



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

MCB PAKISTAN ASSET ALLOCATION FUND

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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 Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
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 **MCB Pakistan Asset Allocation Fund** 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

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

The fund posted a negative return of 4.21% during the period compared to the benchmark return of 4.2% .The fund enhanced its exposure towards equities from 24% to 36.6% with changing equity market rallied. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks.

On the fixed income side, the exposure towards T-bills was decreased to 0% and the Exposure in Term deposits with banks was decreased to 4.8%.

The Net Assets of the Fund as at December 31, 2017 stood at Rs. 2,999 million as compared to Rs.3,439 million as at June 30, 2017 registering a decrease of 12.79%.

The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs. 77.6116 as compared to opening NAV of Rs. 81.0263 per unit as at June 30, 2017 registering a decrease of Rs.3.4147 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 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 پُرکشش سطح پر قائم ہیں، جیسا کہ ریسک پریمز (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 مستحکم رہے 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، 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

ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

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، 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 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 برطانی، یا ملک 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 ہوئی، 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 آنل کی درآمد پر حکومتی پابندی۔ بین الاقوامی بانڈ میں 1 بلین ڈالر سٹچک کے اجراء اور FTSE کی پانچ اضافی اسٹاکس کی small cap سیریز میں ترتیب نو 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 (-14% YoY) 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 میپیل لیف سیمنٹ کی جانب سے استعداد میں 7,300 ٹن یومیہ وسعت ہے، جس کے بعد اینوار منغل پریڈکشن ایجنسی (EPA)، گورنمنٹ آف پنجاب کی طرف سے ایک آرڈر جاری کیا گیا۔

فنڈ کی کارکردگی

دورانِ مدت فنڈ نے 4.21% منفی منافع دیا جبکہ منافع کا مقررہ معیار 4.2% ہے۔ فنڈ نے ایکویٹی مارکیٹ میں تیزی سے ابھرتی ہوئی تبدیلی کے پیش نظر ایکویٹیز میں اپنی شمولیت کو 24% سے بڑھا کر 36.6% کر دیا۔ فنڈ نے بھرپور منافع بخش دفاعی اور ترقیاتی اسٹاکس میں توازن برقرار رکھنے پر توجہ مرکوز رکھی۔ مقررہ آمدنی کے رُخ پر ٹی بلز میں شمولیت کو کم کر کے 0% کر دیا گیا اور بینکوں کے ساتھ ٹرم ڈپازٹس میں شمولیت کو کم کر کے 4.8% کر دیا گیا۔

31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 2,999 ملین روپے تھے، جو 30 جون 2017 (3,439 ملین روپے) کے مقابلے میں 12.79% کمی ہے۔

31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 77.6116 روپے تھی، جو 30 جون 2017 کی ابتدائی NAV (81.0263) روپے فی یونٹ کے مقابلے میں 3.4147 روپے فی یونٹ کم ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان Asset Allocation فنانڈ 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 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 کھتی 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 پنچ 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۔

افراط 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 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

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 Shahr-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

MCB PAKISTAN 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 MCB Pakistan 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



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 **MCB Pakistan Asset 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
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■ KARACHI ■ LAHORE ■ ISLAMABAD

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

	Note	December 31, 2017 (Un-audited) (Rupees in '000)	June 30, 2017 (Audited)
ASSETS			
Balances with banks	4	1,621,589	1,232,442
Investments	5	1,430,351	2,062,777
Dividend and profit receivable		14,288	15,436
Receivable against sale of investments		33,533	202,521
Advances, deposits, prepayments and other receivables		7,971	27,624
Total assets		3,107,732	3,540,800
LIABILITIES			
Payable to the Management Company	6	11,779	8,924
Payable to the Trustee		381	383
Payable to the Securities and Exchange Commission of Pakistan		1,541	2,284
Payable against purchase of investments		47,185	18,250
Payable on redemption of units		41	41
Accrued expenses and other liabilities	7	47,342	72,118
Total liabilities		108,269	102,000
NET ASSETS		2,999,463	3,438,800
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		2,999,463	3,438,800
CONTINGENCIES AND COMMITMENTS	8		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		38,647,096	42,440,527
		(Rupees)	
NET ASSET VALUE PER UNIT (FACE VALUE PER UNIT RS. 100/- EACH)		77.6116	81.0263

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

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

Note	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
----- (Rupees in '000) -----				
Income				
Income from Government securities	23,869	16,451	9,797	7,128
Income from term finance certificates	4,241	4,506	2,047	2,222
Income from commercial papers	15	-	15	-
Loss from spread transactions	-	(5,365)	-	(6,458)
Dividend income	26,860	41,730	14,093	24,499
Profit on balances with banks and term deposit receipts	39,405	14,683	19,794	8,861
Other income	11	7	7	3
(Loss) / gain on sale of investments - net	(39,932)	215,711	(35,149)	89,587
	54,469	287,723	10,604	125,842
Unrealised diminution in the fair value of future contracts - net	-	(576)	-	(1,192)
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss' - net	5.8	(126,025)	39,153	(36,058)
Total (loss) / income		(71,556)	326,300	(25,454)
Expenses				
Remuneration of the Management Company	6.1	32,438	24,166	15,413
Sindh sales tax on remuneration of the Management Company	6.2	4,217	3,142	2,004
Selling and marketing expenses	6.3	6,487	-	3,082
Allocated expenses	6.4	1,833	1,365	871
Remuneration of the Trustee		2,126	1,712	1,023
Sindh sales tax on remuneration of the Trustee		276	223	133
Annual fee to the Securities and Exchange Commission of Pakistan		1,541	1,148	732
Auditors' remuneration		549	486	209
Brokerage and settlement charges		8,468	7,582	3,171
Legal and professional charges		87	-	34
Other expenses		235	276	118
Total expenses		58,257	40,100	26,790
Net (loss) / income from operating activities		(129,813)	286,200	(52,244)
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net	3.2	-	(2,473)	-
- arising from realised / unrealised capital gains		-	(8,703)	-
- arising from other income		-	(11,176)	-
Net (loss) / income for the period before taxation		(129,813)	275,024	(52,244)
Taxation	10	-	-	-
Net (loss) / income for the period after taxation		(129,813)	275,024	(52,244)
Earnings per unit	11			
Allocation of net (loss) / income for the period				
Net (loss) / income for the period after taxation		(129,813)	275,024	(52,244)
Income already paid on units redeemed		-	-	-
Accounting income available for distribution		(129,813)	275,024	(52,244)
- Relating to capital gains		-	-	-
- Excluding capital gains		-	-	-

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

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017**

Note	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----			
Net (loss) / income for the period after taxation	(129,813)	275,024	(52,244)	133,813
Other comprehensive income				
Items that may be reclassified subsequently to income statement				
Unrealised diminution on re-measurement of investments classified as 'available-for-sale' - net	(9,281)	(6,579)	(8,369)	(4,975)
Unrealised appreciation on re-measurement of investments classified as 'available for sale' transferred to income statement upon sale of investments - net	(298)	-	(298)	-
Total comprehensive (loss) / income for the period	<u>(139,392)</u>	<u>268,445</u>	<u>(60,911)</u>	<u>128,838</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Half year ended December 31, 2017			Half year ended December 31, 2016	
	(Rupees in '000)				
	Capital Value	Undistributed income / (loss)	Unrealised appreciation / (diminution) on available for sale investments	Total	Total
Net assets at beginning of the period	4,242,708	(810,518)	6,610	3,438,800	2,718,292
Issue of 5,831,469 units (2016: 5,951,556 units)					
- Capital value (at net asset value per unit at the beginning of the period)	472,502	-	-	472,502	
- Element of income	(5,421)	-	-	(5,421)	
Total proceeds on issuance of units	467,081	-	-	467,081	496,740
Redemption of 9,624,900 units (2016: 14,561,244 units)					
- Capital value (at net asset value per unit at the beginning of the period)	779,870	-	-	779,870	
- Element of income	(12,844)	-	-	(12,844)	
Total payments on redemption of units	767,026	-	-	767,026	1,209,037
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	11,176
Total comprehensive (loss) / income for the period	-	(129,813)	(9,579)	(139,392)	268,445
Distribution during the period	-	-	-	-	-
Net (loss) / income for the period less distribution	-	(129,813)	(9,579)	(139,392)	268,445
Net assets at end of the period	3,942,763	(940,331)	(2,969)	2,999,463	2,285,616
Undistributed income brought forward					
- Realised loss		(705,678)			(597,931)
- Unrealised loss		(104,840)			(172,208)
		(810,518)			(770,139)
Accounting income available for distribution					
- Relating to capital gains	-				
- Excluding capital gains	-				
		-			
Net loss / income for the period after taxation		(129,813)			275,024
Distribution for the period		-			-
Undistributed income carried forward		(940,331)			(495,115)
Undistributed income carried forward					
- Realised loss		(814,306)			(533,692)
- Unrealised (loss) / income		(126,025)			38,577
		(940,331)			(495,115)
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				81.0263	79.0560
Net assets value per unit at end of the period				77.6116	88.6760

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

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Note	Half year ended	
	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period before taxation	(129,813)	275,024
Adjustments:		
Unrealised diminution in the fair value of future contracts - net	-	576
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss' - net	126,025	(39,153)
Element of loss and capital losses included in the prices of units issued less those in units redeemed - net		
- arising from realised / unrealised capital gains	-	2,473
- arising from other income	-	8,703
	(3,788)	247,623
Decrease in assets		
Investments - net	525,757	893,311
Fair value of derivative asset	-	4,466
Dividend and profit receivable	1,148	(920)
Receivable against sale of investments	168,988	(54,648)
Advances, deposits, prepayments and other receivables	19,653	8,009
	715,546	850,218
(Decrease) / increase in liabilities		
Payable to the Management Company	2,855	(1,221)
Payable to the Trustee	(2)	(46)
Payable to the Securities and Exchange Commission of Pakistan	(743)	(1,835)
Fair value of derivative liability	-	576
Accrued expenses and other liabilities	(24,776)	5,376
	(22,666)	2,850
Net cash flows generated from operating activities	689,092	1,100,691
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	467,081	522,384
Payments against redemption of units	(767,026)	(1,209,037)
Net cash flows used in financing activities	(299,945)	(686,653)
Net increase in cash and cash equivalents	389,147	414,038
Cash and cash equivalents at beginning of the period	1,232,442	635,630
Cash and cash equivalents at end of the period	1,621,589	1,049,668

4

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Asset Allocation Fund (the Fund) was established under a Trust Deed dated November 22, 2007 executed between MCB Asset Management Company Limited (which merged with and into Arif Habib Investments Limited with effect from June 27, 2011) as the Management Company and the Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007.

Pursuant to the merger of MCB-Asset Management Company Limited 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.

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 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 is an open-end collective investment scheme categorised as an "asset allocation" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The units of the Fund were initially offered for public subscription at a par value of Rs 100 per unit. Thereafter, the units are being offered for public subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

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 and has assigned a short-term ranking of "3-Star" & long-term of "4-Star" (June 30, 2017: short-term ranking of "3-Star" & long-term of "4-Star") to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies 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.

2.1.4 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at December 31, 2017 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2017, whereas the comparatives in the 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 have been extracted from the unaudited condensed interim financial information of the Fund for the half-year ended December 31, 2016.

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

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

- 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 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 element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed to the extent that was represented by distributable income earned during the year was recognised in the income statement and the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed represented by distributable income carried forward from prior periods was included in the distribution statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management 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 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 income of the Fund would have been higher by Rs 8.348 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.

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

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 January 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.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		(Rupees in '000)	
4 BALANCES WITH BANKS			
In current account	4.1	3,082	3,774
In saving accounts	4.1	1,618,507	1,228,668
		<u>1,621,589</u>	<u>1,232,442</u>

- 4.1 These carry profit at rates ranging from 3.75% to 7.00% (June 30, 2017: 3.75% and 6.35%) per annum. Balance of Rs 1.828 million (June 30, 2017: Rs 6.233 million) in saving accounts and Rs 3.082 million (June 30, 2017: Rs 3.774 million) in current account are maintained with MCB Bank Limited, a related party of the Fund.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		(Rupees in '000)	
5 INVESTMENTS			
At 'fair value through profit or loss' - held-for-trading			
Listed equity securities	5.1	1,116,759	796,714
Listed debt securities - term finance certificates	5.2	116,342	135,531
Government securities - market treasury bills	5.3	464	624,490
		1,233,565	1,556,735
Available-for-sale			
Listed equity securities	5.4	19,581	52,878
Government securities - Pakistan investment bonds	5.5	3,087	3,164
		22,668	56,042
Loans and receivables			
Term deposit receipt	5.6	150,000	450,000
Commercial paper	5.7	24,118	-
		174,118	450,000
		<u>1,430,351</u>	<u>2,062,777</u>

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

5.1 Listed equity securities

Name of investee company	As at July 1, 2017	Purchased during the period	Bonus / rights issue during the period	Sold during the period	As at December 31, 2017	Carrying value as at December 31, 2017	Market value as at December 31, 2017	Unrealised appreciation / (diminution) as at December	Market value as percentage of net assets	Market value as percentage of total investment s	Par value as percentage of issued capital of the investee
	----- (Number of shares) -----					----- (Rupees in '000) -----			%	%	%
Unless stated otherwise, the holdings are in ordinary shares of Rs 10 each											
Automobile Assembler											
Indus Motors Company Limited	1,480	8,500	-	1,480	8,500	15,495	14,281	(1,214)	0.48%	1.00%	0.01%
Pak Suzuki Motor Company Limited	-	5,250	-	5,250	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	50,000	-	-	50,000	33,000	25,621	(7,379)	0.85%	1.79%	0.04%
						48,495	39,902	(8,593)	1.33%	2.79%	0.05%
Cable and Electrical Goods											
Pak Elektron Limited	500,000	1,690,000	-	950,000	1,240,000	98,888	58,888	(40,000)	1.96%	4.12%	0.25%
						98,888	58,888	(40,000)	1.96%	4.12%	0.25%
Cement											
Cherat Cement Company Limited	-	194,700	-	194,700	-	-	-	-	-	-	-
D.G.Khan Cement Company Limited*	375,396	200,000	-	575,000	396	61	53	(8)	0.00%	0.00%	0.00%
Lucky Cement Limited	112,600	120,000	-	54,950	177,650	117,116	91,918	(25,198)	3.06%	6.43%	0.03%
Pioneer Cement Limited	-	300,000	-	300,000	-	-	-	-	-	-	-
						117,177	91,971	(25,206)	3.06%	6.43%	0.03%
Commercial Banks											
Bank Al Falah Limited	1,002,000	1,464,500	-	-	2,466,500	99,157	104,826	5,669	3.49%	7.33%	0.15%
Faysal Bank Limited	-	1,406,500	-	300,000	1,106,500	23,975	23,524	(451)	0.78%	1.64%	0.08%
Habib Bank Limited	199,500	561,900	-	611,400	150,000	23,948	25,064	1,116	0.84%	1.75%	0.01%
Bank Al Habib Limited	-	582,000	-	-	582,000	32,363	33,966	1,603	1.13%	2.37%	0.05%
MCB Bank Limited*	-	803,900	-	753,800	50,100	10,087	10,637	550	0.35%	0.74%	0.00%
United Bank Limited	155,100	855,700	-	810,800	200,000	32,949	37,594	4,645	1.25%	2.63%	0.02%
						222,479	235,611	13,132	7.84%	16.46%	0.31%
Engineering											
Aisha Steel Mills Limited *	1,000,000	-	-	1,000,000	-	-	-	-	-	-	-
Crescent Steel and Allied Products Limited	-	211,200	-	151,400	59,800	10,095	7,613	(2,482)	0.25%	0.53%	0.08%
International Industries Limited	145,900	460,200	-	297,800	308,300	89,065	74,026	(15,039)	2.47%	5.18%	0.26%
International Steels Limited	-	531,000	-	-	531,000	62,098	56,482	(5,616)	1.88%	3.95%	0.12%
Mughal Iron and Steel Industries Limited*	71,000	310,000	-	206,000	175,000	12,441	10,168	(2,273)	0.34%	0.71%	0.07%
						173,699	148,289	(25,410)	4.94%	10.37%	0.53%
Fertilizer											
Engro Corporation Limited	225,100	719,900	-	944,700	300	79	82	3	0.00%	0.01%	0.00%
Fauji Fertilizer Company Limited*	-	675,000	-	675,000	-	-	-	-	-	-	-
						79	82	3	0.00%	0.01%	0.00%
Insurance											
Pakistan Reinsurance Company Limited	488,000	-	-	-	488,000	23,819	20,706	(3,113)	0.69%	1.45%	0.16%
						23,819	20,706	(3,113)	0.69%	1.45%	0.16%
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	-	40,340	-	-	40,340	62,641	58,528	(4,113)	1.95%	4.09%	0.04%
Oil and Gas Development Company Limited (note 5.1.1)	50,000	1,614,900	-	1,196,300	468,600	70,712	76,283	5,571	2.54%	5.33%	0.01%
Pakistan Oilfields Limited	34,700	285,950	-	194,000	126,650	67,091	75,263	8,172	2.51%	5.26%	0.05%
Pakistan Petroleum Limited	260,100	538,300	-	511,000	287,400	58,337	59,179	842	1.97%	4.14%	0.01%
						258,781	269,253	10,472	8.97%	18.82%	0.11%

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

Name of investee company	As at July 1, 2017	Purchased during the period	Bonus / rights issue during the period	Sold during the period	As at December 31, 2017	Carrying value as at December 31, 2017	Market value as at December 31, 2017	Unrealised appreciation / (diminution) as at December	Market value as percentage of net assets	Market value as percentage of total investment s	Par value as percentage of issued capital of the investee
	----- (Number of shares) -----					----- (Rupees in '000) -----			%	%	%
Oil and Gas Marketing Companies											
Hi-Tech Lubricants Limited	65,000	283,100	-	107,700	240,400	26,141	17,068	(9,073)	0.57%	1.19%	0.21%
Pakistan State Oil Company Limited	-	160,000	-	100,000	60,000	21,000	17,587	(3,413)	0.59%	1.23%	0.02%
Sui Northern Gas Pipelines Limited*	-	3,531,700	-	3,531,700	-	-	-	-	-	-	-
						47,141	34,655	(12,486)	1.16%	2.42%	0.23%
Paper And Board											
Cherat Packaging Limited	15,000	5,500	4,050	2,025	22,525	4,781	4,482	(299)	0.15%	0.31%	0.08%
						4,781	4,482	(299)	0.15%	0.31%	0.08%
Power Generation and Distribution											
Hub Power Company Limited (note 5.1.1)	644,100	199,600	-	253,300	590,400	69,412	53,726	(15,686)	1.79%	3.76%	0.05%
K- Electric Limited (par value of Rs 3.50 per share)	6,898,500	529,500	-	7,428,000	-	-	-	-	-	-	-
						69,412	53,726	(15,686)	1.79%	3.76%	0.05%
Refinery											
Attock Refinery Limited	-	50,000	-	-	50,000	15,999	11,706	(4,293)	0.39%	0.82%	0.06%
						15,999	11,706	(4,293)	0.39%	0.82%	0.06%
Technology and Communication											
Systems Limited	-	100,500	-	-	100,500	7,166	7,429	263	0.25%	0.52%	0.09%
NetSol Technologies Limited	400,000	25,000	-	353,000	72,000	4,324	4,561	237	0.15%	0.32%	0.08%
						11,490	11,990	500	0.40%	0.84%	0.17%
Textile Composite											
Gul Ahmed Textile	-	1,721,500	-	944,500	777,000	26,488	28,811	2,323	0.96%	2.01%	0.22%
Nishat Mills Limited*	-	359,200	-	50,000	309,200	46,041	46,226	185	1.54%	3.23%	0.09%
						72,529	75,037	2,508	2.50%	5.24%	0.31%
Leather & Tanneries											
Service Industries Limited	1,420	-	-	-	1,420	1,958	-	(893)	0.04%	0.07%	0.01%
						1,958	1,065	(893)	0.04%	0.07%	0.01%
Chemicals											
Engro Polymer and Chemicals Limited	500,000	6,340,500	-	5,590,500	1,250,000	41,216	35,700	(5,516)	1.19%	2.50%	0.19%
						41,216	35,700	(5,516)	1.19%	2.50%	0.19%
Investment Banks / Investment Companies / Securities Companies											
Arif Habib Limited *	230,000	-	-	-	230,000	18,494	9,097	(9,397)	0.30%	0.64%	0.42%
						18,494	9,097	(9,397)	0.30%	0.64%	0.42%
Leasing Companies											
Orix Leasing Pakistan Limited	-	250,000	-	125,000	125,000	4,625	5,188	563	0.17%	0.36%	0.09%
						4,625	5,188	563	0.17%	0.36%	0.09%
Transport											
Pakistan National Shipping Corporation	-	161,300	-	70,600	90,700	10,819	9,411	(1,408)	0.31%	0.66%	0.07%
						10,819	9,411	(1,408)	0.31%	0.66%	0.07%
Total as at December 31, 2017						1,241,881	1,116,759	(125,122)	37.19%	78.07%	
Total as at June 30, 2017						843,234	796,714	(46,520)	23.15%	38.61%	

* These denote related parties / connected persons

5.1.1 These include shares with market value aggregating to Rs 51.719 million (June 30, 2017: Rs 37.025 million) which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

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

5.2 Listed debt securities

Name of the Issuer	As at July 1, 2017	Purchased during the period	Sold / matured during the period	As at December 31, 2017	Carrying value as at December 31, 2017	Market value as at December 31, 2017	Unrealised appreciation/ (diminution) as at December 31, 2017	Market value as a percentage of net assets	Market value as a percentage of total investments
----- (Number of certificates) -----				-----Rupees in '000-----				%	%
Certificates having a face value of Rs. 5,000 each unless stated otherwise									
Bank Alfalah Limited-V	2,000	-	-	2,000	10,267	10,160	(107)	0.34%	0.71%
Habib Bank Limited-I	1,250	-	1,250	-	-	-	-	-	-
Bank Al-Habib Limited - II	-	21,228	-	21,228	106,978	106,182	(796)	3.54%	7.42%
Total as at December 31, 2017					117,245	116,342	(903)	3.88%	8.13%
Total as at June 30, 2017					135,168	135,531	363	3.94%	6.57%

5.2.1 These carry profit at the rate of 6.91% and 7.40% (June 30, 2017: 6.64% and 7.39%) per annum and will mature by February 20, 2021 to March 17, 2026 (June 30, 2017: February 20, 2021 to February 19, 2026).

5.3 Government securities - Market Treasury Bills

Tenor	Face value				Carrying value as at December 31, 2017	Market value as at December 31, 2017	Unrealised appreciation / (diminution) as at December 31, 2017	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2017	Purchased during the period	Sold/matured during the period	As at December 31, 2017					
	----- (Rupees in 000) -----						%	%	
3 Months	625,000	5,660,000	6,285,000	-	-	-	-	-	
6 Months	-	138,400	138,400	-	-	-	-	-	
12 Months	-	37,465	37,000	465	464	464	-	0.03%	
Total as at December 31, 2017					464	464	-	0.02%	0.03%
Total as at June 30, 2017					624,495	624,490	(5)	18.16%	30.27%

5.3.1 These carry purchase yield at the rate of 5.94% (June 30, 2017: 5.96%) per annum and will mature on January 18, 2018 (June 30, 2017: July 6, 2017).

5.4 Listed equity securities

Name of investee company	As at July 1, 2017	Purchased during the period	Bonus/ rights issue during the period	Sold during the period	As at December 31, 2017	Carrying value as at December 31, 2017	Market value as at December 31, 2017	Unrealised appreciation / (diminution) as at December	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee
----- (Number of shares) -----					----- (Rupees in '000) -----						
Unless stated otherwise, the holdings are in ordinary shares of Rs 10 each											
Automobile Assembler											
Indus Motors Company Limited	1,500	-	-	1,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Food and Personal Care Products											
Shezan International Limited	4,650	-	-	-	4,650	2,099	2,295	196	0.08%	0.16%	0.06%
						2,099	2,295	196	0.08%	0.16%	0.06%
Pharmaceuticals											
The Searle Company Limited	1,516	-	303	-	1,819	456	573	117	0.02%	0.04%	0.00%
						456	573	117	0.02%	0.04%	0.00%
Power Generation and Distribution											
Kot Addu Power Company Limited	308,000	-	-	308,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Textile Composite											
Kohinoor Textile Mills Limited	238,000	-	14,280	-	252,280	19,990	16,713	(3,277)	0.56%	1.17%	0.08%
						19,990	16,713	(3,277)	0.56%	1.17%	0.08%
Total as at December 31, 2017						22,545	19,581	(2,964)	0.66%	1.37%	
Total as at June 30, 2017						46,263	52,878	6,615	1.54%	2.57%	

* These denote related parties / connected persons

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

5.4.1 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001. As a result of these amendments, companies are liable to withhold bonus shares at a rate of 5 percent value of the bonus shares declared by the company. In accordance with the requirement of the Ordinance, these shares shall only be released to a shareholder if the company collects from the shareholder tax equal to 5 percent of the value of the bonus shares issued. The value of tax is computed on the basis of day-end price on the first day of book closure.

In this regard, a constitutional petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because the CISs are exempt from deduction of income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by the CISs. A stay order has been granted by the High Court of Sindh in favour of the CISs.

As at December 31, 2017, the following bonus shares of the Fund were withheld by certain companies at the time of declaration. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

	December 31, 2017 (Un-audited)		June 30, 2017 (Audited)	
Name of the investee company	Bonus Shares			
	Number	Market value	Number	Market value
	(Rupees in '000)		(Rupees in '000)	
The Searle Company Limited	1,790	564	1,491	763

5.5 Government securities - Pakistan Investment Bonds

Tenor	Face value				Carrying value as at December 31, 2017	Market value as at December 31, 2017	Unrealised appreciation / (diminution) as at December 31, 2017	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2017	Purchased during the period	Sold/matured during the period	As at December 31, 2017					
(Rupees in 000)									
5 years	3,000	200,000	200,000	3,000	3,092	3,087	(5)	0.10%	0.22%
Total as at December 31, 2017					3,092	3,087	(5)	0.10%	0.22%
Total as at June 30, 2017					3,169	3,164	(5)	0.09%	0.15%

5.5.1 These carry profit at the rate of 11.5% (June 30, 2017: 11.5%) per annum and will mature on July 18, 2018 (June 30, 2017: July 18, 2018).

5.6 Term deposit receipt carries profit at the rate of 6.50% (June 30, 2017: 6.18% and 6.5%) per annum and is due to mature by March 13, 2018 (June 30, 2017: September 13, 2017). Term deposit receipt represented 5.0% (June 30, 2017: 13.11%) of the total net assets of the Fund.

5.7 This Commercial paper issued by Hascol Petroleum Limited has been purchased during the period carrying yield of 7.46% per annum maturing on June 29, 2018. At December 31, 2017, Commercial paper represented 0.80% (June 30, 2017: Nil) of the total net assets of the Fund.

5.8 Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		(Rupees in '000)	
Market value	5.1, 5.2 & 5.3	1,233,565	1,556,735
Less: carrying value	5.1, 5.2 & 5.3	(1,359,590)	(1,602,897)
		<u>(126,025)</u>	<u>(46,162)</u>

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

		December 31, 2017 (Un-audited) (Rupees in '000)	June 30, 2017 (Audited)
	Note		
5.9 Unrealised (diminution) / appreciation on re-measurement of investments classified as available for sale - net			
Market value	5.4 & 5.5	22,668	56,042
Less: carrying value	5.4 & 5.5	<u>(25,637)</u>	<u>(49,432)</u>
		<u>(2,969)</u>	<u>6,610</u>

6 PAYABLE TO THE MANAGEMENT COMPANY

Management remuneration payable	6.1	5,048	5,141
Sindh sales tax payable on management remuneration	6.2	656	668
Payable against selling and marketing expenses	6.3	3,083	2,800
Payable against allocated expenses	6.4	252	257
Sales load payable		<u>2,740</u>	<u>58</u>
		<u>11,779</u>	<u>8,924</u>

- 6.1** The Management Company has charged remuneration at a rate of 2% of the average net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.
- 6.2** During the year, Sindh Sales Tax on management remuneration has been charged at the rate of 13% (June 30, 2017: 13%)
- 6.3** The Securities and Exchange Commission of Pakistan (SECP) vide a circular no.40 SCD/PRDD/ Circular/361/2016 dated December 30, 2016, allowed the Asset Management Companies to charge selling and marketing expenses to open end equity, asset allocation and index funds, initially for three years (from January 1, 2017 till December 31, 2019). Maximum cap of selling and marketing expense shall be 0.4% per annum of net assets of the Fund or actual expenses whichever is lower. Accordingly, such expenses have been charged effective from March 24, 2017 at the rate of 0.4% of the net assets of the Fund, being lower than actual expenses incurred.
- 6.4** In accordance with the 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.

		December 31, 2017 (Un-audited) (Rupees in '000)	June 30, 2017 (Audited)
	Note		
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision against Sindh Workers' Welfare Fund (SWWF)	7.1	9,073	9,073
Federal Excise Duty payable on management remuneration	7.2	19,027	19,027
Federal Excise Duty payable on sales load	7.2	16,173	16,173
Auditors' remuneration payable		417	473
Brokerage payable		1,600	5,523
Sindh sales tax payable on allocated expenses		784	574
Advance against issuance of units		-	20,000
Withholding tax on capital gains		15	246
Others		<u>253</u>	<u>1,029</u>
		<u>47,342</u>	<u>72,118</u>

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

- 7.1** 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).

Had the provision for SWWF not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2017 would have been higher by Re 0.2348 per unit (June 30, 2017: Re 0.2138 per unit).

- 7.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgement of the SHC. The matter is still pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 35.20 million is being retained in the condensed interim financial information of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2017 would have been higher by Rs 0.9108 per unit (June 30, 2017: Rs 0.8294).

8 CONTINGENCIES AND COMMITMENTS

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

9 TOTAL EXPENSE RATIO

The total expense ratio of the Fund for the period ended December 31, 2017 is 1.81% which includes 0.19% representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc.

10 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 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.

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

11 EARNINGS PER UNIT

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 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

Unit Holders' Fund

Half year ended December 31, 2017 (Un-audited)								
As at July 1, 2017	Issued for cash / conversion in /	Redeemed / conversion out / transfer out	As at December 31, 2017	As at July 1, 2017	Issued for cash / conversion in /	Redeemed / conversion out / transfer out	As at December 31, 2017	
----- (Number of units) -----				----- (Rupees in '000) -----				
Associated companies / undertakings								
Adamjee Life Assurance Company Limited. Conventional Business	210,744	-	-	210,744	17,076	-	-	16,356
Adamjee Life Assurance Company Limited. Employees Gratuity Fund	28,189	-	-	28,189	2,284	-	-	2,188
Adamjee Life Assurance Company Limited.	352,830	-	-	352,830	28,589	-	-	27,384
Security General Insurance Company Ltd	3,745,546	-	-	3,745,546	303,488	-	-	290,698
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	35,028	-	-	35,028	2,838	-	-	2,719
Mandate Under Discretionary Portfolio Services **	69,466	1,687,715	1,660,457	96,724	5,629	135,366	133,990	7,507
Directors and Key management personnel **	60,847	663	6,183	55,327	4,930	50	475	4,294

	Half year ended December 31, 2016 (Un-audited)							
	As at July 1, 2016	Issued for cash / conversion in /	Redeemed / conversion out / transfer out	As at December 31, 2016	As at July 1, 2016	Issued for cash / conversion in /	Redeemed / conversion out / transfer out	As at December 31, 2016
	----- (Number of units) -----				----- (Rupees in '000) -----			
Associated companies / undertakings								
Mcb Arif Habib Savings And Investments Limited	974,696	-	974,696	-	77,055	-	85,501	-
Adamjee Life Assurance Company Limited. Conventional Business	200,410	-	-	200,410	15,844	-	-	17,772
Adamjee Life Assurance Company Limited. Employees Gratuity Fund Trust	-	26,806	-	26,806	-	2,360	-	2,377
Adamjee Life Assurance Company Limited.	335,529	-	-	335,529	26,526	-	-	29,755
Security General Insurance Company Limited.	3,561,882	-	-	3,561,882	281,587	-	-	315,855
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	32,774	-	-	32,774	2,591	-	-	2,906
Directors and Key management personnel								
	13,031	48,455	29,129	32,357	1,030	4,123	2,480	2,869

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

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

12.2 Other transactions

MCB-Arif Habib Savings and Investments Limited - Management Company

Remuneration of the Management Company	32,438	24,166
Sindh sales tax on remuneration of the Management Company	4,217	3,142
Selling and marketing expenses	6,487	-
Allocated expenses (including indirect taxes)	1,833	1,365
Sales load	5,316	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration of the trustee	2,126	1,712
Sindh sales tax on remuneration of the Trustee	276	223
CDC settlement charges	295	824

MCB Bank Limited - Parent of the Management Company

Dividend income	2,377	328
Profit on bank balances	68	288
Bank charges	16	11
Sale of securities:		
Face Value 2017: Nil (2016: 150,000,000)	-	149,346

D.G. Khan Cement Company Limited

Dividend income	3	-
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Mughal Iron & Steel Industries Limited

Dividend income	157	1,790
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Nishat Mills Limited

Dividend income	1,796	2,400
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Sui Northern Gas Pipelines Limited

Dividend income	1,875	-
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Fatima Fertilizer Company Limited

Dividend income	-	125
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Lalpir Power Limited

Dividend income	-	597
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Nishat Chunian Limited

Dividend income	-	520
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Pakgen Power Limited

Dividend income	-	1,326
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	Half year ended	
	December 31, 2017	December 31, 2016
	(Un-audited)	
	(Rupees in '000)	
Arif Habib Limited		
Dividend income	2,300	-
Arif Habib Limited		
Brokerage expense *	537	480
Silk Bank Limited		
Purchase of securities		
Face Value 2017: 485,865,000 (2016: 50,000,000)	479,121	53,991
Sale of securities		
Face Value 2017: 400,000,000 (2016: Nil)	407,969	-
Next Capital Limited		
Brokerage expense *	349	335
	December 31, 2017	June 30, 2017
	(Un-audited) (Audited)	
	(Rupees in '000)	
12.3 Other Balances		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Management remuneration payable	5,048	5,141
Sindh sales tax payable on management remuneration	656	668
Payable against selling and marketing expenses	3,083	2,800
Payable against allocated expenses	252	257
Sales load payable	2,740	58
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable to the Trustee	337	339
Sales tax payable on remuneration of the Trustee	44	44
Security deposit	100	100
MCB Bank Limited - Parent of the Management Company		
Bank balances	4,910	10,007
Profit receivable	-	23
Sale load payable	-	35
Arif Habib Limited		
Brokerage Payable	31	8
Next Capital Limited		
Brokerage Payable	131	8

* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

** This reflects the position of related parties / connected persons status as at December 31, 2017.

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

13 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.
- Investments in government securities are valued on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan.
- Listed and unlisted debt securities, other than government securities, are valued on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP), as per the method of valuation agreed with the Trustees of the Fund under the Rules. The MUFAP calculates these prices in accordance with the SECP's Circular 1 of 2009. The said circular prescribes a valuation methodology which, in case of currently traded securities, is based on weighted average prices during the 15 days preceding the valuation date and in case of thinly or non-traded securities, on the basis of discount coupon method which takes into consideration credit risk and maturities of the instruments.
- Fair value of future contracts are 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.

13.1 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 instruments measured at fair values:

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
	----- Rupees 000 -----			
ASSETS				
Investment - 'at fair value through profit or loss'				
- Listed equity securities	1,116,759	-	-	1,116,759
- Listed debt securities - term finance certificates	-	116,342	-	116,342
- Government securities - market treasury bills	-	464	-	464
	<u>1,116,759</u>	<u>116,806</u>	<u>-</u>	<u>1,233,565</u>
Investment - available for sale securities				
- Listed equity securities	19,581	-	-	19,581
- Government securities - Pakistan investment bonds	-	3,087	-	3,087
	<u>19,581</u>	<u>3,087</u>	<u>-</u>	<u>22,668</u>

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

	As at June 30, 2017			Total
	Level 1	Level 2	Level 3	
	----- Rupees 000 -----			
ASSETS				
Investment - 'at fair value through profit or loss'				
- Listed equity securities	796,714	-	-	796,714
- Listed debt securities - term finance certificates	-	135,531	-	135,531
- Government securities - market treasury bills	-	624,490	-	624,490
	<u>796,714</u>	<u>760,021</u>	<u>-</u>	<u>1,556,735</u>
Investment - available for sale securities				
- Listed equity securities	52,878	-	-	52,878
- Government securities - Pakistan investment bonds	-	3,164	-	3,164
	<u>52,878</u>	<u>3,164</u>	<u>-</u>	<u>56,042</u>

14 GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in this condensed interim financial information during the current period.

Figures of the condensed interim income statement, condensed interim statement of comprehensive income, for the quarters ended December 31, 2017 and December 31, 2016 have not been subject to limited scope review by the statutory auditors of the Fund.

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

15 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been 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

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