	61	63	6
Payable to the Securities and Exchange Commission of Pakistan	(19)	286	267	5
Advance against issue of units	-	-	-	104,608
Dividend payable	(12,672)	(158)	(12,830)	-
Accrued expenses and other liabilities	(76)	118	42	21,361
	(18,330)	352	(17,978)	131,214
Net cash generated from / (used in) operating activities	10,269	(715,172)	(704,903)	(135,993)
CASH FLOWS FROM FINANCING ACTIVITIES				
Amount received on issuance of units	10,722	757,260	767,982	876,370
Amount paid on redemption of units	(52,029)	(3,668)	(55,697)	-
Net cash generated from / (used in) financing activities	(41,307)	753,592	712,285	876,370
Net increase / (decrease) in cash and cash equivalents during the period	(31,038)	38,420	7,382	740,377
Cash and cash equivalents at the beginning of the period	104,568	12,996	117,564	-
Cash and cash equivalents at the end of the period	4	73,530	51,416	124,946
				740,377

The annexed notes 1 to 16 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 HALF YEAR ENDED DECEMBER 31, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

Al-Hamra Islamic Active Allocation Fund (the Fund) was established under a Trust Deed dated, November 25, 2016, executed between MCB-Arif Habib Savings and Investments Limited as Management Company and MCB Financial Services Limited as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 02, 2016 under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off. Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.

The Fund commenced its operations from December 29, 2016. The Fund is an Open-end Shariah Compliant Asset Allocation Fund of Funds that shall invest in other Shariah compliant Collective Investment Schemes as specified in the Investment Policy contained in the offering document and SECP Circular 7 of 2009, as may be amended or substituted from time to time. The units of the Fund are redeemable subject to a contingent load.

The duration of the Fund is perpetual. However, Allocation Plans launched may have a set time frame. The Fund commenced its operations from December 29, 2016 and on that date, had offered one type of Allocation Plan (Plan-I). However, the Fund has launched Allocation Plan-II from June 16, 2017. The Fund is allowed to invest in Shariah Compliant Collective Investment Schemes or in cash and / or near cash instruments as allowed under circular no. 07 of 2009 dated March 6, 2009 issued by the SECP. The maturity of Allocation Plan I and II is two years from the close of the initial period i.e. December 29, 2018 and June 16, 2019 respectively.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (June 30, 2017: AM2++) to the Management Company on December 28, 2017.

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

2 BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2017.

2.1.3 This condensed interim financial information is unaudited. However, a limited scope review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance. In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2017.

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGMENTS AND CHANGES THEREIN

3.1 The accounting policies adopted and the methods of computation of balances used 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 changes in accounting policies as explained 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 NBFC Regulations. 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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. 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, 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 net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income 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 Company has applied the above changes in accounting policy, including the additional disclosure requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on the clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of Plan I would have been lower by Rs 2.206 million and the loss of Plan II would have been higher by Rs 11.243 million. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

- 3.3** The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that were applied in the audited annual financial statements as at and for the year ended June 30, 2017.

The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Fund for the year ended June 30, 2017.

3.4 Amendments to published approved accounting standards that are effective in the current period

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

3.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from July 1, 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

		(Un-audited)			(Audited)		
	Note	AIAAP - I	AIAAP - II		AIAAP - I	AIAAP - II	
		December	December	Total	June 30,	June 30,	Total
		31, 2017	31, 2017		2017	2017	
4	BALANCES WITH BANKS	Rupees in '000					
In savings account	4.1	72,165	48,413	120,578	103,184	6,809	109,993
In current account	4.2	1,365	3,003	4,368	1,384	6,187	7,571
		73,530	51,416	124,946	104,568	12,996	117,564

4.1 These carry profit at the rates ranging between 5.75% to 6.00% for Plan-I and Plan-II (June 30, 2017: 5.50% to 5.60% for Plan-I and 5.60% for Plan-II) per annum.

4.2 Bank balance in current account is maintained with MCB Bank Limited, a related party of the Fund.

		(Un-audited)			(Audited)			
		AIAAP - I	AIAAP - II		AIAAP - I	AIAAP - II		
5	INVESTMENTS	December	December	Total	June 30,	June 30,	Total	
		31, 2017	31, 2017		2017	2017		
		Rupees in '000						
	Financial assets 'at fair value through profit or loss'							
	- Units of open end mutual funds	5.1	1,338,770	789,812	2,128,582	1,492,831	74,956	1,567,787

5.1 At fair value through profit or loss - held for trading

5.1.1 Allocation Plan I - Units of open end mutual funds (related party)

Name of the fund	Number of units					Balances as at December 31, 2017		Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2017	Purchases during the period	Bonus/ Right Shares	Sales during the period	As at December 31.2017	Carrying Value	Market Value		
						Rupees in '000	%	
Alhamra Islamic Stock Fund	71,103,335	47,034,607	-	57,169,837	60,968,105	730,861	640,165	45.29	47.82
Alhamra Islamic Income Fund	6,151,984	6,279,296	-	5,672,021	6,759,259	688,399	698,605	49.42	52.18
Total as at December 31, 2017						1,419,260	1,338,770	100.00	
Total as at June 30, 2017						1,486,039	1,492,831		

5.1.2 Allocation Plan II - Units of open end mutual funds (related party)

Name of the fund	Number of units					Balances as at December 31, 2017		Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2017	Purchases during the period	Bonus/ Right Shares	Sales during the period	As at December 31,2017	Carrying Value	Market Value		
						Rupees in '000	%	
Alhamra Islamic Stock Fund	2,029,221	42,213,190	-	18,570,102	25,672,309	271,474	269,559	32.06	34.13
Alhamra Islamic Income Fund	495,648	9,004,821	-	4,466,868	5,033,601	512,072	520,253	61.87	65.87
Total as at December 31, 2017						783,546	789,812	100.00	
Total as at June 30, 2017						75,000	74,956		

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

5.2 Unrealised appreciation on re-measurement of investments classified as 'financial assets' at fair value through profit or loss - net

Note	(Un-audited)			(Audited)		
	AIAAP - I	AIAAP - II	Total	AIAAP - I	AIAAP - II	Total
	December 31, 2017	December 31, 2017		June 30, 2017	June 30, 2017	
	Rupees in '000					
Market value of investments	1,338,770	789,812	2,128,582	1,492,831	74,956	1,567,787
Less: Carrying value of investments	1,419,260	783,546	2,202,806	1,486,039	75,000	1,561,039
	(80,490)	6,266	(74,224)	6,792	(44)	6,748

6 PRELIMINARY EXPENSES AND FLOATION COSTS

Preliminary expenses and floatation costs incurred prior to commencement of operations

	6.1	3,740	-	3,740	5,000	-	5,000
Less: amortised during the period		1,260	-	1,260	1,260	-	1,260
Balance as at period end		2,480	-	2,480	3,740	-	3,740

6.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of two years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance companies and Notified Entities Regulation, 2008.

7 PAYABLE TO MCB ARIF HABIB SAVINGS AND INVESTMENTS - MANAGEMENT COMPANY

Note	(Un-audited)			(Audited)		
	AIAAP - I	AIAAP - II	Total	AIAAP - I	AIAAP - II	Total
	December 31, 2017	December 31, 2017		June 30, 2017	June 30, 2017	
	Rupees in '000					
Remuneration of the Management Company	65	43	108	524	30	554
Sindh sales tax on remuneration of the Management Company	8	6	14	69	4	73
Sales load payable	-	-	-	-	7	7
Allocated expenses	119	71	190	134	4	138
Preliminary expenses and floatation costs paid by the Management Company	-	-	-	5,000	-	5,000
Others	-	-	-	30	30	60
	192	120	312	5,757	75	5,832

7.1 The Management Company has charged remuneration at a rate of 1% of average annual net assets of the Fund during the period. However, no remuneration is charged on that part of the net assets which has been invested in the mutual funds managed by the Management Company. The remuneration is paid to the Management Company on a monthly basis in arrears.

7.2 During the period, Sindh Sales Tax on management remuneration has been charged at 13% (June 30, 2017: 13%).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

- 7.3** In accordance with Regulation 60 of the NBFC Regulations the Management Company has charged expenses at the rate of 0.1% of the average net assets of the Fund being lower than actual expenses chargeable to the Fund for the period.

	Note	(Un-audited)			(Audited)	
		AIAAP - I	AIAAP - II	Total	AIAAP - I	AIAAP - II
		December	December		June 30,	June 30,
		31, 2017	31, 2017		2017	2017
Rupees in '000						
8 ACCRUED EXPENSES AND OTHER LIABILITIES						
Auditors' remuneration		137	52	189	285	1
Printing charges		38	14	52	100	-
Payable to legal advisor		104	15	119	66	1
Others		195	39	234	99	-
Provision for Sindh Workers' Welfare Fund	8.1	264	3	267	264	3
		738	123	861	814	5
						819

- 8.1** 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 SWWF on CISs / mutual funds, the MUFAP as a matter of abundant caution had recommended provision in respect of SWWF 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). The fund commenced its operations on December 29, 2016 and has accordingly recorded provision for SWWF with effect from December 29, 2016.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of Plan I and II would have been higher by Re 0.0171 per unit and Re 0.0004 per unit respectively (June 30, 2017: Re 0.0167 per unit and Re 0.0034 per unit respectively).

9 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2017 and June 30, 2017.

10 TOTAL EXPENSE RATIO

The total expense ratio of the Fund for the period ended December 31, 2017 is 0.29% (Plan-I) and 0.21% (Plan-II) which includes 0.07% (Plan-I) and 0.07% (Plan-II) representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc.

11 (LOSSES) / EARNINGS PER UNIT

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

12 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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. Further, the Fund has incurred losses during the period, and no provision for taxation has been made in this condensed interim financial information.

13 TRANSACTIONS WITH CONNECTED PERSONS

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

13.2 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.

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

13.4 Details of transactions and balances at period end with related parties / connected persons are as follows:

13.4.1 Alhamra Islamic Active Allocation Plan I

----- Half year ended December 31, 2017 (Un-audited)-----							
As at July 01, 2017	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2017	As at July 01, 2017	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2017
----- (Number of units)-----				----- (Rupees in '000)-----			
Associated companies / undertakings							
MCB Employees Pension Fund	586,520	-	586,520	58,662	-	-	53,822
Alhamra Islamic Income Fund	6,151,984	6,279,296	5,672,021	6,759,259	621,816	640,000	575,000
Alhamra Islamic Stock Fund	71,103,335	47,034,607	57,169,837	60,968,105	871,016	550,000	640,000
							640,165
Key management personnel	4,007	-	4,007	401	-	-	368

-----For the period from December 29, 2016 to December 31, 2016-----								
As at December 29, 2016	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2016	As at December 29, 2016	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2016	
----- (Number of units)-----				----- (Rupees in '000)-----				
Associated companies / undertakings								
Alhamra Islamic Stock Fund	18.642.804	-	-	18.642.804	250.000	-	-	250.000

13.4.2 Alhamra Islamic Active Allocation Plan II

----- Half year ended December 31, 2017 (Un-audited)-----							
As at July 01, 2017	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2017	As at July 01, 2017	Issued for cash / conversion in / transfer in	Redeemed / conversion out / transfer out	As at December 31, 2017
Associated companies / undertakings							
MCB Employees Pension Fund	751,350	-	751,350	75,139	-	-	68,947
Alhamra Islamic Income Fund	495,648	9,004,821	5,033,601	50,098	915,500	456,000	520,401
Alhamra Islamic Stock Fund	2,029,221	42,213,190	25,672,309	24,858	456,000	200,000	269,559

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

13.5 Other transactions

Other transactions	(Un-audited)			(Un-audited)	
	AIAAP - I	AIAAP - II	Total	AIAAP - I	Total
	For the half year / period ended December 31, 2017			For the period from December 29, 2016 to December 31, 2016	
Rupees in '000					
MCB-Arif Habib Savings and Investments Limited					
Remuneration of the Management Company	422	189	611	41	41
Sindh sales tax on remuneration of the Management Company	54	25	79	5	5
Allocated expense (including indirect taxes)	837	344	1,181	6	6
MCB Financial Services Limited - Trustee					
Remuneration of the trustee	618	289	907	5	5
Sindh sales tax on remuneration of Trustee	80	38	118	1	1
MCB Bank Limited					
Bank Charges	2	1	3	-	-

13.6 Other Balances

	(Un-audited)			(Audited)		
	AIAAP - I	AIAAP - II	Total	AIAAP - I	AIAAP - II	Total
	December 31, 2017			June 30, 2017		
MCB-Arif Habib Savings and Investments Limited						
Management remuneration payable (Rs in '000)	65	43	108	524	30	554
Sindh sales tax payable on management remuneration (Rs in '000)	8	6	14	69	4	73
Sales load payable (Rs in '000)	-	-	-	-	7	7
Preliminary expenses and floatation costs payable (Rs in '000)	-	-	-	5,000	-	5,000
Payable against allocated expenses (Rs in '000)	119	71	190	134	4	138
Others (Rs in '000)	-	-	-	30	30	60
MCB Financial Services Limited - Trustee						
Remuneration of the trustee (Rs in '000)	100	64	164	97	10	107
Sindh sales tax payable on trustee fee (Rs in '000)	12	8	20	13	1	14
MCB Bank Limited - Parent of the Management Company						
Balance with bank (Rs in '000)	1,355	3,003	4,358	1,384	6,187	7,571

14 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the stock exchange.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

14.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market 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 measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2017 and June 30, 2017 the Fund held the following financial instruments measured at fair value:

As at December 31, 2017				
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Assets				
Investment - 'at fair value through profit or loss'				
- Units of open end mutual funds (AIAAP-I)	1,338,770	-	-	1,338,770
- Units of open end mutual funds (AIAAP-II)	789,812	-	-	789,812
As at June 30, 2017				
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Assets				
Investment - 'at fair value through profit or loss'				
- Units of open end mutual funds (AIAAP-I)	1,492,831	-	-	1,492,831
- Units of open end mutual funds (AIAAP-II)	74,956	-	-	74,956

15 GENERAL

15.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and disclosure. No significant rearrangements or reclassifications have been made in this condensed interim financial information except for the impacts of change in accounting policies as disclosed in note 3.2.

15.2 Figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended December 31, 2017 have not been subjected to limited scope review by the statutory auditors of the Fund.

15.3 Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

16 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company in the meeting held on February 23, 2018.

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



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

Head Office: 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH), 111-468-378 (111-INVEST), Fax: (+92-21) 35316080, 35316081,
URL: www.mcbah.com, Email: info@mcbah.com