



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 ASSET ALLOCATION FUND

CONTENTS

1	Fund's Information	285
2	Report of the Directors of the Management Company	286
3	Trustee Report to the Unit Holders	291
4	Auditor's Report to the Unit Holder on Review of Condensed Interim Financial Information	292
5	Condensed Interim Statement of Assets And Liabilities	293
6	Condensed Interim Income Statement (Un-audited)	294
7	Condensed Interim Statement of Comprehensive Income (Un-audited)	295
8	Condensed Interim Statement of Movement in Unit Holder's Funds (Un-audited)	296
9	Condensed Interim Cash Flow Statement (Un-audited)	297
10	Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)	298

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	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
Bankers	MCB Bank Limited MCB Islamic Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited National Bank of Pakistan Al Baraka Bank Pakistan limited Silk Bank Limited Askari Bank Limited Bank Islami Pakistan Limited Meezan Bank Limited Dubai Islamic Bank Pakistan Limited Habib Bank Limited Habib Metropolitan Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541 Karachi, Sindh-75530, Pakistan.	
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, Center point, off Shaheed-e-Millat Express Way 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 Asset Allocation Fund's accounts review for the half year ended December 31st, 2017.

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.

FUND PERFORMANCE

During the period under review, the fund delivered a negative return of 5.0% as against its benchmark negative return of 10.10%.

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

On the equities front, the overall allocation was 44.8% at the end of the period under review. The fund increased its exposure in Fertilizer, Cements and Oil & Gas Exploration Companies while decreased exposure in Power Generation & Distribution. On the fixed income side, exposure in Sukuk has been reduced to 0%.

The Net Assets of the Fund as at December 31, 2017 stood at Rs.2,406 million as compared to Rs.1,485 million as at June 30, 2017 registering an increase of 62.02%.

The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs. 69.3656 as compared to opening NAV of Rs. 73.0135 per unit as at June 30, 2017 registering a decrease of Rs. 3.6479 per unit.

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 2H FY18, 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 رخ 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 گئیں 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 پُرکشش سطح پر قائم ہیں، جیسا کہ رسک پریکٹسز (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 سست رہے گا۔ علاوہ ازیں، KSE-100 کی تجارت 9.71x کی فارورڈ P/E کی فراہمی 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 رخ، 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، سکیورٹیز 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

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۔ واقعات کی ایک کڑی نے موجودہ مالی سال کے نصف اوّل 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 ملک بھر میں سیاسی جماعتوں کے احتجاج اور دھرنے۔ علاوہ ازیں، جب MSCI کے نصف سالانہ جائے (۱۵ نومبر ۲۰۱۷ء) میں EM انڈیکس میں پاکستان کی شمولیت میں کمی کی گئی تو مارکیٹ نے جھٹکے محسوس کیے، اور اینگریو کارپوریشن کو MSCI ای ایم اسٹینڈرڈ انڈیکس سے کم سطح پر لاکر MSCI small cap انڈیکس پر کر دیا گیا۔

کرنٹ اکاؤنٹ خسارے (CAD) کی صورت میں ظاہر ہونے والے معاشی جھکوں سمیت غیر موافق سیاسی صورتحال نے سرمایہ کاروں کے اعتماد کو مزید متاثر کیا۔ نصف اوّل 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 نو جی سی مثبت پیش رفت بھی سرمایہ کاروں کی دلچسپی حاصل نہ کر سکیں۔

مالی سال کے نصف اوّل 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، انویٹریز 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 اپنی 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۔ سیکٹر میں اسٹاک کی قیمتوں میں مختصر کی دیکھنے میں آئی جس کی وجہ میپل لیف سیمنٹ کی جانب سے استعداد میں 7,300 ٹن یومیہ وسعت ہے، جس کے بعد اینوار منغل پروٹیکشن انجنسری (EPA)، گورنمنٹ آف پنجاب کی طرف سے ایک آرڈر جاری کیا گیا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 5.0% منفی منافع دیا، جبکہ مقررہ معیار 10.10% تھا۔ ایکویٹیز کے شعبے میں زیر جائزہ مدت کے اختتام پر مجموعی اختصاص 44.8% تھا۔ فنڈ نے کھاد، سیمنٹ اور آئل اینڈ گیس ایکسپلوریشن کمپنیوں میں اپنی شمولیت میں اضافہ کیا، جبکہ توانائی کی پیداوار اور تقسیم میں اپنی شمولیت میں کمی کی۔ مقررہ آمدنی کے رُخ پر سٹاک میں شمولیت کو 0% کر دیا گیا ہے۔ 31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 2,406 ملین روپے تھے، جو 30 جون 2017 (1,485 ملین روپے) کے مقابلے میں 62.02% اضافہ ہے۔

31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 69.3656 روپے تھی، جو 30 جون 2017 کی ابتدائی NAV (73.0135 روپے فی یونٹ) کے مقابلے میں 3.6479 روپے فی یونٹ کم ہے۔

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے الحمراء اسلامک ایسٹ آل لوکیشن فنڈ 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 ملا جلا رجحان جاری 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 YoY 6% 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۔

پراونشل 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 YoY 3.75% 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 YoY 26% 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 درآمدات سے پیدا ہونے والی خلیج کو پر 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۔

افراط زر میں تمام tenors کے مقابلے میں اضافے کی توقعات بازار زر کے لئے اشارہ تھا۔ سہ ماہی 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 2018ء کی پہلی ششماہی اور CY17 کا منافع بالترتیب 13% اور 15% ہو گیا۔ دوسری ششماہی میں بھرپور غیر ملکی فروخت کا مشاہدہ کیا گیا، اور مالی سال کے نصف اول میں غیر ملکی افراد 155 ملین ڈالر کے net فروخت کا رہے۔ اس بھاری فروخت کے خریدار زیادہ تر کارپوریٹ ادارے،

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

ALHAMRA ISLAMIC ASSET ALLOCATION FUND (FORMERLY 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 Alhamra 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, 2017 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 22, 2018



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

UAN: +9221 111 11 39 37 (EYFR)
Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
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 **Alhamra Islamic Asset Allocation Fund** (Formerly Pakistan International Element Islamic Asset Allocation Fund) (the Fund) as at 31 December 2017, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow 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: Shaikh Ahmed Salman

Date: February 26, 2018

Karachi

A member firm of Ernst & Young Global Limited

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

		(Un-Audited) December 31, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks		1,237,216	846,966
Term deposit musharika (TDM)	5	86,000	-
Investments	6	1,092,397	652,922
Receivable against sale of investments		7,980	-
Dividend, profit and other receivables		11,722	6,214
Advances, deposits and prepayments		3,258	4,302
Total assets		2,438,573	1,510,404
LIABILITIES			
Payable to the Management Company		8,364	5,443
Payable to the Trustee		320	233
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)		923	1,122
Payable against purchase of investments		5,709	-
Accrued and other liabilities	7	16,841	18,348
Total liabilities		32,157	25,146
NET ASSETS		2,406,416	1,485,258
Unit holders' fund (as per statement attached)		2,406,416	1,485,258
Contingencies and commitments	8		
----- (Number of units) -----			
NUMBER OF UNITS IN ISSUE		34,691,780	20,342,240
----- (Rupees) -----			
NET ASSETS VALUE PER UNIT		69.3656	73.0135

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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

		Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Note		(Rupees in '000)			
INCOME					
		(58,740)	106,613	(33,974)	77,186
		27,601	21,856	21,799	12,674
		701	-	701	-
		34	-	16	-
		29,482	5,889	17,223	2,413
					</

Earnings per unit

11

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

**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**

	<u>Half year ended</u>		<u>Quarter ended</u>	
	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>	<u>December 31,</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>----- (Rupees in '000) -----</u>			
Net (loss) / income for the period after taxation	(81,720)	156,620	(3,111)	121,642
Other comprehensive (loss) / income for the period:				
To be reclassified to profit or loss account in subsequent periods				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'	(355)	54,807	5,688	27,872
	<u>(355)</u>	<u>54,807</u>	<u>5,688</u>	<u>27,872</u>
Total comprehensive (loss) / income for the period	<u>(82,075)</u>	<u>211,427</u>	<u>2,577</u>	<u>149,514</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended December 31, 2017				December 31, 2016
	Capital Value	Undistributed income	Unrealised appreciation / (diminution) on available-for-sale investments	Total	Total
	(Rupees in '000)				
Net assets at beginning of the period	1,272,574	175,020	37,664	1,485,258	820,509
Issuance of 20,823,015 units (2016: 7,406,388 units):					
- Capital value (at net asset value per unit at the beginning of the period)	1,520,361	-	-	1,520,361	
- Element of loss	(66,596)	-	-	(66,596)	
	1,453,765	-	-	1,453,765	514,087
Redemption of 6,473,475 units (2016: 5,202,261 units):					
- Capital value (at net asset value per unit at the beginning of the period)	(472,650)	-	-	(472,650)	
- Amount paid out of element of income	-	-	-	-	
- Relating to 'Net income for the period after taxation'	-	-	-	-	
- Relating to 'Other comprehensive income for the period'	-	-	-	-	
- Refund / adjustment on units as element of income	22,118	-	-	22,118	
	(450,532)	-	-	(450,532)	(351,008)
Net element of income and capital gains included in prices of units issued less those in units redeemed - net	-	-	-	-	(8,440)
Total comprehensive (loss) / income for the period	-	(81,720)	(355)	(82,075)	211,427
Distribution during the period	-	-	-	-	-
Net (loss) / income for the period less distribution	-	(81,720)	(355)	(82,075)	211,427
Net assets at end of the period	<u>2,275,807</u>	<u>93,300</u>	<u>37,309</u>	<u>2,406,416</u>	<u>1,186,575</u>
Undistributed income brought forward comprising of:					
- Realised Gain		165,326			121,075
- Unrealised gain		9,694			109
		175,020			121,184
Net (loss) / income for the period after taxation		(81,720)			201,045
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income		-			44,425
Distribution during the period		-			-
Undistributed income carried forward		<u>93,300</u>			<u>366,654</u>
Undistributed income carried forward comprising of:					
- Realised Gain		131,392			336,467
- Unrealised (Loss) / gain		(38,092)			30,187
		<u>93,300</u>			<u>366,654</u>
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				<u>73.0135</u>	<u>63.5232</u>
Net assets value per unit at end of the period				<u>69.3656</u>	<u>78.4730</u>

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

**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

	Half year ended	
	December 31, 2017	December 31, 2016
Note	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period before taxation	(81,720)	156,620
Adjustments for:		
Net element of income included in prices of units issued less those in units redeemed	-	(8,440)
Net unrealised loss / (gain) on revaluation of investments 'at fair value through profit or loss - held-for-trading'	38,092	(30,187)
Dividend income	(27,601)	(21,856)
Impairment loss on 'available-for-sale' investment	8,587	-
	(62,642)	96,137
Increase / (decrease) in assets		
Receivable against sale of investments	(7,980)	(50,138)
Investments	(486,509)	(205,426)
Profit receivable	(3,581)	(332)
Advances, deposits and prepayments	1,044	(26)
	(497,026)	(255,922)
Increase / (decrease) in liabilities		
Payable to the Management Company	2,921	461
Payable to the Trustee	87	40
Annual fee payable to SECP	(199)	(318)
Payable against purchase of investments	5,709	54,563
Accrued and other liabilities	(1,507)	1,650
	7,011	56,396
Dividend received	25,674	19,642
Net cash used in operating activities	(526,983)	(83,747)
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	1,453,765	514,087
Payments on redemption of units	(450,532)	(351,008)
Net cash generated from financing activities	1,003,233	163,079
Net increase in cash and cash equivalents during the period	476,250	79,332
Cash and cash equivalents at beginning of the period	846,966	133,896
Cash and cash equivalents at end of the period	1,323,216	213,228

The annexed notes from 1 to 16 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Alhamra Islamic Asset Allocation 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 (CDC) as Trustee. The Trust Deed was executed on December 14, 2005 and was approved by the Securities and Exchange Commission of Pakistan (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 and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.
- 1.4** The Fund is an open-ended mutual fund 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 7 of 2009 dated March 06, 2009 issued by the SECP.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM 2++ dated December 28, 2017 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, 2017, have been prepared in accordance with the requirements of International Accounting Standard 34: 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984, 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** Effective May 30, 2017, the Companies Act, 2017 (the Act) has been promulgated, however, the Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 23 of 2017 dated October 04, 2017 decided that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Furthermore, the Institute of Chartered of Pakistan also issued clarification vide its circular dated October 06, 2018 which states the interim financial statements of companies for the periods ending on or before December 31, 2017 shall also be prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.3** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2017.
- 2.4** These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. Figures for the quarters ended December 31, 2017 and December 31, 2016 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.
- 2.5** In compliance with schedule V of the NBFC Regulations the Directors of the Management Company, hereby declare that these condensed interim financial statements give a true and fair view of the state of the Fund's affairs as at December 31, 2017.
- 2.6** 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

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, 2017, except as described in note 3.1 and 3.2 below:

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

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

Improvements to Accounting Standards Issued by the IASB

IFRS 12 Disclosure of interests in Other Entities - Clarification of the scope of the disclosure Requirement

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

3.2 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

The Securities and Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated August 03, 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 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, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the 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 disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 01, 2017 as required by SECP vide its S.R.O. No. 756(I) / 2017 dated August 03, 2017. 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 the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the loss of the Fund would have been lower by Rs.44.477 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

3.3 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, 2017.

4. TOTAL EXPENSE RATIO

The Total Expense Ratio of the Fund is 1.77% as on December 31, 2017 (December 31, 2016: 1.69%) and this includes 0.19% (December 31, 2016: 0.18%) representing Government Levy and SECP fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an asset allocation scheme.

		(Un-Audited) December 31, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
5. TERM DEPOSIT MUSHARIKA (TDM)			
Term deposit musharika	5.1	<u>86,000</u>	<u>-</u>
5.1	This carries profit at the rate of 5.51% (June 30, 2017: Nil) per annum with maturity on January 08, 2018 (June 30, 2017: Nil).		
6. INVESTMENTS			
Investment by category			
'At fair value through profit or loss - held-for-trading'			
Listed equity securities	6.1	907,318	456,501
'Available-for-sale'			
Listed equity securities	6.2	<u>185,079</u> <u>1,092,397</u>	<u>196,421</u> <u>652,922</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

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

Name of the investee company	As at July 01, 2017	Purchases during the period	Right issue during the period	Sales during the period	As at December 31, 2017	Balance as at December 31, 2017			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		
						Carrying value	Market value	Unrealised (Loss) / gain /					
												(Rupees in '000)	
(Number of shares)													
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise													
Fertilizer													
Engro Corporation Limited Engro Fertilizers Limited Dawood Hercules Corporation Limited Fatima Fertilizer Company Limited - (a related party)	90,000	671,000	-	327,000	434,000	111,894	119,242	7,348	10.92%	4.96%	0.08%		
	-	868,500	-	11,000	857,500	54,910	58,070	3,160	5.32%	2.41%	0.06%		
	45,400	-	-	-	45,400	6,191	5,079	(1,112)	0.46%	0.21%	0.01%		
	254,000	-	-	254,000	-	-	-	-	0.00%	0.00%	0.00%		
						172,995	182,391	9,396	16.70%	7.58%	0.15%		
Pharmaceuticals													
The Searle Company Limited	-	35,000	-	-	35,000	11,200	11,020	(180)	1.01%	0.46%	0.02%		
						11,200	11,020	(180)	1.01%	0.46%	0.02%		
Oil and gas exploration companies													
Pakistan Petroleum Limited	127,700	628,300	-	338,500	417,500	74,561	85,967	11,406	7.87%	3.57%	0.02%		
Oil & Gas development company Limited ***	120,000	462,300	-	126,500	455,800	66,432	74,200	7,768	6.79%	3.08%	0.01%		
Pakistan Oilfields Limited	-	271,300	-	100,000	171,300	92,373	101,797	9,424	9.32%	4.23%	0.07%		
						233,366	261,964	28,598	23.98%	10.88%	0.10%		
Oil and gas marketing companies													
Sui Northern Gas Pipelines Limited - (a related party)	-	620,000	-	620,000	-	-	-	-	0.00%	0.00%	0.00%		
Attock Petroleum Limited	350	-	-	-	350	219	183	(36)	0.02%	0.01%	0.00%		
Hi-Tech Lubricants Limited	-	154,400	-	-	154,400	13,773	10,962	(2,811)	1.00%	0.46%	0.13%		
						13,992	11,145	(2,847)	1.02%	0.47%	0.13%		
Refinery													
Attock Refinery Limited	-	85,000	-	85,000	-	-	-	-	0.00%	0.00%	0.00%		
						-	-	-	0.00%	0.00%	0.00%		
Sugar & Allied Industries													
Faran Sugar Mills Limited	92,000	-	-	-	92,000	7,384	5,980	(1,404)	0.55%	0.25%	0.37%		
						7,384	5,980	(1,404)	0.55%	0.25%	0.37%		
Engineering													
Crescent Steel & Allied Product Limited	48,700	15,400	-	64,000	100	23	13	(10)	0.00%	0.00%	0.00%		
International Industries Limited	120,000	113,500	-	75,900	157,600	50,651	37,841	(12,810)	3.46%	1.57%	0.13%		
International Steels Limited	104,000	130,700	-	115,000	119,700	13,788	12,732	(1,056)	1.17%	0.53%	0.03%		
Iterfaq Iron Industries Limited	-	125,000	-	125,000	-	-	-	-	0.00%	0.00%	0.00%		
Mughal Iron & Steel Limited - (a related party)	-	314,500	-	213,000	101,500	7,613	5,897	(1,716)	0.54%	0.25%	0.04%		
						72,075	56,483	(15,592)	5.17%	2.35%	0.20%		
Technologies and Communications													
Netsol Technologies Limited	120,000	-	-	-	120,000	6,940	7,602	662	0.70%	0.32%	0.13%		
						6,940	7,602	662	0.70%	0.32%	0.13%		

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

Name of the investee company	As at July 01, 2017	Purchases during the period	Right issue during the period	Sales during the period	As at December 31, 2017	Balance as at December 31, 2017			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
						Carrying value	Unrealised (Loss) / gain	Market value			
							(Rupees in '000)				
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Cable and electrical goods											
Pak Elektron Limited	400,000	840,000	-	740,000	500,000	22,300	23,745	1,445	2.17%	0.99%	0.10%
						22,300	23,745	1,445	2.17%	0.99%	0.10%
Chemical											
Engro Polymer and Chemicals Limited	752,500	940,000	-	927,500	765,000	27,055	21,848	(5,207)	2.00%	0.91%	0.12%
						27,055	21,848	(5,207)	2.00%	0.91%	0.12%
Textile and Composite											
Kohinoor Textile Mills Limited	25,000	150,000	10,500	-	185,500	18,258	12,289	(5,969)	1.12%	0.51%	0.06%
Nishat Mills Limited - (a related party)	103,900	256,700	-	-	360,600	54,149	53,910	(239)	4.94%	2.24%	0.10%
						72,407	66,199	(6,208)	6.06%	2.75%	0.16%
Glass & Ceramics											
Shabbir Tiles & Ceramics Limited*	677,500	-	-	-	677,500	12,988	9,980	(3,008)	0.91%	0.41%	0.41%
Tariq Glass Industries Limited	141,500	-	-	-	141,500	15,673	13,441	(2,232)	1.23%	0.56%	0.19%
						28,661	23,421	(5,240)	2.14%	0.97%	0.60%
Automobile assembler											
Ghandhara industries limited	15,000	3,700	-	-	18,700	12,098	10,324	(1,774)	0.95%	0.43%	0.09%
Honda Atlas cars (Pakistan) Limited	26,000	-	-	26,000	-	-	-	-	0.00%	0.00%	0.00%
						12,098	10,324	(1,774)	0.95%	0.43%	0.09%
Leathers and tanneries											
Service Textile Industries Limited	10,000	-	-	-	10,000	13,790	7,500	(6,290)	0.69%	0.31%	0.08%
						13,790	7,500	(6,290)	0.69%	0.31%	0.08%
Cement											
Maple Leaf Cement Factory Limited	-	350,000	-	-	350,000	23,799	23,954	155	2.19%	1.00%	0.06%
Lucky Cement Limited	36,950	164,000	-	45,000	155,950	101,452	80,690	(20,762)	7.39%	3.35%	0.05%
Kohat Cement Company Limited	94,000	-	-	31,400	62,600	14,352	8,887	(5,465)	0.81%	0.37%	0.04%
D.G.Khan Cement Company Limited - (a related party)	-	971,300	-	609,400	361,900	40,086	48,393	8,307	4.43%	2.01%	0.08%
Fauji Cement Company Limited	25,500	-	-	-	25,500	1,046	638	(408)	0.06%	0.03%	0.00%
						180,735	162,562	(18,173)	14.88%	6.76%	0.23%
Power Generation & Distribution											
The Hub Power Company Limited ***	379,000	208,500	-	-	587,500	68,485	53,463	(15,022)	4.89%	2.22%	0.05%
K-electric Limited**	4,000,000	-	-	4,000,000	-	-	-	-	0.00%	0.00%	0.00%
						68,485	53,463	(15,022)	4.89%	2.22%	0.05%
Commercial banks											
Meezan Bank Limited	23,500	-	1,410	-	24,910	1,927	1,671	(256)	0.15%	0.07%	0.00%
						1,927	1,671	(256)	0.15%	0.07%	0.00%
December 31, 2017						945,410	907,318	(38,092)			
June 30, 2017						446,806	456,501	9,694			

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

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

Name of the investee company	As at July 01, 2017	Purchases during the period	Right / Bonus issue during the period	Sales during the period	As at December 31, 2017	Balance as at December 31, 2017			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
						Carrying value	Market value	Appreciation / (diminution)			
											%
----- (Rupees in '000) -----											
----- (Number of shares) -----											
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Automobile assembler											
Honda Atlas Cars (Pakistan) Limited	1,600	-	-	1,600	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	0.00%	0.00%	0.00%
Automobile parts and accessories											
Agriaautos Industries Limited *	37,000	-	-	-	37,000	10,001	11,767	1,766	1.08%	0.49%	0.26%
						10,001	11,767	1,766	1.08%	0.49%	0.26%
Chemical											
ICI Pakistan Limited	12,000	-	-	-	12,000	5,071	9,215	4,144	0.84%	0.38%	0.01%
						5,071	9,215	4,144	0.84%	0.38%	0.01%
Fertilizer											
Dawood Hercules Corporation Limited	149,200	-	-	-	149,200	19,461	16,692	(2,769)	1.53%	0.69%	0.03%
Fatima Fertilizer Company Limited - related party	46,000	-	-	46,000	-	-	-	-	0.00%	0.00%	0.00%
						19,461	16,692	(2,769)	1.53%	0.69%	0.03%
Food and personal care products											
Engro Foods Limited ****	700	-	-	-	700	56	56	-	0.01%	0.01%	0.00%
						56	56	-	0.01%	0.00%	0.00%
Miscellaneous											
Shifa International Hospitals Limited	111	-	-	-	111	31	33	2	0.00%	0.00%	0.00%
						31	33	2	0.00%	0.00%	0.00%
Oil and gas exploration companies											
Pakistan Petroleum Limited	83,100	-	-	-	83,100	13,335	17,111	3,776	1.57%	0.71%	0.00%
Oil & Gas Development Company Limited	242,400	-	-	-	242,400	34,530	39,460	4,930	3.61%	1.64%	0.01%
Pakistan Oilfields Limited	43,500	-	-	-	43,500	14,471	25,850	11,379	2.37%	1.07%	0.02%
Mari Petroleum Company Limited	21,800	-	-	-	21,800	17,377	31,629	14,252	2.90%	1.31%	0.02%
						79,713	114,050	34,337	10.44%	4.74%	0.05%
Oil and gas marketing companies											
Attock Petroleum Limited	200	-	-	-	200	107	105	(2)	0.01%	0.00%	0.00%
						107	105	(2)	0.01%	0.00%	0.00%
Paper and board											
Packages Limited ****	350	-	-	-	350	178	178	-	0.02%	0.01%	0.00%
						178	178	-	0.02%	0.01%	0.00%

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

Name of the investee company	As at July 01, 2017	Purchases during the period	Right / Bonus issue during the period	Sales during the period	As at December 31, 2017	Balance as at December 31, 2017			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
						Carrying value	Market value	Appreciation / (diminution)			
(Rupees in '000)											
(Number of shares)											
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Leather and tanneries											
Service Textile Industries Limited ****	3,050	-	-	-	3,050	2,288	2,288	-	0.21%	0.10%	0.03%
						2,288	2,288	-	0.21%	0.10%	0.03%
Textile composite											
Kohinoor Textile Mills Limited	27,500	-	1,650	-	29,150	2,284	1,931	(353)	0.18%	0.08%	0.01%
						2,284	1,931	(353)	0.18%	0.09%	0.01%
Technology and communication											
Netsol Technologies Limited	57,500	-	-	-	57,500	3,460	3,643	183	0.33%	0.15%	0.06%
						3,460	3,643	183	0.33%	0.15%	0.06%
Pharmaceuticals											
The Searle Company Limited	155	-	31	-	186	49	59	10	0.01%	0.00%	0.00%
IBL HealthCare Limited	4,485	-	448	-	4,933	433	424	(9)	0.04%	0.02%	0.01%
						482	483	1	0.04%	0.02%	0.01%
Power generation and distribution											
The Hub Power Company Limited ****	270,744	-	-	-	270,744	24,638	24,638	-	2.26%	1.02%	0.02%
						24,638	24,638	-	2.26%	1.02%	0.02%
December 31, 2017						147,770	185,079	37,309			
June 30, 2017						158,757	196,421	37,664			

* 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.47.85 (June 30, 2017: Rs.158.51) 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.

**** The carrying value of these securities have been adjusted with impairment aggregating Rs.8.58 million (June 30, 2017: Rs Nil). The cost of these securities was Rs.35.75 (June 30, 2017: Rs.35.75) million.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

	(Un-Audited) December 31, 2017	(Audited) June 30, 2017
Note	----- (Rupees in '000) -----	

7. ACCRUED AND OTHER LIABILITIES

Provision for Sindh Workers' Welfare Fund (SWWF)	7.1	7,622	7,622
Federal Excise Duty payable on management fee	7.2	5,910	5,910
Federal Excise Duty and related taxes payable on sales load		1,136	1,136
Sales load payable to MCB Bank Limited - (a related party)		-	1
Charity / donation payable		432	626
Auditors' remuneration		314	470
Zakat payable		1	12
Withholding tax payable		43	546
Brokerage payable		837	1,600
Other payables		546	425
		16,841	18,348

7.1 There is no change in the status of the SWWF as reported in note 13.1 to the annual financial statements of the Fund for the year ended June 30, 2017.

7.2 There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in note 15 to the annual financial statements of the Fund for the year ended June 30, 2017.

8. CONTINGENCIES AND COMMITMENTS

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

9. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to 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 amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly, no provision for taxation has been made in these condensed interim financial statements.

10. MARKETING AND SELLING CHARGES

In connection with Regulation 60(3)(v) of the NBFC Regulations, SECP has issued Circular No. 40 of 2016 dated December 30, 2016 (later amended vide Circular No. 05 of 2017 dated February 13, 2017) whereby it has prescribed certain conditions on Asset Management Companies (AMCs) for charging selling and marketing expenses to collective investment schemes (CISs). In accordance with the provisions contained in these circulars, selling and marketing expenses will be allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) to be charged to open end equity, asset allocation and index funds upto a maximum of 0.4% per annum of net assets of the fund or actual expenses, whichever is less. Keeping in view the aforementioned provisions, the Management Company charged selling and marketing charges to the Fund during the period.

11. EARNINGS PER UNIT

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

	----- (Un-Audited) ----- December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	

12. CASH AND CASH EQUIVALENTS

Balances with banks	1,237,216	213,228
Term deposit musharika (TDM)	86,000	-
	1,323,216	213,228

13. 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 condensed interim financial statements, are as follows:

13.1 Unit Holders' Fund

	December 31, 2017						
	As at July 01, 2017	Issued for cash	Units	As at December 31, 2017	As at July 01, 2017	Issued for cash	As at December 31, 2017
						(Rupees in '000)	
Group / Associated Companies							
D.G Khan Cement Company Limited - Employees' Provident Fund Trust	111,065	111,065	111,065	111,065	8,109	-	7,704
Adamjee Life Assurance Company Limited - Investment Multiplier Fund	2,070,914	-	2,070,914	-	151,205	-	-
Nishat Power Limited Employees Provident Fund Trust	2,919	-	2,919	-	213	-	-
Adamjee Life Assurance Company Limited - (MAZAA	-	208,499	-	208,499	-	14,500	14,463
Key management personnel	42,626	25,875	16,833	51,667	3,112	1,780	3,584
Mandate under Discretionary Portfolio Services	1,186,526	223,516	128,507	1,281,535	86,632	16,040	88,894

	December 31, 2016				
	As at July 01, 2016	Issued for cash	Redeemed	As at December 31, 2016	As at December 31, 2016
	Units			(Rupees in '000)	
Group / Associated Companies					
Adamjee Life Assurance Company Limited - Investment Multiplier Fund	-	2,032,118	-	2,032,118	-
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	99,937	-	-	99,937	-
	51,643	1,557	9,720	43,480	676
Key management personnel				105	3,412

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

----- (Un-Audited) -----	
Half year ended	
December 31, 2017	December 31, 2016
----- (Rupees in '000) -----	

13.2 Transactions during the period:

MCB Arif Habib Savings and Investments Limited - Management Company

Remuneration (including indirect taxes)	21,950	10,779
Expenses allocated by the Management Company and related taxes	1,097	553
Marketing and selling charges	3,885	-
Shariah advisory fee	450	450

Central Depository Company of Pakistan Limited - Trustee

Remuneration including indirect taxes	1,667	1,090
Settlement charges	179	94

Group / Associated Companies:

MCB Bank Limited

Bank charges	13	5
--------------	----	---

Arif Habib Limited

Brokerage expense *	224	101
---------------------	-----	-----

Next Capital Limited

Brokerage expense *	84	158
---------------------	----	-----

Pakgen Power Limited

Sale of Nil (2016: 541,000) shares	-	13,794
Dividend income	-	723

Lalpir Power Limited

Sale of Nil (2016: 865,000) shares	-	19,285
Dividend income	-	303

Nishat Mills Limited

Purchase of 256,700 (2016: 219,000) shares	37,663	29,531
Sale of Nil (2016: 357,100) shares	-	48,391
Dividend income	1,803	1,580

Sui Northern Gas Pipelines Limited

Purchase of 620,000 (2016: 641,500) shares	86,545	40,552
Sale of 620,000 (2016: 641,500) shares	75,753	25,169

Mughal Iron and Steel Limited

Purchase of 314,500 (2016: 215,000) shares	23,588	19,074
Sale of 213,000 (2016: 215,000) shares	15,104	20,232

D.G. Khan Cement Company Limited

Purchase of 971,300 (2016: 210,000) shares	140,304	39,780
Sale of 609,400 (2016: 210,000) shares	91,186	39,325
Dividend income	14	450

Fatima Fertilizer Company Limited

Purchase of Nil (2016: 519,000) shares	-	17,051
Sale of 300,000 (2016: 200,000) shares	7,337	7,000
Dividend income	-	81

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

	(Un-Audited) December 31, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	

13.3 Balances outstanding at period / year end:

MCB Arif Habib Savings and Investments

Limited - Management Company

Remuneration payable	3,952	2,478
Sindh sales tax payable on management remuneration	514	322
Expense allocated by the Management Company	198	123
Marketing and selling expenses	2,210	1,593
Sale load payable	223	762
Sindh sales tax payable on sales load payable	29	90
Back-end load payable	1,163	-
Shariah advisory fee payable	75	75

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable (including indirect taxes)	320	233
Security deposit	200	200

Group / Associated Companies:

MCB Bank Limited

Balance with bank	3,404	50,442
Sales load payable	-	1

Arif Habib Limited

Brokerage payable *	36	95
---------------------	----	----

Next Capital Limited

Brokerage payable *	78	182
---------------------	----	-----

D.G. Khan Cement Company Limited

361,900 shares held (June 30, 2017: Nil shares) 'held-for-trading'	48,393	-
---	--------	---

Nishat Mills Limited

360,600 shares held (June 30, 2017: 103,900 shares) - 'held-for-trading'	53,910	16,487
---	--------	--------

Fatima Fertilizer Company Limited

Nil shares held (June 30, 2017: 300,000 shares)	-	10,107
---	---	--------

* 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 THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price). Adoption of IFRS 13 has not affected the condensed interim financial information.

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 financial liabilities is considered not significantly different from book value.

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

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		December 31, 2017				
		Carrying amount		Fair value		
Note		Fair value through profit	Available for sale	Other financial	Total	Total
	Financial assets measured at fair value	907,318	185,079	-	1,092,397	1,092,397
		907,318	185,079	-	1,092,397	1,092,397
	Financial assets not measured at fair value	-	-	1,237,216	1,237,216	-
		-	-	86,000	86,000	-
	Balances with banks	-	-	11,722	11,722	-
		-	-	2,700	2,700	-
	Term deposit musharika (TDM)	-	-	7,980	7,980	-
		-	-	1,345,618	1,345,618	-
	Dividend, profit and other receivable	-	-	-	-	-
		-	-	-	-	-
	Advances, deposits and prepayments	-	-	-	-	-
		-	-	-	-	-
	Receivable against sale of investments	-	-	-	-	-
		-	-	-	-	-
	Financial liabilities not measured at fair value	-	-	7,850	7,850	-
		-	-	283	283	-
	Payable to the Management Company	-	-	5,709	5,709	-
		-	-	1,782	1,782	-
	Payable to the Trustee	-	-	-	-	-
		-	-	-	-	-
	Payable against purchase of investments	-	-	-	-	-
		-	-	-	-	-
	Accrued and other liabilities	-	-	15,624	15,624	-
		-	-	-	-	-

June 30, 2017

Financial assets measured at fair value
Listed Equity Securities

Financial assets not measured at fair value

Balances with banks	-	-	846,966	846,966
Dividend, profit and other receivable	-	-	6,214	6,214
Advances, deposits and prepayments	-	-	3,700	3,700
	-	-	856,880	856,880

Financial liabilities not measured at fair value

Payable to the Management Company	-	5,121	5,121
Payable to the Trustee	-	206	206
Accrued and other liabilities	-	2,944	2,944
	-	8,271	8,271

During the period ended December 31, 2017, 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.

14.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UN-AUDITED)

15. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 23, 2018 by the Board of Directors of the Management Company.

16. GENERAL

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

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