



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 FREQUENT PAYOUT 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	MCB Financial Services Limited 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah 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 Telenor Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati 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 Frequent Payout 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 return of 1.82% compared to the benchmark return of 2.24%. The fund was mostly invested in cash (56.6%), Term Deposits (10.2%) and Term Finance Certificates (9.6%).

The Net Assets of the Fund as at December 31, 2017 stood at Rs. 678 million as compared to Rs. 900 million as at June 30, 2017 registering a decrease of 24.75%. The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs. 100.7141, a decrease of Rs. 0.7111 over June 30, 2017.

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

ڈائریکٹر ز پورٹ
برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

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 پریکٹمز (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 سستار ہے گا۔ علاوہ ازیں، KSE-100 کی تجارت 9.71x کی فارورڈ P/E پر ہوئی جو اس کے اُبھرتے ہوئے مارکیٹ peer گروپ سے 40% بھرپور رعایت ہے۔ مستحکم پیش رفت میں (i) روپے کی قدر میں کمی اور انٹریسٹ کی اونچی شرحیں، اور (ii) CPEC اور ٹیکسٹائل کے شعبے کے لئے حکومت پاکستان کی مسلسل پشت پناہی (جن کی بدولت برآمدات کی حوصلہ افزائی ہوگی) شامل ہیں، جن کو سیاسی صورتحال کے قطع نظر درمیانی مدت سے سبقت لے جانا چاہئے۔ اگرچہ مجموعی سطح پر، اور خاص طور پر نصف آخر 2018 میں، طے شدہ واقعات کے عمل میں آنے پر مارکیٹ کا رد 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 ڈائریکٹر 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، ڈائریکٹر 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 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 اینکر و 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 اینجی 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 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 میل لیف سیمنٹ کی جانب سے استعداد میں 7,300 ٹن یومیہ وسعت ہے، جس کے بعد اینوائز منٹل پروٹیکشن ایجنسی (EPA)، گورنمنٹ آف پنجاب کی طرف سے ایک آرڈر جاری کیا گیا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا منافع 1.82% تھا، جبکہ مقررہ معیار 2.24% تھا۔ فنڈ کی زیادہ تر سرمایہ کاری نقد میں (56.5%)، ٹرم ڈپازٹس میں (10.2%) اور ٹرم فنانس سرٹیفکیٹس میں (9.6%) تھی۔

31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 678 ملین روپے تھے، جو 30 جون 2017 (900 ملین روپے) کے مقابلے میں 24.75% کمی ہے۔ 31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 10.7141 روپے تھی، جو 30 جون 2017 کے مقابلے میں 0.7111 روپے 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 گئی ان کو منظم

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان فریکوینٹ پے آؤٹ فنڈ کے 31 دسمبر 2017ء کو اختتام پذیر ہونے والے نصف سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

معاشی اعداد و شمار میں ملا جلا رجحان جاری رہا۔ حقیقی رُخ بدستور ترقی کی جانب اشارہ کر رہا ہے، جبکہ خارجی رُخ کمزوریوں کو ظاہر کر رہا ہے۔ دورانِ مدت معیشت کی ترقی تیز تر ہوتی رہی۔ اسٹیل، گاڑیوں اور اشیائے خورد و نوش کے شعبے کی ترقی کے باعث LSM نے 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۔

پراوٹل 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 کٹھتی ہوئی قدر ہیں۔ مستحکم اشاروں کے نتیجے میں مانیٹری پالیسی کمیٹی کا حال 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 پیکج کے اثرات نے کچھ رفتار پکڑی اور 2018ء کی پہلی ششماہی کے دوران ٹیکسٹائل کی درآمدات میں 8% اضافہ ہوا، لیکن یہ اضافہ بڑھتی ہوئی درآمدات سے پیدا ہونے والی خلیج کو پر کرنے کے لئے ناکافی تھا۔ نتیجتاً، غیر ملکی زرمبادلہ کے ذخائر میں 1.2 بلین ڈالر کمی ہوئی، اگرچہ بین الاقوامی بانڈ مارکیٹ میں 2.5 بلین ڈالر کی گردش ہوئی۔ علاوہ ازیں، امریکی ڈالر کے مقابلے میں روپے کی قدر میں 5% کمی ہوئی، جس سے وسعت پذیر خارجی اکاؤنٹ پر حکومتی توجہ کی ضرورت کی عکاسی ہوتی ہے۔

افراط زر میں تمام tenors کے مقابلے میں اضافے کی توقعات بازار 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



MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

MCB PAKISTAN FREQUENT PAYOUT FUND

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

MCB Pakistan Frequent Payout Fund, an open-end Scheme established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited as Management Company and MCB Financial Services Limited as Trustee on 22nd July 2015. The scheme was approved by Securities & Exchange Commission of Pakistan on 16th July 2015.

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

A handwritten signature in black ink, appearing to read 'Anwar Hussain'.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: February 21, 2018

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

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



A.F.FERGUSON&CO.

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

Introduction

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

Scope of Review

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

Conclusion

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

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: February 26, 2018

Karachi

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

■ KARACHI ■ LAHORE ■ ISLAMABAD

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

		December 31, 2017 (Un-audited) (Rupees in '000)	June 30, 2017 (Audited)
	Note		
Assets			
Balances with banks	4	390,657	541,451
Investments	5	245,350	290,609
Dividend and profit receivables		4,016	1,800
Advances, deposits and other receivables		4,367	5,242
Preliminary expenses and floatation costs		420	495
Receivable against margin trading system transactions		12,959	16,065
Receivable against sale of investments		22,279	38,360
Receivable from National Clearing Company of Pakistan Limited		9,134	20,286
Total assets		689,182	914,308
Liabilities			
Payable to the Management Company	6	946	1,950
Payable to the Trustee		79	102
Payable to the Securities and Exchange Commission of Pakistan		357	996
Accrued expenses and other liabilities	7	7,161	7,939
Dividend payable		2,785	3,725
Total liabilities		11,328	14,712
NET ASSETS		677,854	899,596
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		677,854	899,596
CONTINGENCIES AND COMMITMENTS	8		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		6,730,473	8,869,552
		(Rupees)	
NET ASSET VALUE PER UNIT		100.7141	101.4252
FACE VALUE PER UNIT		100.0000	100.0000

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Note	Half year ended December 31, 2017	Half year ended December 31, 2016	Quarter ended December 31, 2017	Quarter ended December 31, 2016
		----- (Rupees in '000) -----			
Income					
(Loss) / Gain on sale of investments - net		(2,533)	15,061	(3,641)	18,520
Dividend income		3,148	2,398	2,318	1,819
Profit on savings and term deposits		12,812	11,940	6,675	8,219
Income on margin trading system transactions		1,561	-	1,398	-
Income on money market placements		1,069	259	903	-
Income from government securities		7,332	17,229	1,703	7,279
(Loss) / Income from spread transactions		(1,281)	576	(1,281)	54
		22,108	47,463	8,075	35,891
Net unrealised (dimunition) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.1.4	(364)	2,241	2,681	2,388
Total income		21,744	49,704	10,756	38,279
Expenses					
Remuneration of the Management Company	6.1	3,612	5,761	1,693	3,419
Sindh sales tax on remuneration of the Management Company	6.2	469	749	219	445
Remuneration of the Trustee		451	620	210	337
Sindh Sales Tax on remuneration of the Trustee		59	81	28	44
Annual fee to the Securities and Exchange Commission of Pakistan		357	510	166	282
Allocated expenses	6.3	425	607	198	336
Marketing and selling expense	6.4	1,053	-	250	-
Auditors' remuneration		345	259	159	84
Brokerage, settlement and bank charges		944	2,058	583	1,515
Fees and subscriptions		162	220	96	147
Amortisation of preliminary expenses and floatation costs		75	74	37	37
Legal and professional charges		92	-	37	-
Printing and related charges		-	92	(40)	25
Provision against Sindh Wokers' Welfare Fund	7.2	274	-	142	-
Total operating expenses		8,318	11,031	3,778	6,671
Net income from operating activities		13,426	38,673	6,978	31,608
Net element (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed					
- arising from realised / unrealised capital gains		-	(9,436)	-	(21,834)
- arising from other income		-	6,354	-	21,473
		-	(3,082)	-	(361)
Net income for the period before taxation		13,426	35,591	6,978	31,247
	10	-	-	-	-
Net income for the period after taxation		13,426	35,591	6,978	31,247
Earnings per unit	11				
Allocation of net income for the period:					
Net income for the period after taxation		13,426	35,591	6,978	31,247
Income already paid on units redeemed		1,589	-	1,586	-
		11,837	35,591	5,392	31,247
Accounting income available for distribution:					
-Relating to capital gains		-	-	-	-
-Excluding capital gains		11,837	-	5,392	-
Accounting income available for distribution		11,837	-	5,392	-

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Half year ended December 31, 2017	Half year ended December 31, 2016	Quarter ended December 31, 2017	Quarter ended December 31, 2016
	----- (Rupees in '000) -----			
Net income for the period after taxation	13,426	35,591	6,978	31,247
Other comprehensive income				
<i>Items that may be reclassified subsequently to income statement</i>				
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'	-	150	-	(7,962)
Total comprehensive income for the period	<u>13,426</u>	<u>35,741</u>	<u>6,978</u>	<u>23,285</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Half Year ended December 31, 2017			Half Year ended December 31, 2016
	(Rupees in '000)			
	Capital Value	Undistributed income	Unrealised (losses) / gains on Available For Sale investments	Total
Net assets at the beginning of the period	888,279	11,317	-	899,596
Issue of 649,832 units (2016: 6,642,963 units)				
- Capital value (at net asset value per unit at the beginning of the period)	65,909	-	-	65,909
- Element of loss	(161)	-	-	(161)
	65,748	-	-	65,748
Redemption of 2,788,911 units (2016: 2,855,044 units)				
- Capital value (at net asset value per unit at the beginning of the period)	282,866	-	-	282,866
- Element of Income	(2,085)	1,589	-	(496)
	280,781	1,589	-	282,370
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	-	-	-	(3,082)
Total comprehensive income for the period	-	13,426	-	13,426
Distributions during the period	-	(18,546)	-	(18,546)
Net income for the period less distribution	-	(5,120)	-	(5,120)
Net assets as at the end of the period	673,246	4,608	-	677,854
Distribution for the period				
Undistributed income brought forward comprises of:				
- Realised gain		11,383		1,170
- Unrealised (loss) / gain		(66)		391
		11,317		1,561
Accounting income / (loss) available for distribution:				
- Relating to capital gains / (losses)		-		
- Excluding capital gains / (losses)		11,837		
Net Income for the period after taxation		11,837		35,591
Interim distributions during the period				
- Cash distribution		(18,546)		(25,614)
Undistributed income carried forward		4,608		11,538
Undistributed income carried forward comprises of:				
- Realised gain		4,972		9,297
- Unrealised (loss) / gain		(364)		2,241
		4,608		11,538
			(Rupees)	(Rupees)
Net assets value per unit as at beginning of the period			101.4252	100.2203
Net assets value per unit as at end of the period			100.7141	101.3234

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Note	Half year ended December 31, 2017	Half year ended December 31, 2016
----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		13,426	35,591
Adjustments for non-cash charges and other items:			
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.1.4	364	(2,241)
Net element (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed			
- arising from realised / unrealised capital gains		-	9,436
- arising from other income		-	(6,354)
Provision against Sindh Wokers' Welfare Fund	7.2	274	-
		14,064	36,432
(Increase) / decrease in assets			
Investments - net		44,895	334,754
Dividend and profit receivables		(2,216)	8,034
Advances, deposits and receivables		17,031	(2,055)
Receivable from National Clearing Company of Pakistan Limited		14,258	5,489
		73,968	346,222
Increase / (decrease) in liabilities			
Payable to the Management Company		(1,004)	(1,657)
Payable to the Trustee		(23)	44
Payable to the Securities and Exchange Commission of Pakistan		(639)	183
Accrued expenses and other liabilities		(1,052)	899
		(2,718)	(531)
Net cash generated from operating activities		85,314	382,123
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issuance of units		65,748	666,153
Payments against redemption of units		(282,370)	(286,794)
Cash distributions made during the period		(19,486)	(19,595)
Net cash (used in) / generated from financing activities		(236,108)	359,764
Net increase in cash and cash equivalents		(150,794)	741,887
Cash and cash equivalents at beginning of the period		541,451	200,594
Cash and cash equivalents at end of the period	4	390,657	942,481

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Frequent Payout Fund ("the Fund") was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non Banking Finance Companies and Notified Entities Regulations, 2008. The Fund was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 16 July 2015. It was constituted under a Trust Deed dated 22 July 2015 between MCB-Arif Habib Savings and Investments Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and MCB Financial Services Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

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 Fund is listed on the Pakistan Stock Exchange Limited. 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 purchase, redemption, transfer, switching, etc. only during the first five business days of every month. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering them to the Fund.

The objective of the Fund is to provide regular monthly payments to investors by investing the assets of the Fund in debt and equity instruments.

The Management Company of the Fund has been licensed to act as an asset management company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off. Shaheed-e-Millat Expressway, near KPT interchange, Karachi, Pakistan.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook to the Management Company on June 23, 2017.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the 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. The 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 the 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 NBFC Regulations, the directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund 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 CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

- 3.1** The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the published annual audited financial statements as at and for the year ended June 30, 2017 except for changes in accounting policy as stated 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 is 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 amendments to element of income not been applied, the income of the Fund would have been higher by Rs. 0.328 million net off charge for SWWF in respect of element of income. Consequently, the 'net assets attributable to 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' would have been lower by Rs. 6,700 and Re. 0.0010 respectively. However, the change in accounting policy does not have any impact on the 'Cash flow Statement'. 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 applied to the published annual audited financial statements as at and for the year ended June 30, 2017.

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

3.5 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 periods beginning on or after 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 CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from July 1, 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2018. However, these are not expected to have any significant impact 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			
Bank balances - in saving accounts	4.1	390,657	541,451

4.1 These carry profit at rates ranging between 3.75% and 7.50% (June 30, 2017: 3.75% to 6.35%) per annum and include a balance of Rs 0.706 million (June 30, 2017: Rs 3.330 million) maintained with MCB Bank Limited, a related party of the Fund, which carries profit at the rate of 3.75% (June 30, 2017: 3.75%) per annum.

	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	3,140	10,841
- Government securities - Market Treasury Bills	5.1.2	48,411	74,768
- Investment in corporate sukuks and term finance certificates	5.1.3	65,915	-
		117,466	85,609
Loans and receivables			
- Commercial papers	5.2	57,884	-
- Term deposit receipts	5.3	70,000	205,000
		127,884	205,000
		245,350	290,609

NOTES TO AND FORMING PART OF 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 investments	Par value as percentage of issued capital of the investee company
----- (Number of shares) -----					----- (Rupees in '000) -----						
Refinery											
Attock Refinery Limited	-	154,500	-	154,500	-	-	-	-	-	-	-
Technology and Communication											
Pakistan Telecommunication Company Limited	-	78,000	-	78,000	-	-	-	-	-	-	-
TRG Pakistan Limited	-	124,000	-	124,000	-	-	-	-	-	-	-
Textile Composite											
** Kohinoor Textile Mills Limited	-	42,400	-	40,000	2,400	144	159	15	-	-	-
Gul Ahmed Textile Mills Limited	-	31,500	-	31,500	-	-	-	-	-	-	-
* Nishat Chunian Limited	-	44,000	-	44,000	-	-	-	-	-	-	-
* Nishat Mills Limited	-	2,000	-	2,000	-	-	-	-	-	-	-
						144	159	15	-	-	-
Real Estate Investment Trust											
* Dolmen City REIT	820,000	-	-	549,000	271,000	3,206	2,981	(225)	-	1%	-
						3,206	2,981	(225)	-	1%	-
Total - December 31, 2017						3,350	3,140	(210)	-	1%	-
Total - June 30, 2017						10,895	10,841	(54)	1%	4%	-

* These denote related parties / connected persons

** Percentages appearing as Nil are due to rounding-off.

5.1.2 Government securities - Market Treasury Bills

Descriptions	Face value				Carrying value as at December 31, 2017	Market value as at December 31, 2017	Unrealised appreciation/ (diminution) as at December 31,	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) -----									
T-Bills (3 months)	-	110,000	110,000	-	-	-	-	-	-
T-Bills (6 months)	-	250,000	250,000	-	-	-	-	-	-
T-Bills (12 months) - (Note: 5.1.2.1)	75,000	450,000	475,000	50,000	48,446	48,411	(35)	7%	20%
Total - December 31, 2017					48,446	48,411	(35)	7%	20%
Total - June 30, 2017					74,775	74,768	(7)	0%	0%

5.1.2.1 The bill carries a yield at the rate of 6.03% (June 30, 2017: 6.03%) and is due to mature on July 19, 2018. Further, the investment has 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 SECP) and as a security margin deposit against MTS transactions. The issue date of outsting T-bill is 20-Jul-17 and maturity date is 19-Jul-18.

5.1.3 Investment in corporate sukuks and term finance certificates

Description	Number of Certificates				Carrying value as at December 31, 2017	Market value as at December 31, 2017	Unrealised appreciation/ (diminution) as at December	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) -----									
Refinery									
BYCO Petroleum Pakistan Limited - Sukuk Certificates (18-01-17) * & **	-	10	-	10	1,000	1,006	6	0%	0%
Commercial Banks									
The Bank of Punjab - TFC (23-12-16) ***	-	650	-	650	65,034	64,909	(125)	10%	26%
Total - December 31, 2017					66,034	65,915	(119)	10%	26%
Total - June 30, 2017									
					-	-	-	-	-

*These certificates have a face value of Rs. 100,000

** Percentages appearing as Nil are due to rounding-off.

***These certificates have a face value of Rs. 99,960

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

5.1.3.1 These carry profit at the rate of 7.17% to 7.21% (June 30, 2017: Nil) per annum and have maturities from January 18, 2022 to December 23, 2026.

	Note	December 31, 2017 (Un-audited) (Rupees in '000)	June 30, 2017 (Audited)
5.1.4 Unrealised diminution on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net			
Market value	5.1.1, 5.1.2 & 5.1.3	117,466	85,609
Less: carrying value	5.1.1, 5.1.2 & 5.1.3	(117,830)	(85,670)
		<u>(364)</u>	<u>(61)</u>

5.2 The commercial paper was issued by Hascol Petroleum Limited on December 29, 2017. The paper has a face value of Rs. 60 million and was issued at a discounted amount of Rs. 57.85 million, carrying a yield of 7.46% per annum. The investment represents 8.5% (June 30, 2017: Nil) of the total net assets of the Fund as at December 31, 2017.

5.3 These Term deposit receipts (TDRs) carry mark-up at the rate of 6.50% per annum (June 30, 2017: 6.18% to 6.75% per annum) and is due to mature on March 13, 2018. The TDRs represent 10.33% (June 30, 2017: 22.78%) of the total net assets of the Fund as at December 31, 2017.

	Note	December 31, 2017 (Un-audited) (Rupees in '000)	June 30, 2017 (Audited)
6 PAYABLE TO THE MANAGEMENT COMPANY			
Management remuneration payable	6.1	565	734
Sindh Sales Tax payable on Management Company's remuneration	6.2	73	95
Payable against allocated expenses	6.3	58	75
Payable against marketing and selling expenses	6.4	250	1,046
		<u>946</u>	<u>1,950</u>

6.1 The Management Company has charged remuneration at a rate of 15% of daily gross income subject to a minimum of 0.25% of average annual net assets and maximum of 2% of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

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

6.3 In accordance with the Regulation 60 of Non-Banking Finance Companies and Notified Entities Regulations, 2008, 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.

6.4 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 expenses shall be 0.4% per annum of net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged at the rate of 0.4% of net assets of the Fund, being lower than the actual expenses incurred.

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

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
		(Rupees in '000)	
Federal Excise Duty payable on management remuneration	7.1	841	841
Federal Excise Duty payable on Sales load	7.1	3,625	3,625
Provision against Sindh Workers' Welfare Fund	7.2	1,789	1,515
Auditors' remuneration payable		317	458
Brokerage payable		25	944
Sales load payable		107	153
Sindh sales tax payable on allocated expenses		233	184
Printing and other charges payable		224	219
		<u>7,161</u>	<u>7,939</u>

- 7.1** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 13 June 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 which is 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 4.466 million (June 30, 2017: Rs 4.466 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 Re 0.6635 per unit (June 30, 2017: Re 0.5035 per unit).

- 7.2** 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 with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015). Furthermore, during the period covered in this condensed interim financial information, no progress on the said matter has been made.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at December 31, 2017 would have been higher by Re 0.2658 per unit (June 30, 2017: Re. 0.1708 per unit).

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

8 CONTINGENCIES AND COMMITMENTS

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

	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
	------(Rupees in '000)-----	
8.1 Commitments		
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions have not been settled as at period end	<u>145</u>	<u>2,648</u>

9 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at December 31, 2017 is 1.12% which includes 0.17% representing government levies on the Fund such as sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an asset allocation scheme.

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. Since the management intends to distribute the required minimum percentage of accounting income earned by the Fund for the year ending June 30, 2018 to the unit holders in the manner as explained above, no provision for taxation has been made in this condensed interim financial information.

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

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

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

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the period end, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

**NOTES TO AND FORMING PART OF CONDENSED INTERIM FINANCIAL INFORMATION (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)	
12.1 Transactions during the period		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration of the Management Company	3,612	5,761
Sindh sales tax on remuneration of the Management Company	469	749
Marketing and selling expense	1,053	-
Allocated expenses	425	607
MCB Financial Services Limited - Trustee		
Remuneration of MCB Financial Services Limited -Trustee	451	620
Sindh Sales Tax on remuneration of the Trustee	59	81
MCB Bank Limited - Holding Company of the Management Company		
Profit on bank deposits	46	173
Bank charges	1	8
Sale of securities having a face value of Rs 250,000,000 (2016: Rs 200,000,000)	249,082	199,904
Dividend	160	-
D.G. Khan Cement Limited		
Dividend income	1,185	-
Dolmen City REIT		
Dividend income	393	-
Nishat Chunian Limited		
Dividend income	67	-
Arif Habib Limited - Group company of the Management Company*		
Brokerage expense	28	200
Next Capital Limited - Group company of the Management Company*		
Brokerage expense	22	76

NOTES TO AND FORMING PART OF 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)
12.2 Balance outstanding as at the period end		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Management remuneration payable	565	734
Sindh Sales Tax payable on Management Company's remuneration	73	95
Payable against allocated expenses	58	75
Payable against marketing and selling expenses	250	1,046
MCB Financial Services Limited - Trustee		
Trustee remuneration payable	70	90
Sindh Sales Tax payable on trustee fees	9	12
MCB Bank Limited - Holding Company of the Management Company		
Balance with bank	706	3,330
Profit receivable	3	13
Sale load payable	107	120
Arif Habib Limited - Group company of the Management Company*		
Brokerage payable	-	40
Next Capital Limited - Group company of the Management Company*		
Brokerage payable	-	119

* The amount disclosed represents the amount of brokerage paid to related parties / 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 related parties / connected persons.

13 FAIR VALUE MEASUREMENT

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 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 respective 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 respective stock exchange.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

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

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 assets measured at fair values:

----- As at December 31, 2017 -----				
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
At fair value through profit or loss - held for trading				
- Listed equity securities	3,140	-	-	3,140
- Government securities - Market Treasury Bills	-	48,411	-	48,411
- Investment in corporate sukuks and term finance certificates		65,915		65,915

----- As at June 30, 2017 -----				
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
At fair value through profit or loss - held for trading				
- Listed equity securities	10,841	-	-	10,841
- Government securities - Market Treasury Bills	-	74,768	-	74,768

For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the half year ended December 31, 2017, there were no transfers between Level 1, Level 2 or Level 3 of fair value measurements.

14 INTERIM DISTRIBUTIONS MADE DURING THE PERIOD

	Rate per unit	Declaration date	Bonus Distribution		Cash Distribution
			Units	Amount	
			--- (Rupees in '000) ----		
For the month ended July 2017	Re. 0.4310	July 31, 2017	-	-	3,496
For the month ended August 2017	Re. 0.4305	August 31, 2017	-	-	3,318
For the month ended September 2017	Re. 0.4150	September 30, 2017	-	-	3,053
For the month ended October 2017	Re. 0.4290	October 31, 2017	-	-	3,010
For the month ended November 2017	Re. 0.4140	November 30, 2017	-	-	2,884
For the month ended December 2017	Re. 0.4138	December 31, 2017	-	-	2,785
			-	-	18,546

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

As per the distribution policy contained in the offering document, the Fund is required to ensure monthly streams of cash flows to the unit holders. In case, where the Fund suffers losses in the month due to equity portion loss, the monthly payment is required to be made by redeeming the appropriate number of units of the unit holders on the basis of previous 6 months average rate of dividend distribution per unit.

15 GENERAL

- 15.1** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and disclosure. No significant rearrangement or reclassification has been made in this condensed interim financial information, except for the impacts of change in accounting policy as disclosed in note 3.2.
- 15.2** 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 subject to limited scope review by the statutory auditors of the Fund.
- 15.3** Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

16 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information 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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