



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY FACRA

HALF YEAR REPORT

DECEMBER
2018
(UNAUDITED)

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

MCB CASH MANAGEMENT OPTIMIZER

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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 Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman 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 Faysal Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited Zarai Traqiati Bank Limited Habib Bank Limited National Bank of Pakistan Bank of Punjab Limited	
Auditors	A. F. Ferguson & Co. Chartered Accountant State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box Karachi, Sindh-74000, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, 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, 2018

Dear Investor,

On behalf of the Board of Directors, we are pleased to present **MCB Cash Management Optimizer's** Half Yearly Report for the period ended December 31, 2018.

MARKET & ECONOMIC REVIEW

Economy and Money Market Review

FY19 started off with a positive note as smooth completion of election process resulted in a sigh of relief for the market participants. The new regime inherited many economic challenges particularly on the external front. To cope with the underlying challenges, major policy actions (currency depreciation of 15% along with interest rate hike of 250 bps) were taken to address the imbalances. Furthermore, major success came through diplomatically engaging with the friendly allies. As a result, Pakistan secured BOP support package from Saudi Arabia, UAE and China amounting to USD 14 billion while Saudi Arabia & UAE committed foreign direct investment of USD 20-30 billion.

Average CPI for the first half of current fiscal year clocked in at 6.0%. Nevertheless, it is expected to jack up during the second half, owing to a low base effect and lagged impact of currency adjustments. Furthermore, government is yet to adjust electricity prices as the gap between base tariff and actual cost of generation has widened significantly. We expect CPI to average 8.5% for the 2HFY19 after accounting for electricity adjustments.

Current Account Deficit for the first six months clocked in at ~USD 8 billion which is an improvement of 4.4% from same period last year. CAD was well supported by remittances growth of 10%. However, the improvement in the external position was masked by the higher oil prices and payments for the previous periods reflected in current accounts. The non-oil imports have shown encouraging trend, declining by ~5% over the previous year. Reflecting the elevated oil prices and limited financial flows, reserves declined by ~USD 2.7 bn during the period leading to rupee depreciation of ~13.7%.

The focus of government to stabilize aggregate demand has taken its toll on large scale manufacturing which posted a decline of 0.9% YoY in the first five months of FY19. The decline has been led by reduction in production of oil products followed by slow down in autos, pharmaceuticals, consumer products. LSM growth is reflecting the overall slowdown in economy as envisaged by the steps taken by authorities to control the external imbalances.

The yield curve showed an upward trajectory during the half year as market players continued to expect further monetary tightening. During the first 6 months, State Bank of Pakistan increased the policy rate by 350 bps in line with the expectations of most of the market. Most of PIB auctions during the period under review were rejected by State Bank of Pakistan due to thin volume and participation at higher levels. The 3 year, 5 year and 10 year PIB were accepted in the PIB auction held in December '18 at 12.25%, 12.70% and 13.15% respectively. Two Floater rate PIB auction were conducted during 1HFY19. The first was accepted at a benchmark rate +70 bps. The second was rejected due to higher level of participation. Concerns over external front kept market participants at bay from longer tenor Treasury instruments with persistence towards accumulation in papers having maturity below or equal to 3 months.

Liquidity remained comfortable throughout the period owing to regular OMOs conducted by SBP. During the second quarter, 117.7 billion worth of floater rate GOP Ijara Sukuk matured. No fresh GOP Ijara Sukuk were issued whereas SBP conducted auction of Bai Muajjal in which 72.55 billion was accepted out of total participation of 76.55.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 7.36% close to its benchmark return of 7.43%. As at December 31, 2018, WAM stood at 8 days in line with our view on interest rates going forward. The fund increased its exposure in term deposits with banks to 13.5% in the period while exposure in cash stood at 73.6%.

The Net Assets of the Fund as at December 31, 2018 stood at Rs. 13,952 million as compared to Rs. 11,993 million as at June 30, 2018 registering an increase of 16.33%.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2018

The Net Asset Value (NAV) per unit as at December 31, 2018 was Rs.100.7500 as compared to opening NAV of Rs. 105.9707 per unit as at June 30, 2018 registering a decrease of Rs. 5.2207 per unit.

MARKET & ECONOMY - FUTURE OUTLOOK

The government has managed to arrange adequate financial flows for the next half year supported by deferred payment facilities, loans and deposits from friendly nations. However, the external account balance needs to improve further to reach sustainable levels for future funding of deficits. The exports are expected to show an improved trend supported by lagged impacts of currency depreciation, tax refunds to exporters, better energy supplies and energy price parity with regional peers. Imports are expected to slow down in second half of the year as effects of the one-off adjustments and oil prices neutralize along with impact of currency depreciation becomes further visible. Current account deficit for FY19 is expected to be ~USD 13 bn with CAD for next half year to slow down to ~USD 5 bn compared with first half of ~USD 8 bn. Subsequently, we expect normalize PKR/USD adjustment of around 5% in next half given the REER is close to its fundamental value.

The government has announced to approach the IMF for an economic program for balance of payments support. IMF program would lead to better policy management relative to dealing with the structural issues in the economy along with responsible fiscal management. Besides, entrance into IMF program would allow Pakistan to secure financial flows from other multilateral agencies which would allow better external account management.

Inflationary pressures are expected to become more visible in second half of the year as lagged impacts of currency depreciation, gas price increase and electricity price adjustments are incorporated. However, most of the monetary tightening has been done to reflect the upcoming inflationary pressures and room for further tightening would remain in the range of 50 bps.

For the remaining year, the economic growth is expected to remain on a slower trajectory as currency adjustments and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy will provide a respite to the economic managers during this critical juncture. We share the optimism on better governance & long term prospects for economic revival amid more focused and sincere efforts to address chronic issues on economic front by the new government; however, the path is likely to be tough and with a number of potentially un-popular policy steps.

We believe equity markets preempted the economic conditions and as such it is important to consider whether all the economic developments are priced in or not. Therefore, overall valuations and fundamentals of universe companies do play an important role. The overall strategy should tilt towards defensive sectors (E&Ps, Power, Fertilizers) while sector which will benefit from changing dynamics on macro front such as rising interest rates (Commercial Banks) should be overweight. In addition to that, government's strong focus on reviving exports should provide a boost to the outlook of export oriented sectors such as Textiles & IT. Despite being negative on cyclical sectors, we believe there will be distressed assets and quality companies which should be looked into as they have a tendency to provide abnormal returns.

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 18, 2019



Nasim Beg
Vice Chairman / Director

ڈائریکٹر رپورٹ
برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

کلاں معاشیات کے میدان میں تبدیل ہوتے ہوئے محرکات مثلاً انٹریٹ کی شرحوں میں اضافے سے مستفید ہوں گے (کمرشل بینک) ان کا وزن زیادہ ہونا چاہیے۔ علاوہ ازیں، برآمدات کی بحالی پر حکومت کی بھرپور توجہ کی بدولت برآمداتی شعبوں مثلاً ٹیکسٹائل اور IT کے لیے مستقبل کے امکانات روشن ہوں گے۔ گردش شعبوں کے حوالے سے منفی سوچ کے باوجود ہم سمجھتے ہیں کہ کچھ اثاثہ جاتی اور quality کمپنیاں مشکلات سے دو چار ہوں گی جن پر توجہ دی جانی چاہیے کیونکہ یہ غیر معمولی منافع کی صلاحیت رکھتی ہیں۔

اظہار تشکر

بورڈ فنڈ کے قابل قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اور فنڈ کے ٹرسٹیز کی مسلسل پشت پناہی اور تعاون کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹر منیجمنٹ ٹیم کی کاوشوں کو بھی سراہتے ہیں۔
من جانب ڈائریکٹرز،



نسیم بیگ
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر

18 فروری، 2019ء

پاکستان نے Bai Muajjal کی نیلامی منعقد کی جس میں 76.55 بلین کی کل شرکت میں سے 72.55 بلین قبول کیے گئے۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 7.36% تھا جو بیچ مارک منافع 7.43% کے قریب تھا۔ 31 دسمبر 2018ء کو WAM کی سطح 8 دن تھی جو انٹریسٹ کی شرحوں میں اضافے کے حوالے سے ہمارے نظریے کے مطابق تھا۔ فنڈ کی بینکوں کے ساتھ ٹرم ڈپازٹس میں سرمایہ کاری کو بڑھا کر 13.5% کر دیا گیا جبکہ نقد میں سرمایہ کاری 73.6% تھی۔

31 دسمبر 2018ء کو فنڈ کے net اثاثہ جات 13,952 ملین روپے تھے، جو 30 جون 2018ء کو 11,993 ملین روپے کے مقابلے میں 16.33% اضافہ ہے۔

31 دسمبر 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 100.7500 روپے تھی، جو 30 جون 2018ء کو 105.9707 روپے ابتدائی NAV کے مقابلے میں 5.2207 روپے کمی ہے۔

بازار اور معیشت - مستقبل کا منظر

حکومت اگلی ششماہی کے لیے خاطر خواہ مالیاتی فراہمی کا انتظام کر پائی ہے جس کی معاونت دوست ممالک کی طرف سے تاخیر سے ادائیگی کی سہولیات، قرضوں اور deposits سے ہوتی ہے۔ تاہم کاروباری اکاؤنٹ کے توازن میں مزید بہتری درکار ہے تاکہ مستقبل میں مالیات کی فراہمی اور خساروں کی قابل بقاء سطحوں تک رسائی ہو سکے۔ برآمدات میں بہتری کا رجحان متوقع ہے جس کی معاونت روپے کی قدر میں کمی، برآمد کاروں کو ٹیکس کی واپسی، توانائی کی بہتر فراہمیوں اور توانائی کی قیمتوں میں علاقائی فریقوں سے مساوات کے سسٹم اثر سے ہوگی۔ درآمدات میں سال کے نصف آخر میں سسٹم روی متوقع ہے کیونکہ یکبارگی کمی پیشیوں اور تیل کی قیمتوں کے اثرات توازن پیدا کریں گے، اور ساتھ ساتھ روپے کی قدر میں کمی کا اثر مزید واضح ہوگا۔ مالی سال 2019ء میں کرنٹ اکاؤنٹ کا متوقع خسارہ 13 بلین ڈالر ہے، اور اگلے نصف سال کے لیے CAD نصف اول کے 8 بلین ڈالر کے مقابلے میں سسٹم روی کا شکار ہو کر 5 بلین ڈالر رہ جائے گا۔ بعد ازاں، اگلے نصف سال میں REER کے بنیادی قدر کے قریب ہونے کی صورت میں پاکستانی روپے امریکی ڈالر میں تقریباً 5% ایڈجسٹمنٹ متوقع ہے۔

حکومت نے اعلان کیا ہے کہ ادائیگیوں کے توازن میں معاونت کے معاشی پروگرام کے لئے آئی ایم ایف سے رجوع کیا جائے گا۔ آئی ایم ایف پروگرام کی بدولت پالیسی کے انتظام میں بہتری ہوگی جس سے معیشت کی ساخت سے متعلق مسائل سے نمٹنا جاسکے گا اور ذمہ دارانہ مالیاتی انتظام ممکن ہو سکے گا۔ علاوہ ازیں، آئی ایم ایف پروگرام میں داخل ہونے سے پاکستان کو دیگر کثیرالجبہ ایجنسیوں سے مالیات حاصل کرنے میں مدد ملے گی جس کی بدولت خارجی اکاؤنٹ کا بہتر انتظام ممکن ہو سکے گا۔

افراط زر کے دباؤ سال کے نصف آخر میں مزید واضح ہونے کی توقع ہے کیونکہ کرنسی کی قدر میں کمی، گیس کی قیمت میں اضافے اور بجلی کی قیمتوں میں کمی پیشی کے سسٹم اثرات کا احاطہ کیا جائے گا۔ تاہم مالیاتی تنگی کا اکثر حصہ مکمل کیا جا چکا ہے جس میں آنے والے افراط زر کے دباؤ کی عکاسی ہوتی ہے، اور مزید تنگی 50 bps کی حد میں رہے گی۔ سال کے باقی حصے میں معاشی ترقی متوقع طور پر نسبتاً سسٹم روی کا شکار رہے گی کیونکہ کرنسی میں کمی پیشی اور مالیاتی پالیسی میں مزید تنگی صرفی رجحان پر حاوی رہے گی۔ تاہم بجلی کی پہلے سے زیادہ فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس مشکل موڑ پر معاشی منتظمین کو سہولت فراہم ہوگی۔ نئی حکومت معاشی میدان کے دیرینہ مسائل کے حل پر توجہ دینے کی زیادہ مرکوز اور مخلص کاوشیں کر رہی ہے، چنانچہ ہم بہتر حکومت داری اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں، تاہم راستہ متوقع طور پر دشوار اور ممکنہ ناپسندیدہ پالیسی اقدامات سے پُر ہوگا۔

ہم سمجھتے ہیں کہ ایکویٹی مارکیٹس نے معاشی حالات کی قبل از وقت حفاظت کی؛ چنانچہ یہ دیکھنا ضروری ہے کہ تمام معاشی ترقیات قیمت شدہ ہیں یا نہیں۔ لہذا مجموعی تخمینہ جات اور عالمگیر کمپنیوں کی بنیاديات اہم کردار ادا کرتی ہیں۔ مجموعی لائحہ عمل کا جھکاؤ دفاعی شعبوں کی طرف ہونا چاہیے (E&Ps، بجلی، کھاد)، جبکہ وہ شعبے جو

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی کیٹس مینجمنٹ آپٹیمائز کی 31 دسمبر 2018ء کو اختتام پذیر ہونے والی مدت کی ششماہی رپورٹ پیش خدمت ہے۔

بازار اور معیشت کا جائزہ

معیشت اور بازار زر کا جائزہ

مالی سال 2019ء کا آغاز مثبت فضا سے ہوا کیونکہ انتخابی عمل کی بلار کا وٹ تکمیل کے نتیجے میں مارکیٹ کے فریقوں نے اطمینان کا سانس لیا۔ نئی حکومت کو متعدد معاشی مسائل وراثت میں ملے، خاص طور پر خارجی میدان میں۔ درپیش مشکلات سے نبرد آزما ہوتے ہوئے اہم پالیسی اقدامات کیے گئے (روپے کی قدر میں 15% کمی کے ساتھ ساتھ انٹریٹ کی شرح میں 250 bps اضافہ) تاکہ عدم توازن سے نمٹا جاسکے۔ مزید برآں، اہم ترین کامیابی دوست اتحادیوں سے سفارتی تعلقات قائم کرنے سے حاصل ہوئی۔ نتیجتاً، پاکستان کو سعودی عرب، متحدہ عرب امارات اور چین سے ادائیگیوں کے توازن میں معاونت کے لیے 14 بلین ڈالر کے پیکج حاصل ہوئے، جبکہ سعودی عرب اور متحدہ عرب امارات نے 20 سے 30 بلین ڈالر کی براہ راست غیر ملکی سرمایہ کاری کا وعدہ کیا۔

موجودہ مالی سال کی پہلی ششماہی کے لیے CPI کا اوسط 6% تھا۔ لیکن دوسری ششماہی میں پسٹا effect base اور کرنسی میں کمی بیشی کے سبب اثر کے باعث اس اوسط میں اضافہ متوقع ہے۔ مزید برآں، حکومت کی طرف سے بجلی کی قیمتوں میں کمی بیشی ہونا باقی ہے کیونکہ پیداوار کی بنیادی چنگی اور اصل قیمت کے درمیان فاصلے میں اچھا خاصا اضافہ ہو گیا ہے۔ مالی سال 2019ء کی دوسری ششماہی کے لیے CPI کا اوسط بجلی میں کمی بیشی کے اثر کا احاطہ کرنے کے بعد 8.5% متوقع ہے۔

پہلے چھ ماہ میں کرنٹ اکاؤنٹ کا خسارہ 8 بلین ڈالر تھا، جو گزشتہ سال کی مماثل مدت کے مقابلے میں 4.4% بہتری ہے۔ CAD کو ترسیل زر میں 10% اضافے کی بھرپور معاونت حاصل ہوئی۔ تاہم تیل کی بلند قیمتیں اور موجودہ اکاؤنٹس میں سابقہ مدتوں کی ادائیگیوں کی عکاسی خارجی صورتحال میں بہتری کی بھرپور اثر پذیری میں رکاوٹ بنے۔ Non-oil درآمدات میں گزشتہ سال کی نسبت 5% کمی حوصلہ افزا رہا۔ تیل کی بلند قیمتوں اور محدود مالی بہاؤ کی عکاسی کرتے ہوئے دوران مدت ذخائر میں 2.7 بلین ڈالر کمی، اور اس کے نتیجے میں روپے کی قدر میں 13.7% کمی ہوئی۔

مجموعی مانگ کو مستحکم کرنے کی حکومتی توجہ کے نتیجے میں بڑے پیمانے پر ہونے والی مینوفیکچرنگ (LSM) متاثر ہوئی جس میں مالی سال 2019ء کے ابتدائی پانچ ماہ میں 0.9% YoY کمی ہوئی۔ اس کمی کی وجہ تیل کی مصنوعات کی پیداوار میں کمی اور اس کے باعث گاڑیوں، دواسازی اور صارفی مصنوعات میں سبب رومی ہے۔ LSM میں ترقی معیشت میں مجموعی سبب رومی کی عکاسی کر رہی ہے جس کی پیش بینی خارجی عدم توازن پر قابو پانے کے لیے حکام کے اقدامات سے ہوتی ہے۔

دوران ششماہی مالیاتی تنگی میں اضافے کے حوالے سے مارکیٹ کے فریقوں کی توقع برقرار رہی، چنانچہ پیداواری خم بلندی کی طرف مائل ہوا۔ ابتدائی چھ ماہ کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی کی شرح کو بازار کے زیادہ تر حصے کی توقعات کے مطابق بڑھا کر 350 bps کر دیا۔ زیر جائزہ مدت کے دوران پاکستان انویسٹمنٹ بانڈز (PIB) کی اکثر نیلامیوں کو اسٹیٹ بینک آف پاکستان نے کمزور حجم اور بلند سطح پر شرکت کے باعث مسترد کر دیا۔ تین سالہ، پانچ سالہ اور دس سالہ PIB کو دسمبر 2018ء میں ہونے والی نیلامی میں بالترتیب 12.25%، 12.70% اور 13.15% پر قبول کیا گیا۔ مالی سال 2019ء کی پہلی ششماہی کے دوران Two Floater شرح کے PIB کی نیلامیاں منعقد ہوئیں۔ پہلی کو بیچ مارک شرح 70 bps + پر قبول کیا گیا۔ دوسری کو شرکت کی بلند سطح کے باعث مسترد کر دیا گیا۔ خارجی صورتحال پر خدشات کے باعث طویل تر میعاد کے ٹریڈری انشرومنٹس میں بازار کی شرکت متاثر ہوئی اور 3 ماہ یا اس سے کم مدت کے دستاویزات میں بدستور اضافہ ہوا۔

اسٹیٹ بینک آف پاکستان کے باقاعدگی سے منعقدہ OMOs کی بدولت نقدیت پوری مدت کے دوران سہل سطح پر رہی۔ دوسری سرمایہ کے دوران 117.7 بلین مالیت کے حکومت پاکستان کے فلوٹر ریٹ اجارہ سلک کی مدت مکمل ہوئی۔ حکومت پاکستان کے تازہ اجارہ سلک کا اجرا نہیں کیا گیا جبکہ اسٹیٹ بینک آف

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-8, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



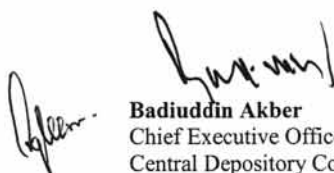
TRUSTEE REPORT TO THE UNIT HOLDERS

MCB CASH MANAGEMENT OPTIMIZER

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Cash Management Optimizer (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, 2018 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.



Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2019





A.F. FERGUSON & CO.

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Cash Management Optimizer** (the Fund) as at December 31, 2018 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 statements'), for the six months period ended December 31, 2018. The Management Company (MCB-Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures included in the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2018 and December 31, 2017 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2018.

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 condensed interim financial statements 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 statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Other matters

The condensed interim financial statements of the Fund for the half year ended December 31, 2017 were reviewed and the financial statements of the Fund for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who had expressed an unmodified conclusion and opinion thereon vide their reports dated February 26, 2018 and September 14, 2018 respectively.

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: February 22, 2019

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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■ KARACHI ■ LAHORE ■ ISLAMABAD

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2018

		December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	4	10,363,658	12,057,809
Investments	5	3,570,587	-
Advances, deposits, prepayments and profit receivable		139,944	55,391
Total assets		14,074,189	12,113,200
LIABILITIES			
Payable to the Management Company	6	13,525	10,254
Payable to Central Depository Company of Pakistan Limited - Trustee		1,245	1,011
Payable to Securities and Exchange Commission of Pakistan		5,552	9,576
Accrued expenses and other liabilities	7	102,098	99,703
Total liabilities		122,420	120,544
NET ASSETS		13,951,769	11,992,656
Unit holders' fund (as per statement attached)		13,951,769	11,992,656
Contingencies and Commitments	8		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		138,479,132	113,169,596
		(Rupees)	
NET ASSETS VALUE PER UNIT		100.7500	105.9707

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

		Six months period ended		Quarter ended	
		December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	Note	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)	(Rupees in '000)
INCOME					
Capital (loss) / gain on sale of investments - net		(13,371)	728	(14,025)	212
Profit on term deposits		26,796	32,636	21,518	18,763
Profit on bank deposits		335,021	311,492	182,107	157,330
Income from government securities		254,581	-	173,197	14,099
Income from commercial papers		19,942	1,356	14,677	397
Income on letter of placement		6,993	-	6,993	-
		629,963	346,212	384,467	190,801
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		-	18,163	-	-
Total income		629,963	364,375	384,467	190,801
EXPENSES					
Remuneration of Management Company	6.1	49,878	36,437	29,524	19,080
Sindh Sales tax and Federal Excise Duty on Management fee		6,484	4,737	3,838	2,481
Remuneration of Central Depository Company of Pakistan Limited - Trustee		5,576	4,573	3,126	2,362
Sindh Sales tax on remuneration of Central Depository Company of Pakistan Limited- Trustee		725	595	407	308
Annual fee of Securities and Exchange Commission of Pakistan		5,552	4,299	3,199	2,244
Allocated expenses and related taxes	9	7,160	6,477	3,614	3,380
Legal and professional		90	89	45	35
Brokerage expenses		235	80	178	23
Auditor's remuneration		452	550	226	251
Other expenses		431	306	210	110
Total operating expenses		76,583	58,143	44,367	30,274
Net income from operating activities		553,379	306,232	340,099	160,527
Provision for Sindh Workers' Welfare Fund (SWWF)	7.1	11,067	6,125	6,801	3,211
Net income for the period before taxation		542,313	300,107	333,299	157,316
Taxation	10	-	-	-	-
Net income for the period after taxation		542,313	300,107	333,299	157,316
Allocation of net income for the period:					
Net income for the period		542,313	300,107	333,299	157,316
Income already paid on units redeemed		(30,487)	(88,039)	(21,951)	(72,378)
		511,826	212,068	311,348	84,938
Accounting income available for distribution					
- Relating to capital gains		-	-	(455.00)	-
- Excluding capital gains		511,826	212,068	311,803	84,938
		511,826	212,068	311,348	84,938
Earnings per unit					
	11				

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018**

	Six months period ended		Quarter ended	
	December 31, 2018 (Rupees in '000)	December 31, 2017 (Rupees in '000)	December 31, 2018 (Rupees in '000)	December 31, 2017 (Rupees in '000)
Net income for the period after taxation	542,313	300,107	333,299	157,316
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	542,313	300,107	333,299	157,316

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Note	Six months period ended December 31, 2018			Six months period ended December 31, 2017			
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Unrealised appreciation / (diminution) on FVTOCI	Total
	(Rupees in '000)						
Net assets at beginning of the period	11,617,232	375,424	11,992,656	10,040,074	44,614	8,317	10,093,005
Issue of 209,657,818 units - including additional units (2017: 85,371,961 units)							
- Capital value (at net asset value per unit at the beginning of the period)	21,080,087	-	21,080,087	8,582,802	-	-	8,582,802
- Element of income	32,109	-	32,109	101,010	-	-	101,010
	21,112,196	-	21,112,196	8,683,812	-	-	8,683,812
Redemption of 184,348,282 units (2017: 78,679,835 units)							
- Capital value (at net asset value per unit at the beginning of the period)	(18,535,335)	-	(18,535,335)	(7,909,684)	-	-	(7,909,684)
- Element of income	(4,849)	(30,487)	(35,336)	(25,708)	(88,039)	-	(113,747)
	(18,540,184)	(30,487)	(18,570,671)	(7,935,392)	(88,039)	-	(8,023,431)
Total comprehensive income for the period	-	542,313	542,313	-	300,107	-	300,107
Final Distribution for the year ended June 30, 2018 (including additional units) at the rate of Rs. 5.4255 per unit (Declared on July 04, 2018)	-	-	-	-	-	-	-
Interim distribution during the period (including additional units) 15	(283,195)	(330,807)	(614,002)	-	-	-	-
	(25,788)	(484,935)	(510,723)	-	-	-	-
	(308,983)	(273,429)	(582,412)	-	300,107	-	300,107
Net assets at end of the period	50,960,629	71,508	13,951,769	10,788,494	256,682	8,317	11,053,493
Undistributed income brought forward comprising of:							
- Realised		375,424			44,614		
- Unrealised (loss) / gain		-			-		
		375,424			44,614		
Accounting income available for distribution							
- Relating to capital gains		-			514		
- Excluding capital gains		511,826			211,554		
		511,826			212,068		
Cash distribution during the period		815,742			-		
Undistributed income carried forward		71,508			256,682		
Undistributed income carried forward							
- Realised		71,508			238,519		
- Unrealised		-			18,163		
		71,508			256,682		
		(Rupees)			(Rupees)		
Net assets value per unit at beginning of the period		105.9707			100.5342		
Net assets value per unit at end of the period		100.7500			103.2209		

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Six months period ended
December 31, 2018 December 31, 2017
(Rupees in '000)

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation	542,313	300,107
(Increase) / Decrease in assets		
Investments	(3,570,587)	(251,356)
Prepayments and profit receivable	(84,553)	(29,068)
	(3,655,140)	(280,424)
(Decrease) / Increase in liabilities		
Payable to Management Company	3,271	2,830
Payable to Central Depository Company of Pakistan Limited - Trustee	234	274
Payable to Securities and Exchange Commission of Pakistan	(4,024)	(988)
Accrued expenses and other liabilities	2,395	(27,042)
	1,876	(24,926)
Net cash used in operating activities	(3,110,951)	(5,243)

CASH FLOWS FROM FINANCING ACTIVITIES

Receipt from issuance and conversion of units (excluding additional units)	20,803,213	8,683,812
Payment against redemption and conversion of units	(18,570,671)	(8,023,431)
Distributions made during the period	(815,742)	-
Net cash generated from financing activities	1,416,800	660,381
Net (decrease) / increase in cash and cash equivalents	(1,694,151)	655,138
Cash and cash equivalents at beginning of the period	12,057,809	9,307,714
Cash and cash equivalents at end of the period	10,363,658	9,962,852

The annexed notes from 1 to 17 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB Cash Management Optimizer (the Fund) was established through a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited), as Management Company and the Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 10, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 30, 2009 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 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 at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3** The Fund is an open-end mutual fund and has been categorised as 'Money Market Scheme' by the Board of Directors of the Management Company and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unit holders are divided into plan 'A' and plan 'B'. The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend. The units are listed on Pakistan Stock Exchange (PSX). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.4** The Fund primarily invests in a mix of short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ (AM two plus plus) dated 28 December 2018 to the Management Company and has assigned stability rating of "AA (f)" (Double A; fund rating) dated 28 December 2018 to the Fund.
- 1.6** Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (The NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (The NBFC Regulations) and requirement of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance, 1984, the NBFC rules, the NBFC Regulations and requirements of the Trust Deed differ from the International Accounting Standard (IAS) 34, Interim Financial Reporting, the provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. These condensed interim financial statements do 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, 2018.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the statutory auditors. In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company declare that these condensed interim financial statements give a true and fair view of the state of affairs of the Fund as at December 31, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT POLICIES

3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018 except for the change in accounting policy as explained in note 3.2.

3.2 The preparation of the condensed interim financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. In preparing the condensed interim financial statements, the significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the financial statements as at and for the year ended June 30, 2018. The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2018.

3.3 Standards and amendments to publish approved accounting standards that are effective in the current period

"Effective from July 01, 2018, the Fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. However, the SECP vide its letter dated November 21, 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities. Furthermore, the ECL has an impact on all other assets of the Fund which are exposed to credit risk. However, majority of the assets of the Fund other than debt securities (for which there is a separate criteria as mentioned above) that are exposed to credit risk pertain to counter parties which have high credit rating. Therefore, the management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these condensed interim financial statements.

IFRS 9 has provided a criteria for debt securities whereby debt securities are either classified as (a) amortised cost or (b) at fair value through other comprehensive income "(FVOCI)" or (c) at fair value through profit or loss (FVPL) based on the business model of the entity. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Furthermore, the collection of contractual cash flows for debt securities is only incidental to achieving the Fund's business model's objective.

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as FVPL. The management considers its investment being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio which was previously classified as 'loans and receivables' or 'available for sale' will now be classified as 'fair value through profit or loss' and other financial assets which are held for collection continue to be measured at amortised cost.

The adoption of IFRS-9 did not have any impact on classification and measurement of financial assets and financial liabilities on the date of its adoption.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on July 1, 2018 that have a material effect on the financial statements of the Fund.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

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

There are certain new standards and amendments, to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after January 1, 2019. However, these do not have any significant impact on the Fund's operations, and therefore have not been detailed in these condensed interim financial statements.

		December 31, 2018 (Unaudited)	June 30, 2018 (Audited)
4 BALANCES WITH BANKS	Note	----- (Rupees in '000) -----	
In current accounts		1,159	9,332
In saving accounts	4.1	10,362,499	12,048,477
		<u>10,363,658</u>	<u>12,057,809</u>

- 4.1** This includes balances of Rs.1.64 million (June 30, 2018: Rs.0.718 million) maintained with MCB Bank Limited (a related party) that carry profit at 8.00% per annum (June 30, 2018: 3.75%). Other profit and loss saving accounts of the Fund carry profit rates ranging from 4.5% to 10.8% per annum (June 30, 2018: 3.75% to 6.9% per annum).

		December 31, 2018 (Un-audited)	June 30, 2018 (Audited)
5 INVESTMENTS	Note	----- (Rupees in '000) -----	
5.1 Investments at fair value through profit or loss'			
Term deposit receipts	5.1.1	1,900,000	-
Commercial papers	5.1.2	670,587	-
Market Treasury Bills	5.1.3	-	-
Letter of placements	5.1.4	1,000,000	-
		<u>3,570,587</u>	<u>-</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

5.1.1 Term deposit receipts

Particulars	Profit / mark-up rates	Issue date	Maturity date	At December 31, 2018	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
(Rupees in '000)						
Bank Al-falah Limited	10.75%	6-Dec-18	10-Jan-19	1,500,000	10.75%	42.01%
The Bank of Punjab	9.50%	26-Oct-18	28-Jan-19	400,000	2.87%	11.20%
As at December 31, 2018				1,900,000		
As at June 30, 2018				-		

5.1.2 Commercial Papers

Particulars	Profit / mark-up rates	Issue date	Maturity date	Face Value	Amortised Cost at December 31, 2018	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
(Rupees in '000)							
K-Electric Limited	8.95%	29-Aug-18	1-Mar-19	680,000	670,587	4.81%	18.78%
As at December 31, 2018					670,587		
As at June 30, 2018					-		

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018

5.1.3 Market treasury bills

Name of Security	Issue Date	Face value				As at 31 December 2018			Market value	
		As at July 01, 2018	Purchased during the period	Sold / matured during the period	As at December 31, 2018	Carrying value	Market value	Unrealized gain / (loss)	As a percentage of net assets	As a percentage of total investments

(Rupees in '000)

Market treasury

bills - 3 months

Market treasury bills	3-Jul-18	-	1,000,000	1,000,000	-	-	-	-	-	-
Market treasury bills	19-Jul-18	-	3,000,000	3,000,000	-	-	-	-	-	-
Market treasury bills	19-Jul-18	-	4,000,000	4,000,000	-	-	-	-	-	-
Market treasury bills	19-Jul-18	-	3,000,000	3,000,000	-	-	-	-	-	-
Market treasury bills	19-Jul-18	-	1,765,000	1,765,000	-	-	-	-	-	-
Market treasury bills	2-Aug-18	-	3,000,000	3,000,000	-	-	-	-	-	-
Market treasury bills	2-Aug-18	-	2,000,000	2,000,000	-	-	-	-	-	-
Market treasury bills	19-Jul-18	-	1,000,000	1,000,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	900,000	900,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	4,000,000	4,000,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	5,800,000	5,800,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	1,200,000	1,200,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	700,000	700,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	1,500,000	1,500,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	1,450,000	1,450,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	900,000	900,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	1,750,000	1,750,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	400,000	400,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	1,250,000	1,250,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	3,000,000	3,000,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	550,000	550,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	1,500,000	1,500,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	450,000	450,000	-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

Name of Security	Issue Date	Face value				As at 31 December 2018			Market value	
		As at July 01, 2018	Purchased during the period	Sold / matured during the period	As at December 31, 2018	Carrying value	Market value	Unrealized gain / (loss)	As a percentage of net assets	As a percentage of total investments
(Rupees in '000)										
Market treasury bills	11-Oct-18	-	50,000	50,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	100,000	100,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	425,000	425,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	600,000	600,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	100,000	100,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	150,000	150,000	-	-	-	-	-	-
Market treasury bills	6-Dec-18	-	2,500,000	2,500,000	-	-	-	-	-	-
Market treasury bills	6-Dec-18	-	2,500,000	2,500,000	-	-	-	-	-	-
Market treasury bills	6-Dec-18	-	2,500,000	2,500,000	-	-	-	-	-	-
Market treasury bills	6-Dec-18	-	2,500,000	2,500,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	6,000,000	6,000,000	-	-	-	-	-	-
Market treasury bills	11-Oct-18	-	170,000	170,000	-	-	-	-	-	-
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Total as at December 31, 2018										
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Total as at June 30, 2018										
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5.1.4 Letter of placement

Particulars	Profit / mark-up rates	Issue date	Maturity date	At December 31, 2018	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
Pak Brunei Investment Company Limited	10.62%	11-Dec-18	11-Feb-19	1,000,000	7.17%	28.01%
As at December 31, 2018				1,000,000		
As at June 30, 2018				-		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

	Note	December 31, 2018 (Unaudited) (Rupees in '000)	June 30, 2018 (Audited)
6 PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable	6.1	11,571	8,027
Sindh sales tax on management fee		1,505	1,044
Allocated expense payable		450	1,183
		<u>13,525</u>	<u>10,254</u>

- 6.1** The Management Company has charged remuneration at a rate of 7.5% of daily gross income subject to a minimum of 0.25% of average annual net assets and maximum of 1% of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

	Note	December 31, 2018 (Unaudited) (Rupees in '000)	June 30, 2018 (Audited)
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	7.1	29,775	18,708
Provision for Federal Excise Duty and related taxes on:	7.2		
-Management fee		54,267	54,267
-Sales load		19	19
Brokerage payable		83	47
Withholding Tax Payable		5,380	22,253
Auditor's remuneration		1,046	594
Printing and related expenditure		30	40
Others		11,498	3,775
		<u>102,098</u>	<u>99,703</u>

7.1 Provision for Sindh Workers' Welfare Fund

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 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.0.5 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 MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) 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 which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015). In the repealed Companies Ordinance, 1984 as well as Companies Act, 2017, mutual funds have not been included in the definition of "financial institution". The MUFAP has held the view that SWWF is applicable on asset management companies and not on mutual funds.

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in these condensed interim financial statements of the Fund, the net assets value of the Fund as at December 31, 2018 would have been higher by Re.0.2150 (June 30, 2018: Re.0.1653) per unit.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

7.2 Federal Excise Duty and related tax payable

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies 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.

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 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 54.267 million is being retained in these condensed interim financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at December 31, 2018 would have been higher by Re 0.3918 (June 30, 2018: Re 0.4795) per unit.

8 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2018 and June 30, 2018.

9 ALLOCATED EXPENSES

As per regulation 60 of the NBFC Regulations, the Management Company may charge fees and expenses such as registrar services, accounting, operations and valuations services, related to a Collective Investment Scheme (CIS) upto a maximum of 0.1% of the average annual net assets of the Scheme. Accordingly, such expenses have been charged at the rate of 0.1% of the average annual net assets of the Scheme being lower than actual expenses incurred.

10 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, the Fund is required to distribute atleast 90% of the net accounting income other than capital gains to the unit holders, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008. 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 these condensed interim financial statements.

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.

11 EARNINGS PER UNIT

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

12 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms at contracted rates.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

12.1 Details of transactions with the connected persons / related parties during the period are as follows:

	Six months period ended	
	December 31,	
	2018	2017
	(Unaudited)	
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments Limited		
Remuneration of the Management Company (including indirect taxes)	56,362	41,174
Allocated expenses (including indirect taxes)	7,160	6,477
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee (including indirect taxes)	6,301	5,168
MCB Bank Limited		
Profit on bank deposits	543	85
Bank Charges	38	11
Sale of securities - Face Value Rs. 8,250,000,000 (2017: Rs. 500,000,000)	8,193,772	493,213
Silk Bank Limited		
Buy of securities - Face Value Rs. 1,600,000,000 (2017: Nil)	1,575,460	-
Sale of securities - Face Value Rs. 12,344,200,000 (2017: Rs. 1,923,000,000)	12,156,780	1,893,016
Arif Habib Limited - Brokerage House		
Brokerage expense*	-	8
Next Capital Limited - Brokerage House		
Brokerage expense*	-	19

	(Unaudited)	(Audited)
	December 31,	June 30,
	2018	2018
	----- (Rupees in '000) -----	
12.2 Balance outstanding as at the period / year end are as follows:		
MCB-Arif Habib Savings and Investments Limited		
Management fee payable	11,571	8,027
Sindh sales tax payable on management fee	1,505	1,044
Allocated expenses payable	450	1,183
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	1,102	895
Sindh sales tax payable on trustee fee	143	116
MCB Bank Limited		
Bank deposits**	1,643	10,050
Profit receivable on bank deposits	344	328
Arif Habib Limited - Brokerage House		
Brokerage payable*	-	7
Next Capital Limited - Brokerage House		
Brokerage payable*	-	4

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

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

** This includes Rs 0.484 million (June 30, 2018: Rs 3.398 million) in saving accounts carrying profit at the rate of 8% (June 30, 2018: 3.75%) per annum.

12.3 Transactions during the period with connected persons / related parties in units of the Fund:

For half year ended December 31, 2018 (Unaudited)										
As at July 01, 2018	Issued for cash	Bonus	Redeemed	As at December 31, 2018	As at July 01, 2018	Issued for cash	Bonus	Redeemed	As at December 31, 2018	
----- Units -----					----- (Rupees in '000) -----					
Associated Companies										
MCB - Arif Habib Savings and Investments Limited - Management Company	4,005,352	11,504,507	-	13,377,362	2,132,498	424,450	1,143,427	-	1,347,528	214,849
Adamjee Insurance Company Limited	2,550,579	217,182	-	-	2,767,761	270,287	8,092	-	-	278,852
Nishat Mills Limited Employees Provident Fund Trust	133,739	6,652,431	-	5,044,345	1,741,825	14,172	668,336	-	507,764	175,489
Adamjee Insurance Co Limited Employees Provident Fund	432,553	585,925	-	1,018,478	-	45,838	56,588	-	102,502	-
MCB Financial Sevices Limited	574,808	125,056	-	-	699,864	60,913	12,375	-	-	70,511
D.G. Khan Cement Company Ltd	2	-	-	-	2	-	-	-	-	-
Security General Insurance Company Ltd	-	999,135	-	999,135	-	-	100,458	-	100,638	-
Adamjee Insurance Co.Ltd. Employees Gratuity Fund	-	281,498	-	281,498	-	-	28,305	-	28,341	-
Security General Insurance Co. Ltd. Employees Provident Fund Trust	40,384	3,667	-	-	44,051	4,280	356	-	-	4,438
Key management personnel	8,771	119,643	-	116,221	12,193	929	11,995	-	11,695	1,228
Mandate Under Discretionary										
Portfolio Services	6,913,243	21,009,621	-	11,659,493	16,263,371	732,601	2,093,255	-	1,174,390	1,638,534
Unit holders holding 10% or more units	-	34,561,415	-	-	34,561,415	-	3,474,984	-	-	3,482,062

For half year ended December 31, 2017 (Unaudited)										
As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at December 31, 2017	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at December 31, 2017	
----- Units -----					----- (Rupees in '000) -----					
Associated Companies										
MCB - Arif Habib Savings and Investments Limited - Management Company	3,821,037	2,456,807	-	3,482,384	2,795,460	384,145	250,000	-	355,500	288,420
Adamjee Insurance Company Limited	10,916,806	-	-	8,366,227	2,550,579	1,097,332	-	-	850,000	263,154
Nishat Mills Limited Employees Provident Fund Trust	4,820,875	2,534,969	-	6,456,238	899,606	484,583	257,000	-	653,804	92,816
Nishat Power Limited Employees Provident Fund Trust	88,436	11,825	-	8,014	92,247	8,889	1,216	-	826	9,518
Adamjee Life Assurance Co. Ltd.-Nuil Fund	-	96,938	-	-	96,938	-	10,000	-	-	10,002
Adamjee Insurance Co.Ltd. Employees Gratuity Fund	135,991	106,539	-	181,760	60,770	13,669	10,902	-	18,525	6,270
Adamjee Insurance Co.Ltd. Employees Provident Fund	279,638	636,707	-	364,664	551,681	28,109	65,523	-	37,167	56,919
D.G. Khan Cement Company Ltd	-	2	-	-	2	-	0	-	-	0
Key management personnel	167,824	70,930	-	94,043	144,711	16,869	7,254	-	9,642	7,227
Mandate Under Discretionary										
Portfolio Services	12,460,494	9,603,187	-	9,662,174	12,401,507	1,252,500	978,600	-	984,194	1,359,473
Unit holders holding 10% or more units	13,135,679	9,824	-	-	13,145,503	1,320,585	1,000	-	-	1,356,889

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

15. INTERIM DISTRIBUTION DURING THE PERIOD

-----December 31, 2018-----					
----- (Unaudited) -----					
	Rate per unit	Declaration date	Bonus Distribution		Total
			Units	Amount	Distribution
	--- (Rupees in '000) ----				
For the period ended 5 Aug 2018	Re 0.6385	Aug 06, 2018	-	-	79,526
For the period ended 19 Aug 2018	Re 0.2540	Aug 20, 2018	-	-	29,994
For the period ended 09 Sep 2018	Re 0.3899	Sep 10, 2018	-	-	47,282
For the period ended 23 Sep 2018	Re 0.2667	Sep 24, 2018	-	-	32,015
For the period ended 05 Oct 2018	Re 0.2837	Oct 08, 2018	-	-	40,646
For the period ended 19 Oct 2018	Re 0.2986	Oct 22, 2018	-	-	44,744
For the period ended 07 Nov 2018	Re 0.3276	Nov 08, 2018	-	-	55,766
For the period ended 16 Nov 2018	Re 0.2637	Nov 19, 2018	-	-	47,899
For the period ended 07 Dec 2018	Re 0.3782	Dec 10, 2018	-	-	68,890
For the period ended 21 Dec 2018	Re 0.3604	Dec 24, 2018	-	-	63,961
			-	-	510,723

16. GENERAL

Figures have been rounded off to the nearest thousand rupees.

17. DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on February 18, 2019 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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