



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

PAKISTAN CAPITAL MARKET 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 Habib Metropolitan Bank Limited Bank Al-Falah Limited Standard Chartered Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited Zarai Traqiati Bank Limited Habib Bank Limited National Bank of Pakistan	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
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 **Pakistan Capital Market Fund's** accounts 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.

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

FUND PERFORMANCE

During the period under review, the fund posted a negative return of 6.59% compared to a negative return of 7.74% posted by the benchmark.

On the equities front, the overall allocation was slightly increased to 54.0% from 39.0%. Exposure in cash was increased drastically from 29.6% to 40.6% at the end of the period under review. Sector-wise, the fund increased its exposure in Oil & Gas Exploration Companies & Banks.

On the fixed income side, the fund decreased its exposure in T-Bills to 0% as of 31st December, 2017 and in TDRs to 4.0%.

The Net Assets of the Fund as at December 31, 2017 stood at Rs. 602 million as compared to Rs. 675 million as at June 30, 2017 registering a decrease of 10.81%.

The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs. 10.7700 as compared to opening NAV of Rs. 11.5300 per unit as at June 30, 2017 showing a decrease of Rs. 0.76 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 Office
February 23, 2018



Nasim Beg
Vice Chairman / Director

ڈائریکٹرز رپورٹ
برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

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 کار 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 تھکر

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

من جانب ڈائریکٹرز،



نسیم بیگ
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
23 فروری 2018ء

ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

(NAB) کی جانب سے برطرفی، یا ملکہ 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 اینگرو کارپوریشن کو MSCI ای ایم اسٹینڈرڈ انڈیکس سے کم سطح پر لاکھ 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 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 چھٹی 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، انویسٹرز 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 کمی دیکھنے میں آئی جس کی وجہ مہل لیف سینٹ کی جانب سے استعداد میں 7,300 ٹن یومیہ وسعت ہے، جس کے بعد اینڈو انٹرمنفل پروٹیکشن ایجنسی (EPA)، گورنمنٹ آف پنجاب کی طرف سے ایک آرڈر جاری کیا گیا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 6.59% منفی منافع دیا، جبکہ مقررہ معیار 7.74% تھا۔ ایکویٹیز کے شعبے میں مجموعی شمولیت میں معمولی اضافہ کر کے اسے 39% سے 54.0% کر دیا گیا۔ نقد میں شمولیت میں بھرپور اضافہ کیا گیا اور اسے 29.6% سے بڑھا کر اختتام مدت پر 40.6% کر دیا گیا۔ شعبہ جاتی اعتبار سے فنڈ نے آئل اینڈ گیس ایکسپلوریشن اور مینیکوں میں اپنی شمولیت میں اضافہ کیا۔ مقررہ آمدنی کے شعبے میں فنڈ نے ٹی بلز اور TDRs میں اپنی شمولیت کو کم کر کے 31 دسمبر 2017 کو بالترتیب 0% اور 4.0% کر دیا۔ 31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 602 ملین روپے تھے، جو 30 جون 2017 (675 ملین روپے) کے مقابلے میں 10.81% کمی ہے۔ 31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) نی پونٹ 10.7700 روپے تھی، جو 30 جون 2017 کی ابتدائی NAV (11.5300) روپے نی پونٹ) کے مقابلے میں 0.76 روپے فی پونٹ کم ہے۔

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 پریمزمز (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 پر ہوئی جو اس کے ابھرتے 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

بورڈ آف ڈائریکٹرز کی جانب سے پاکستان کیپیٹل مارکیٹ 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 ملاحظہ جاراہے۔ 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۔

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

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

خارجی رُخ پر تجارتی خسارے میں تشویشناک سطح تک اضافہ ہو گیا۔ کرنٹ اکاؤنٹ کا خسارہ (CAD) برائے ابتدائی 6 ماہ 7.5 بلین ڈالر تھا (YoY 59% اضافہ)۔ پہلی ششماہی 2018ء میں تجارتی خسارہ 14.3 ڈالر تک پہنچ گیا، جو 26% YoY اضافہ ہے۔ نصف اول 2018ء کے دوران درآمدات میں 19% اضافہ ہوا جس کے اسباب پٹرولیم کی درآمدات اور وسعت پذیر اقتصادی اور مالیاتی پالیسی ہیں۔ دوسری جانب ٹیکسٹائل پنکچ 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 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 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، 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

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

PAKISTAN CAPITAL MARKET FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Capital Market 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 CONDESED INTERIM FINANCIAL INFORMATION

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan Capital Market Fund** (the Fund) as at 31 December 2017, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim of movement in unit holders' fund and condensed interim cash flow statement and together with the notes forming part thereof (here-in-after referred to as the '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 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. The figures of the condensed interim income statement and condensed interim statement of comprehensive income, for the quarters ended December 21, 2017 and 2016 have not been reviewed, as we are required to review only the cumulative figures 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 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
Hena Sadiq

Date: February 26, 2018
Karachi

Member of
Deloitte Touche Tohmatsu 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		253,667	204,777
Investments	5	363,096	468,729
Dividend and profit receivables		2,353	2,800
Advances, deposits and prepayments		5,018	6,049
Receivable against sale of investment		-	10,154
Total assets		624,134	692,509
LIABILITIES			
Payable to the Management Company		1,234	1,549
Payable to the Central Depository Company of Pakistan Limited - Trustee		115	128
Payable to the Securities and Exchange Commission of Pakistan		266	568
Payable against purchase of investment		6,787	-
Payable against redemption of units		216	216
Accrued expenses and other liabilities	6	13,952	14,866
Total liabilities		22,570	17,327
NET ASSETS		601,564	675,182
Unit holders' fund (as per statement attached)		601,564	675,182
Contingencies and commitments	7		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		55,831,892	58,575,216
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT		10.77	11.53

The annexed notes from 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

		Half year ended		Quarter ended	
		December 31,		December 31,	
		2017	2016	2017	2016
Note		----- (Rupees in '000) -----			
INCOME					
		5,994	10,438	3,828	6,414
		2,391	4,877	510	2,389
		6,946	1,502	3,850	709
		36	-	18	-
		(26,578)	72,337	(10,752)	50,433
		8	6	3	1
		(2,032)	-	(2,032)	-

The annexed notes from 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

	Half year ended December 31,		Quarter ended December 31,	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
Net income for the period after taxation	(39,413)	96,524	(3,259)	73,339
Other comprehensive income for the period				
<i>Items that may be reclassified to profit and loss account</i>				
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(4,329)	30,390	(1,598)	16,098
Total comprehensive income for the period	(43,742)	126,914	(4,857)	89,437

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 FOR THE HALF YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

	Half year ended December 31, 2017 (Rupees in '000)				2016
	Capital Value	Undistributed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total	Total
Net assets at beginning of the period	613,064	68,003	(5,885)	675,182	626,922
Issuance of 3,672,810 units (2016: 10,685,657 units)					
- Capital value (at net asset value per unit at the beginning of the period)	42,347	-	-	42,347	
- Element of income	(1,607)	-	-	(1,607)	
Total proceeds on issuance of units	40,740	-	-	40,740	124,488
Redemption of 6,416,134 units (2016: 16,098,929 units)					
- Capital value (at net asset value per unit at the beginning of the period)	(73,978)	-	-	(73,978)	
- 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	3,362	-	-	3,362	
Total payments on redemption of units	(70,616)	-	-	(70,616)	(184,560)
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	
Total comprehensive income for the period	-	(39,413)	(4,329)	(43,742)	126,914
Distribution during the period	-	-	-	-	-
Net income / (loss) for the period less distribution	-	(39,413)	(4,329)	(43,742)	126,914
Net assets at end of the period	583,188	28,590	(10,214)	601,564	693,764
Undistributed income brought forward					
- Realised		72,282			(137,052)
- Unrealised		(4,279)			150,336
		68,003			13,284
Accounting income available for distribution					
- Relating to capital gains	-				
- Excluding capital gains					96,524
Net income for the period after taxation		(39,413)			(5,424)
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		-			-
Distribution during the period		-			-
Undistributed income carried forward		28,590			104,384
Undistributed income carried forward					
- Realised		44,527			85,541
- Unrealised		(15,937)			18,843
		28,590			104,384
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				11.53	10.69
Net assets value per unit at end of the period				10.77	13.05

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 CASHFLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Half year ended December 31,	
2017	2016
----- (Rupees in '000) -----	
A. CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period	(39,413) 96,524
Adjustments for:	
Unrealised diminution in value of investments classified as at fair value through profit or loss - net	15,937 (18,843)
Net element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed	- 517
	15,937 (18,326)
(Increase) / decrease in assets	
Investments	85,367 134,198
Dividend and profit receivables	447 644
Advances, deposits and prepayments	1,031 36
Receivable against sale of investment	10,154 (15,125)
	96,999 119,753
Increase / (decrease) in liabilities	
Payable to the Management Company	(315) (54)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(13) 9
Payable to the Securities and Exchange Commission of Pakistan	(302) (376)
Payable against purchase of investment	6,787 14,947
Payable against redemption of units	- (1,002)
Accrued expenses and other liabilities	(914) (1,357)
	5,243 12,167
Net cash generated from operating activities	A 78,766 210,118
B. CASH FLOWS FROM FINANCING ACTIVITIES	
Cash received from units sold	40,335 124,488
Cash paid on units redeemed	(70,211) (184,560)
Net cash used in financing activities	B (29,876) (60,072)
Net increase in cash and cash equivalents during the period	A+B 48,890 150,046
Cash and cash equivalents at beginning of the period	204,777 80,904
Cash and cash equivalents at end of the period	253,667 230,950

The annexed notes from 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 THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Capital Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB - Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, near KPT Interchange, Karachi, Pakistan.
- 1.3** During 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund has been categorised as "Balanced Scheme" and offers units for public subscription on continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on Pakistan Stock Exchange.
- 1.4** The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned asset manager rating of "AM2++" dated June 23, 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. STATEMENT OF COMPLIANCE

- 2.1** "This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 'Interim Financial Reporting' and provisions of and directives issued under the repealed Companies Ordinance, 1984, 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 directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the repealed Companies Ordinance, 1984, 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 directives issued by the Securities and Exchange Commission of Pakistan (SECP) shall prevail.

In 2017, the Companies Act, 2017 (the new Companies Act) was enacted and promulgated by the SECP on May 30, 2017. An exemption was granted to companies whose financial year ended on or before June 30, 2017 via Circular No. 23 of October 04, 2017. No further exemption has been provided and the Company is currently in process of determining impact, if any, on annual financial statements due to implementation of the Act. There is no impact on this condensed interim financial information as they have been prepared primarily under IAS 34 as stated above.

- 2.2** This condensed interim financial information comprise of condensed interim statement of assets and liabilities, 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. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2017. Comparative information of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and December 31, 2016 are un-audited and have been included to facilitate comparison.
- 2.3** This condensed interim financial information is un-audited. However, limited scope review has been performed by

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

the statutory auditors in accordance with the requirements of clause 5.9.13 of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

- 2.4** This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.
- 2.5** The directors of the Management Company declare that this condensed interim financial information give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

- 3.1** The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year ended June 30, 2017.
- 3.2** The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2017.
- 3.3** Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not disclosed in this condensed interim financial information.
- 3.4** 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, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The 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 1, 2017 as required by SECP vide email to MUFAP dated February 08, 2018. 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. 1.719 million consequently there would be no effect on NAV per unit. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit

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

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.

4. FINANCIAL RISK MANAGEMENT

The Fund's 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.

		(Unaudited) December 31, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
5. INVESTMENTS			
<i>At fair value through profit or loss</i>			
Listed equity securities	5.1	302,113	211,352
Government securities	5.2	-	148,851
Unlisted debt security	5.3	<u>1,006</u>	<u>-</u>
		<u>303,119</u>	<u>360,203</u>
<i>Available for sale</i>			
Listed equity securities	5.4	34,977	58,526
<i>Loans and Receivable</i>			
Term deposit receipt	5.5	25,000	50,000
		<u>363,096</u>	<u>468,729</u>

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

5.1 Listed Equity Securities - 'At fair value through profit or loss'

Name of the investee company	As at July 1, 2017	Purchases during the period	Bonus / Right Issue during the period	Sales during the period	As at December 31, 2017	Rupees in '000-					%		Market value as a percentage of total paid up capital of the investee company
						Carrying Value	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments			
Shares Of Listed Companies - Fully Paid Ordinary Shares / Certificates Of Rs. 10 Each Unless Stated Otherwise													
Automobile Assembler													
Atlas Honda Limited	19,300	-	-	-	19,300	11,658	10,927	(731)	1.82	3.01	1.06		
Gandhara Industries Limited	9,500	-	-	-	9,500	6,176	5,245	(931)	0.87	1.44	2.46		
Hinopak Motors Limited	4,440	-	-	4,220	220	288	225	(63)	0.04	0.06	0.18		
Honda Atlas Cars (Pakistan) Limited	-	20,000	-	-	20,000	13,200	10,248	(2,952)	1.70	2.82	0.72		
					31,322	26,645	(4,677)						
Cable And Electrical Goods													
Pak Elektron Limited	139,000	245,000	-	254,000	130,000	5,798	6,174	376	1.03	1.70	0.12		
Cement													
D.G Khan Cement	-	155,200	-	154,800	400	44	53	9	0.01	0.01	0.00		
Fauji Cement Co. Limited	150,000	-	-	150,000	-	-	-	-	0.00	0.00	0.00		
Kohat Cement Limited	48,000	-	-	48,000	-	-	-	-	0.00	0.00	0.00		
Lucky Cement Limited	23,100	26,000	-	23,000	26,100	13,531	13,504	(27)	2.24	3.72	0.42		
Maple Leaf Cement Factory Limited	-	100,000	-	-	100,000	6,800	6,844	44	1.14	1.88	0.12		
Thatta Cement Company Limited	70,000	-	-	65,000	5,000	200	110	(90)	0.02	0.03	0.01		
					20,575	20,512	(63)						
Glass And Ceramics													
Shabbir Tiles & Ceramics Limited	260,500	-	-	58,000	202,500	3,882	2,983	(899)	0.50	0.82	0.18		
Tariq Glass Industries Limited	107,500	-	-	-	107,500	11,907	10,211	(1,696)	1.70	2.81	1.39		
					15,789	13,194	(2,595)						
Commercial Banks													
Allied Bank Limited	200	-	-	-	200	18	17	(1)	0.00	0.00	0.00		
Askari Bank Limited	-	300,000	-	-	300,000	6,260	5,793	(467)	0.96	1.60	0.05		
Bank Al Habib Limited	-	5,000	-	-	5,000	288	292	4	0.05	0.08	0.00		
Bank Al Falah Limited	-	325,000	-	-	325,000	13,000	13,813	813	2.30	3.80	0.09		
Faysal Bank Limited	-	600,000	-	-	600,000	13,521	12,756	(765)	2.12	3.51	0.10		
Habib Bank Limited	-	160,100	-	120,000	40,100	6,787	6,700	(87)	1.11	1.85	0.05		
Mcb Bank Limited	2,500	80,000	-	-	82,500	17,399	17,516	117	2.91	4.82	0.15		
National Bank Of Pakistan Limited	-	40,000	-	40,000	-	-	-	-	0.00	0.00	0.00		
United Bank Limited	-	205,000	-	90,400	114,600	20,560	21,541	981	3.58	5.93	0.18		
					77,833	78,428	595						
Engineering													
Anreli Steels Limited	-	100,500	-	100,000	500	58	46	(12)	0.01	0.01	0.00		
Crescent Steel & Allied Prod	-	5,000	-	-	5,000	1,060	637	(423)	0.11	0.18	0.08		
International Steels Ltd	50,000	-	-	50,000	-	-	-	-	0.00	0.00	0.00		
International Industries Limited	55,500	-	-	38,900	16,600	6,118	3,986	(2,132)	0.66	1.10	0.33		
Mughal Iron & Steel Limited	135,500	214,500	-	90,000	260,000	15,698	15,106	(592)	2.51	4.16	0.60		
					22,934	19,775	(3,159)						
Fertilizer													
Engro Corporation Limited	-	176,000	-	65,500	110,500	28,512	30,360	1,848	5.05	8.36	0.58		
Engro Fertilizers Limited	-	186,500	-	180,000	6,500	420	440	20	0.07	0.12	0.00		
					28,932	30,800	1,868						

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

Name of the investee company	As at July 1, 2017	Purchases during the period	Bonus / Right Issue during the period	Sales during the period	As at December 31, 2017	As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	Market value as a percentage of total paid up capital of the investee company
						Carrying Value	Market Value	Appreciation / (diminution)			
Rupees in '000-											
Shares Of Listed Companies - Fully Paid Ordinary Shares / Certificates Of Rs. 10 Each Unless Stated Otherwise											
Inv.Banks / Inv. Cos. / Securities Cos.											
Arif Habib Limited	56,000	-	-	-	56,000	4,503	2,215	(2,288)	0.37	0.61	0.40
Leasing Companies											
Orix Leasing Pakistan Limited	80,500	-	-	-	80,500	3,241	3,342	101	0.56	0.92	0.24
Leather & Tanneries											
Bata Pakistan Limited	550	-	-	-	550	1,815	1,349	(466)	0.22	0.37	1.78
Service Industries Limited	8,900	-	-	-	8,900	12,273	6,675	(5,598)	1.11	1.84	5.55
						14,088	8,024	(6,064)			
Oil And Gas Exploration Companies											
Oil And Gas Development Company Limited	-	223,500	-	55,000	168,500	24,851	27,430	2,579	4.56	7.55	0.06
Pakistan Petroleum Limited	45,030	98,100	-	132,000	11,130	2,043	2,292	249	0.38	0.63	0.01
Mari Petroleum Company	200	-	-	-	200	315	290	(25)	0.05	0.08	0.03
Pakistan Oilfields Limited	-	57,000	-	-	57,000	33,175	33,873	698	5.63	9.33	1.43
						60,384	63,885	3,501			
Oil And Gas Marketing Companies											
Hi-tech Lubricants	17,400	-	-	-	17,400	1,897	1,235	(662)	0.21	0.34	0.11
Pharmaceuticals											
The Searle Company Limited	433	-	86	-	519	222	163	(59)	0.03	0.05	0.01
Power Generation & Distribution											
Hub Power Company Limited	111,000	-	-	110,000	1,000	117	91	(26)	0.02	0.03	0.00
K-electric Ltd	1,000,000	-	-	1,000,000	-	-	-	-	0.00	0.00	0.00
						117	91	(26)			
Real Estate Investment And Services											
Dolmen City REIT	249,500	-	-	-	249,500	2,952	2,745	(208)	0.46	0.76	0.01
Sugar & Allied Industries											
Faran Sugar Mills Limited	44,000	-	-	-	44,000	3,531	2,860	(671)	0.48	0.79	1.14
Technology & Communication											
Netsol Technologies	50,000	-	-	-	50,000	2,891	3,168	277	0.53	0.87	0.35
Hum Network Limited	-	700,000	-	-	700,000	5,950	5,719	(231)	0.95	1.58	0.61
						8,841	8,887	46			
Textile Composite											
Nishat Mills Limited	-	55,000	-	-	55,000	7,251	8,222	971	1.37	2.26	0.23
KohinoorTextile Mills Limited	-	70,000	4,200	-	74,200	7,845	4,915	(2,930)	0.82	1.35	0.16
						15,096	13,137	(1,959)			
Total at December 31, 2017 (Un-audited)											
						318,056	302,113	(15,944)			
Total at June 30, 2017 (Audited)											
						212,638	211,352	(1,286)			

* These represent transactions with related parties.

** The above include shares with a market value aggregating to Rs. 9.95 million (June 30 2017: 16.73 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

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

5.2 Government securities - 'at fair value through profit or loss'

Issue date	Face value				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	Disposed during the period	Matured during the period	As at December 31, 2017	Carrying value	Market value			Appreciation / (Diminution)
(Rupees in '000)										
Treasury bills - 3 months	150,000	300,000	300,000	150,000	-	-	-	-	-	
Total as at December 31, 2017 (Un-audited)										
Total as at June 30, 2017 (Audited)										
					148,888	148,851	(37)	22.05	31.76	

5.3 Unlisted debt security - 'at fair value through profit or loss'

Certificates have a face value of Rs 5,000 each

Name of investee company	Number of certificates				As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investment	
	As at July 1, 2017	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2017	Carrying value	Market Value			Appreciation / (diminution)
(Rupees in '000)										
Refinery										
Byco Petroleum Pakistan Limited (18-01-2017 issue)	-	10	-	-	10	1,000	1,006	6	0.17	
						</				

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

5.4 Listed equity securities - 'Available for sale'

Name of the investee company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at December 31, 2017	As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments	Market value as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
Rupees in '000											
Automobile Assembler											
Indus Motor Company Limited	50	-	-	-	50	66	84	18	0.01	0.02	0.01
Chemicals											
I.C.I. Pakistan Limited	7,500	-	-	-	7,500	3,182	5,760	2,578	0.96	1.59	0.62
Commercial Banks											
Habib Bank Limited	1,300	-	-	100	1,200	230	201	(29)	0.03	0.06	0.00
MCB Bank Limited	100	-	-	-	100	22	21	(1)	0.00	0.01	0.00
						252	222	(30)			
Food & Personal Care Products											
Al-Shaheer Corporation Limited	805	-	-	-	805	43	18	(25)	0.00	-	0.00
Shezan International Limited	2,600	-	-	-	2,600	3,290	1,283	(2,007)	0.21	0.35	1.61
						3,333	1,301	(2,032)			
Oil And Gas											
Mari Petroleum Company Limited	15,400	-	-	-	15,400	8,964	22,343	13,379	3.71	6.15	2.03
Power Generation & Distribution											
Hub Power Company Limited	140,000	-	-	140,000	-	-	-	-	-	-	-
Textile Composite											
Kohinoor Textile Mills Limited	75,000	-	4,500	-	79,500	6,300	5,267	(1,033)	0.88	1.45	0.18
Total as at December 31, 2017 (Un-audited)						22,097	34,977	12,880			
Total as at June 30, 2017 (Audited)						37,171	58,526	21,356			

* These represent transactions with related parties.

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

5.5 Term deposit receipt - Loans and receivables

Particulars	Profit / mark-up rates	Issue date	Maturity date	At Dec 31, 2017	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
----- (Rupees in '000) -----					----- % -----	
Zarai Taraqati Bank Limited	6.50%	14-Sep-17	13-Mar-18	25,000	4.16	6.89
As at December 31, 2017 (Un-audited)				25,000		
As at June 30, 2017 (Audited)				50,000		

(Unaudited) (Audited)
December 31, June 30,
2017 2017

Note

----- (Rupees in '000) -----

5.6 Unrealised appreciation / (diminution) in value of investments at fair value through profit or loss - net

Market value of investments	5.1, 5.2, 5.3	303,119	360,203
Carrying value of investments	5.1, 5.2, 5.3	(319,056)	(361,526)
		(15,937)	(1,323)

6. ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Sindh Workers' Welfare Fund	6.1	3,900	3,900
Provision for Federal Excise Duty and related tax			
- On management fee	6.2	5,872	5,872
- Sales load		393	393
Legal and professional charges		100	54
Withholding tax payable		10	111
Dividend payable		2,785	2,784
Auditors' remuneration		306	453
Zakat		1	1
Brokerage		346	838
Other		239	460
		13,952	14,866

6.1 Provision for Sindh Workers' Welfare Fund

The Supreme Court passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and thereby striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 according to which there is no basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, The Mutual Fund Association of Pakistan (MUFAP) decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017. The provision amounted to Rs. 10.73 million and it resulted in an increase in NAV per unit of Rs. 0.2015 on January 12, 2017.

Furthermore, in January 2016, the Sindh Revenue Board (SRB) had written to mutual funds to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual

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

funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB on November 11, 2016 responded back that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Ministry of Finance, Sindh to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP as an abundant caution, decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The provision made for SWWF on January 12, 2017, amounted to Rs. 2.558 million. This has resulted in a decrease in NAV per unit of Rs. 0.0480 on January 12, 2017. Had this provision been recognized on December 31, 2017, the NAV per unit of the Fund would have been lower by Rs. 0.07 per unit on that date.

The SECP has also concurred with the directions issued by MUFAP through its letter no. SCD/AMCW/MUFAP/2017 - 405 dated February 01, 2017.

6.2 Provision for Federal Excise Duty and related tax

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

On September 04, 2013, a constitutional petition was filed in Sindh High Court (SHC) jointly by various asset management companies, together with Collective Investment Schemes through their trustees, challenging the levy of FED.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order on the FED. The management is, however, of the view that since the Federal Government still has the right to appeal against the order, the previous balance of FED can not be reversed.

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

In view of the abovementioned facts and the pending decision by the Supreme Court of Pakistan, the Management Company of the Fund has not made any further provision for FED in the books of accounts of the Fund with effect from July 1, 2016 and decided to retain the provision for FED already made in the books of accounts of the Fund which aggregated to Rs. 6.2 million as at December 31, 2017. Had this provision not been made, the NAV of the Fund would have been higher by Rs. 0.11 per unit.

7. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2017 and June 30, 2017 other than those disclosed in note 6.1 and 6.2.

8. SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13th 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 13% on such services is also chargeable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 amended upto 2016. Accordingly, the Fund has made an accrual of Rs. 0.08 million on account of Sindh Sales Tax on services chargeable on custodianship services for the half year ended December 31, 2017.

9. ALLOCATED EXPENSES

The SECP via its SRO 1160 dated November 25, 2015 has amended clause 60 of NBFC Regulations, 2008. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund has made an accrual of Rs. 0.354 million since

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

July 1, 2017 at the maximum rate of 0.1% of average annual net assets which is less than the actual expenses allocable to the fund.

10. EXPENSE RATIO

The expense ratio of the Fund from July 1, 2017 to Dec 31, 2017 is 1.65%, the total expense ratio includes 0.22% representing government levy and SECP fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an money market scheme.

11. FAIR VALUE HEIRARCHY

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability 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.

Financial assets which are trade able in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7 - Financial Instruments : Disclosure requires an entity shall classify fair value measurements 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: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

	-----December 31, 2017 -----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment classified				
- at fair value through profit or loss	302,113	1,006	-	303,119
- available for sale	34,977	-	-	34,977
	<u>337,090</u>	<u>1,006</u>	<u>-</u>	<u>338,096</u>
	-----June 30, 2017 -----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment classified				
- at fair value through profit or loss	211,352	148,851	-	360,203
- available for sale	58,526	-	-	58,526
	<u>269,878</u>	<u>148,851</u>	<u>-</u>	<u>418,729</u>

12. TAXATION

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per Regulation

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

63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The management intends to distribute at least 90% of income to be earned during current year to the unit holders, therefore, no provision for taxation has been recorded in this condensed interim financial information.

13. EARNINGS PER UNIT

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

14. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Remuneration to the Management Company and the Trustee are determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

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

14.1 Details of transactions with connected persons are as follows:

MCB-Arif Habib Savings and Investment Limited
- Management Company

Remuneration for the period including indirect taxes	7,082	7,236
Allocated expense	354	318

Arif Habib Limited - Brokerage house

Brokerage*	44	245
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Next Capital Private Limited - Brokerage House

Brokerage *	61	285
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MCB Bank Limited

Purchase of 80,000 shares (2016:59,000 shares)	16,873	12,414
Sales of Nil shares (2016:83,900 shares)	-	18,309
Bank charges	9	11
Profit on bank deposit	44	53
Dividend income	661	1

Arif Habib Limited

Dividend income	560	-
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Dolmen City Reit

Dividend income	649	-
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Nishat Chunian Limited

Purchase of 100,000 shares (2016:415,000 shares)	5,400	16,482
Sales of 100,000 shares (2016:130,000 shares)	5,724	5,797

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

	Half year ended December 31	
	2017	2016
	----- (Rupees in '000) -----	
Nishat Mills Limited		
Purchase of 55,000 shares (2016:179,500 shares)	7,845	24,204
Sales of Nil shares (2016:270,500 shares)	-	36,906
Dividend income	100	1,605
Fatima Fertilizer Limited		
Purchase of Nil shares (2016:185,000 shares)	-	6,272
Sales of Nil shares (2016:185,000 shares)	-	6,748
D.G. Khan Cement Limited		
Purchase of 155,200 shares (2016:187,000 shares)	20,810	36,187
Sales of 154,800 shares (2016:187,000 shares)	20,363	35,577
Dividend income	3	576
Mughal Iron & Steel		
Purchase of 214,500 shares (2016:Nil shares)	11,901	-
Sales of 90,000 shares (2016:Nil shares)	6,382	-
Dividend income	156	336
Sui Northern Gas Limited		
Purchase of 265,000 shares (2016:311,000 shares)	35,958	19,223
Sales of 265,000 shares (2016:221,000 shares)	31,910	14,794
Sui Southern Gas Limited		
Purchase of Nil shares (2016:185,000 shares)	-	12,727
Sales of Nil shares (2016:185,000 shares)	-	11,188
PAKGEN Power Limited		
Dividend income	-	960
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	708	720
CDS charges	121	73

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

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

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

14.2 Amounts outstanding as at period / year end:

MCB-Arif Habib Savings and Investment Limited - Management Company

Remuneration payable	1.011	1.131
Sales tax payable on management fee	132	147
Sales load payable	36	189
Sindh sales tax payable on sales load	5	26
Allocated expenses payable	50	56

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	102	113
Security deposit	300	300
Sales tax payable on trustee fee	13	15

MCB Bank Limited

Bank balance	3.774	6.152
Profit receivable on bank deposits	53	41
82,600 shares held (June 30, 2017: 2,600)	17.537	547

Arif Habib Limited - Brokerage House

Brokerage payable	22	91
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Next Capital Private Limited - Brokerage House

Brokerage payable	36	63
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D.G. Khan Cement Limited

400 shares held (June 30, 2017: Nil shares)	54	-
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Nishat Mills Limited

55,000 shares held (June 30, 2017: Nil shares)	8.223	-
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Mughal Iron & Steel

260,000 shares held (June 30, 2017: 135,500 shares)	15.106	10,939
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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

14.3 Unit Holders' Fund:

For the Half Year ended December 31, 2017

As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at December 30, 2017	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at December 30, 2017
Units					(Rupees in '000)				
115,211	38,081	-	63,481	89,810	1,296	400	-	679	968

Key management personnel

For the Half Year ended December 31, 2016

As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at December 30, 2016	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at December 30, 2016
Units					(Rupees in '000)				
-	11,489	-	-	11,489	-	150	-	-	149

Key management personnel

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

15. DATE OF AUTHORISATION

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

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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