



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

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## **Vision**

To become synonymous with Savings.

## **Mission**

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholders' value.

## **Core Values**

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building and its insistence on universal best practices at all times.

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# **MCB DCF INCOME FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Risk Management Committee</b>	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Company Secretary</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Chief Financial Officer</b>	Mr. Abdul Basit	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> 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	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Silk 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 Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
<b>Auditors</b>	<b>A. F. Ferguson &amp; Co.</b> Chartered Accountant State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box Karachi, Sindh-74000, Pakistan.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	<b>AM2++</b> Asset Manager Rating assigned by PACRA	

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

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**Dear Investor,**

On behalf of the Board of Directors, we are pleased to present **MCB DCF Income Fund'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 6.46% as against its benchmark return of 9.17%. Fund's WAM stood at 1.9 YTM. The fund allocation remained notably in TFCs and Cash at the end of the period under review. At period-end, the fund was invested 37.1% in TFCs and 51.3% in Cash.

The Net Assets of the Fund as at December 31, 2018 stood at Rs. 3,709 million as compared to Rs. 4,872 million as at June 30 2018 registering a decrease of 23.88%.

The Net Asset Value (NAV) per unit as at December 31, 2018 was Rs.109.9295 as compared to opening NAV of Rs. 111.3412 per unit as at June 30, 2018 registering a decrease of Rs.1.4117 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

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

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 unpopular 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**  
Director / Vice Chairman



## ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

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 ایکوٹی 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 لاکھ عمل کا جھکاؤ دفاعی شعبوں کی طرف ہونا چاہیے (E&Ps، بجلی، کھاد)، جبکہ وہ شعبے جو کلاں معاشیات کے میدان میں تبدیل ہوتے ہوئے محزکات مثلاً انٹریسٹ 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 مخفی 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۔

انکھار تشکر

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

من جانب ڈائریکٹرز،

سید احمد

محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

18 فروری، 2019ء

نسیم بیگ

وائس چیئرمین / ڈائریکٹر

## ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

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 سہ ماہی 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 اجراء نہیں کیا گیا جبکہ اسٹیٹ بینک آف 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 6.46% تھا، جبکہ منافع 9.17% تھا۔ فنڈ کے WAM کی سطح 1.9 YTM تھی۔ زیر جائزہ مدت کے اختتام پر فنڈ کی سرمایہ کاری کا زیادہ تر حصہ ٹرم فنانس سرٹیفکیٹس (TFCs) اور نقد میں تھی۔ اختتام مدت پر فنڈ کی 37.1% سرمایہ کاری TFCs میں اور 51.3% نقد میں تھی۔

31 دسمبر 2018ء کو فنڈ کے net اثاثہ جات 3,709 ملین روپے تھے، جو 30 جون 2018ء کو 4,872 ملین روپے کے مقابلے میں 23.88% کمی ہے۔

31 دسمبر 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 109.9295 روپے تھی، جو 30 جون 2018ء کو 111.3412 روپے فی یونٹ ابتدائی NAV کے مقابلے میں 1.4117 روپے فی یونٹ 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 کارجی 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 سبب اثر سے ہوگی۔ درآمدات میں سال کے نصف آخر میں سست 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 سست 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 نمٹا جاسکے گا اور ذمہ دارانہ مالیاتی انتظام ممکن ہو سکے گا۔ علاوہ ازیں، آئی ایم ایف پروگرام میں داخل ہونے سے پاکستان کو دیگر کثیر الجہت 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 بیشی کے سبب 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 سست روی کا شکار رہے گی کیونکہ کرنسی میں کمی بیشی 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

## ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی ڈی سی ایف انکم فنڈ کی 31 دسمبر 2018ء کو اختتام پذیر ہونے والی مدت کی ششماہی رپورٹ پیش خدمت ہے۔

### بازار اور معیشت کا جائزہ

#### معیشت اور بازار کا جائزہ

مالی سال 2019ء کا آغاز مثبت فضا سے ہوا کیونکہ انتخابی عمل کی بلارکاوٹ 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% کی کمی کے ساتھ ساتھ انٹریسٹ 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۔ نصیب جیٹا، پاکستان کو سعودی عرب، متحدہ عرب امارات اور چین سے ادائیگیوں کے توازن میں معاونت کے لیے 14 بلین ڈالر کے چیک 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 پست base effect 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 چٹائی 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۔ جتان ہے۔ 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، دوا سازی اور صارفی مصنوعات میں سست روی ہے۔ LSM میں ترقی معیشت میں مجموعی سست روی 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 انفر وٹمنس میں بازار کی شرکت متاثر ہوئی اور 3 ماہ یا اس سے کم مدت کے

## TRUSTEE REPORT TO THE UNIT HOLDERS

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office

CDC House, 99-B, Block 'B'  
S.M.C.H.S. Main Shahr-e-Faisal  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdc-pakistan.com](http://www.cdc-pakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



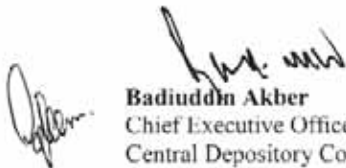
### TRUSTEE REPORT TO THE UNIT HOLDERS

#### MCB DCF INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB DCF Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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





## Auditor's Report to the Unit Holders on Review of Condensed Interim Financial Statements



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 DCF Income Fund** (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  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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

		December 31, 2018 (Un-Audited) ----- (Rupees in '000) -----	June 30, 2018 (Audited) -----
<b>ASSETS</b>	<b>Note</b>		
Balances with banks	4	2,008,724	2,944,793
Investments	5	1,479,090	1,687,001
Mark-up, dividend and other receivables		51,096	44,738
Receivable against sale of investments		305,820	221,310
Receivable against Margin Trading System (MTS)		-	1,893
Advances, deposits and prepayments		63,902	142,248
<b>Total assets</b>		<b>3,908,632</b>	<b>5,041,983</b>
<b>LIABILITIES</b>			
Payable to MCB Arif Habib Savings and Investments Limited - Management Company	10	5,777	7,138
Payable to Central Depository Company of Pakistan Limited - Trustee		384	441
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)		1,506	4,114
Payable against redemption of units		-	4,739
Payable against purchase of investments		36,944	-
Accrued and other liabilities	6	155,391	153,058
<b>Total liabilities</b>		<b>200,002</b>	<b>169,490</b>
<b>NET ASSETS</b>		<b>3,708,630</b>	<b>4,872,493</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>3,708,630</b>	<b>4,872,493</b>
<b>Contingencies and commitments</b>	7		
		----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>33,736,439</b>	<b>43,761,823</b>
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		<b>109.9295</b>	<b>111.3412</b>

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

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

		Six months period ended December 31,		Quarter ended December 31,	
		2018	2017	2018	2017
Note		(Rupees in '000)			
<b>INCOME</b>					
		16,164	8,194	7,766	3,714
	Income from Government securities	65,503	56,480	35,029	27,135
	Income from term finance certificates	(51,184)	(5,230)	(35,621)	(2,252)
	Net loss on sale of investments	81,797	101,849	43,841	48,161
	Mark-up on bank deposits and term deposit receipt	6,093	33,049	209	15,924
	Income from Margin Trading System (MTS) - net	11,958	44,032	6,951	38,277
	Dividend income	52,522	(20,094)	27,435	(19,163)
	Income / (loss) from spread transactions	-	511	(2,581)	(2,562)
	Net unrealised gain / (loss) on derivatives				
	Unrealised (diminution) / appreciation on re-measurement of investments classified 'at fair value through profit or loss' - net	(5,886)	(12,900)	9,708	(8,515)
	Other income	392	156	271	95
	<b>Total income</b>	<b>177,359</b>	<b>206,047</b>	<b>93,008</b>	<b>100,814</b>
	Provision against debt securities	-	(483)	-	(242)
<b>EXPENSES</b>					
	Remuneration of the Management Company	30,125	46,044	14,184	22,587
10.1		3,917	5,986	1,845	2,936
10.2	Sindh Sales tax on remuneration of the Management Company	2,269	3,468	1,068	1,701
12	Expenses allocated by the Management Company and related taxes	2,137	2,956	1,019	1,458
	Remuneration of the Trustee	278	384	133	190
	Sindh Sales Tax on trustee fee	1,506	2,302	709	1,129
	Annual fee to Securities and Exchange Commission of Pakistan	6,477	5,978	3,238	1,155
	Brokerage and settlement and bank charges	-	4,145	-	4,145
	Laga charges on MTS	356	414	142	220
	Auditors' remuneration	120	91	65	37
	Legal and professional charges	393	218	197	(10)
	Others	47,578	71,986	22,600	35,548
	<b>Total operating expenses</b>	<b>129,781</b>	<b>133,578</b>	<b>70,408</b>	<b>65,024</b>
	<b>Net income from operating activities</b>	<b>(2,596)</b>	<b>(2,672)</b>	<b>(1,408)</b>	<b>(1,301)</b>
	Provision for Sindh Workers' Welfare Fund (SWWF)				
	<b>Net income for the period before taxation</b>	<b>127,185</b>	<b>130,906</b>	<b>69,000</b>	<b>63,723</b>
	Taxation	-	-	-	-
	<b>Net income for the period after taxation</b>	<b>127,185</b>	<b>130,906</b>	<b>69,000</b>	<b>63,723</b>
<i>Allocation of net income for the period:</i>					
	Net income for the period after taxation	127,185	130,906	69,000	63,723
	Income already paid on units redeemed	(13,464)	(22,492)	(6,750)	(19,007)
		113,721	108,414	62,250	44,716
<i>Accounting income available for distribution:</i>					
	- Relating to capital gains	-	-	9,708	-
	- Excluding capital gains	113,721	108,414	52,542	44,716
		113,721	108,414	62,250	44,716
<b>Earnings per unit</b>					

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

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

	Six months period ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	(Rupees in '000)			
<b>Net income for the period after taxation</b>	<b>127,185</b>	<b>130,906</b>	<b>69,000</b>	<b>63,723</b>
<b>Other comprehensive loss / income for the period:</b>				
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	-	(3)	-	2
	-	(3)	-	2
<b>Total comprehensive income for the period</b>	<b>127,185</b>	<b>130,903</b>	<b>69,000</b>	<b>63,725</b>

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director



---

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

M. Sankar  
Chief Executive Officer

  
Chief Financial Officer

  
Director

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

	Half year ended	
	December 31, 2018	December 31, 2017
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	127,185	130,906
<b>Adjustments for:</b>		
Net unrealised loss on revaluation of investments 'at fair value through profit or loss - held-for-trading'	5,886	12,900
Dividend income	(11,958)	(44,032)
Provision against debt securities	-	483
	<b>121,113</b>	<b>100,257</b>
<b>Increase / (decrease) in assets</b>		
Investments	202,025	1,014,695
Term deposit receipts	-	(600,000)
Mark-up, dividend and other receivables	(7,043)	20,343
Derivatives- Future Contracts	-	2,132
Receivable against sale of investments	(84,510)	(374,854)
Receivable against Margin Trading System (MTS)	1,893	(348,666)
Advance against subscription of sukuk certificates	-	(350,000)
Advances, deposits and prepayments	78,346	(95,724)
	<b>190,711</b>	<b>(732,074)</b>
<b>(Decrease) / increase in liabilities</b>		
Payable to MCB Arif Habib Savings and Investments Limited	(1,361)	642
Payable to Central Depository Company of Pakistan Limited - Trustee	(57)	(17)
Annual fee payable to SECP	(2,608)	(2,829)
Payable against purchase of investments	36,944	(233,025)
Accrued and other liabilities	2,333	(15,845)
	<b>35,251</b>	<b>(251,074)</b>
Dividends received	12,643	42,073
<b>Net cash generated from / (used in) operating activities</b>	<b>359,718</b>	<b>(840,818)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units (excluding additional units)	560,893	709,472
Payments on redemption of units	(1,674,288)	(1,733,104)
Dividend paid	(182,392)	-
<b>Net cash used in from financing activities</b>	<b>(1,295,787)</b>	<b>(1,023,632)</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(936,069)</b>	<b>(1,864,450)</b>
Cash and cash equivalents at beginning of the period	2,944,793	4,243,357
<b>Cash and cash equivalents at end of the period</b>	<b>2,008,724</b>	<b>2,378,907</b>

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

## NOTES TO 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 DCF Income Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and the Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by SECP as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) on December 12, 2006.
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4 The Fund is an open ended mutual fund and has been categorised as an "income scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.5 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the funds in medium term assets in order to provide higher return to the unit holders.
- 1.6 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated October 08, 2018 to the Management Company and a stability rating of 'A+(f)' dated December 28, 2018 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

### 2. STATEMENT OF COMPLIANCE

These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards applicable in Pakistan for interim financial reporting 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), 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 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 3.3.

**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 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 annual financial statements of the Fund for the year ended June 30, 2018.

### **3.3 Standards and amendments to published accounting and reporting 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 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 investments being managed as a group of assets and hence has classified them as FVPL. Accordingly, the Fund's investment portfolio is classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. Consequently, on adoption of IFRS 9 all investments in equity instruments which were previously classified as "available for sale" have been transferred / redesignated as FVPL.

The Fund has adopted modified retrospective restatement for adopting IFRS-9 and accordingly, all changes arising on adoption of IFRS-9 have been adjusted at the beginning of the current period.

The effect of this change in accounting policy is as follows:

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	<b>As at June 30, 2018 (as previously stated)</b>	<b>Change</b>	<b>As at July 1, 2018</b>
	-----Rupees in '000-----		
<b>Impact on Statement of Unit holders' fund</b>			
Unrealised appreciation / (diminution) on 'Available-for-sale' investments	(7)	7	-
Undistributed income	573,226	(7)	573,219
	<b>As at June 30, 2018 (as previously stated)</b>	<b>Change</b>	<b>As at July 1, 2018</b>
	-----Rupees in '000-----		
<b>Impact on Statement of Assets and Liabilities</b>			
Investments - 'available for sale'	713	(713)	-
Investments - 'At fair value through profit or loss'	1,686,288	713	1,687,001

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 condensed interim financial statements of the Fund.

**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 period beginning on or after July 1, 2019. However, these will not have any significant impact on the Fund's operations and, therefore, have not been detailed in these condensed interim financial statements.

		<b>December 31, 2018 (Un-audited)</b>	<b>June 30, 2018 (Audited)</b>
	<b>Note</b>	-----Rupees in '000-----	
<b>4 BALANCES WITH BANKS</b>			
Current accounts		2,256	3,153
Savings accounts	4.1	2,006,468	2,941,640
		<u>2,008,724</u>	<u>2,944,793</u>

- 4.1** This includes balances of Rs.2.45 million (June 30, 2018: Rs.3.24 million) maintained with MCB Bank Limited (a related party) and balances of Rs. 0.94 million (June 30, 2018: Rs.1,674.65 million) maintained with Silk Bank Limited (a related party) that carry profit at 8% per annum (June 30, 2018: 3.75%). Other profit and loss saving accounts of the Fund carry profit rates ranging from 6.5% to 11.75% per annum (June 30, 2018: 3.75% to 9.5% per annum).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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		<b>December 31, 2018 (Un-audited)</b>	<b>June 30, 2018 (Audited)</b>
<b>5 INVESTMENTS</b>	<b>Note</b>	<b>------(Rupees in '000)-----</b>	
<b>Investments by Category</b>			
<b>At fair value through profit or loss</b>			
Government securities - Market treasury bills	5.1	<b>29,517</b>	148,366
Listed equity securities	5.2	-	117,007
Listed debt securities	5.3	<b>690,788</b>	383,026
Unlisted debt securities	5.4	<b>758,785</b>	1,038,946
Future stock contracts		-	(1,057)
Government securities - Pakistan Investment Bonds	5.6	-	-
		<b>1,479,090</b>	1,686,288
<b>Available for Sale</b>			
Government securities - Pakistan investment bonds	5.5	-	713
		<b>1,479,090</b>	1,687,001

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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**5.1 Government securities - Market treasury bills 'at fair value through profit or loss - held-for-trading'**

Name of security	Note	Date of issue	Face value				Balance as at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
			As at July 01, 2018	Purchased during the period	Disposed/ matured during the period	As at December 31, 2018	Carrying value	Market value	Unrealised gain / (loss)		
(Rupees in '000) %											
Market treasury bills-3 months		June 07, 2018	150,000	-	150,000	-	-	-	-	-	-
Market treasury bills-3 months		July 19, 2018	-	700,000	700,000	-	-	-	-	-	-
Market treasury bills-3 months		August 07, 2018	-	300,000	300,000	-	-	-	-	-	-
Market treasury bills-3 months		August 02, 2018	-	1,700,000	1,700,000	-	-	-	-	-	-
Market treasury bills-3 months		August 20, 2018	-	600,000	600,000	-	-	-	-	-	-
Market treasury bills-3 months		October 22, 2018	-	150,000	150,000	-	-	-	-	-	-
Market treasury bills-3 months		October 22, 2018	-	100,000	100,000	-	-	-	-	-	-
Market treasury bills-3 months	5.1.1 & 5.1.2	December 06, 2018	-	30,000	-	30,000	29,518	29,517	(1)	0.80%	2.00%
<b>As at December 31, 2018</b>							<b>29,518</b>	<b>29,517</b>	<b>(1)</b>		
June 30, 2018			-	150,000	-	150,000	148,356	148,366	10		

**5.1.1** This will mature by February 28, 2019 (2018: August 30, 2018) and carries yield at the rate of 10.29% (June 30, 2018: 6.70%) per annum.

**5.1.2** The above includes Market treasury bill with a face value aggregating to Rs.30 (2018: Rs.150) million which has been pledged with National Clearing Company of Pakistan Limited as security against MTS trades and exposure margin / MTM losses as per Circular no. 11 dated October 23, 2007 issued by the SECP.

**5.2 Listed equity securities - 'at fair value through profit or loss'**

Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise

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Name of investee company	Number of shares				Balance as at December 31, 2018			Market Value	
	As at July 01, 2018	Purchased during the period	Sold during the period	As at December 31, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of net assets	As a percentage of total investments
<b>Automobile Parts &amp; Accessories</b>									
Loads Limited	33,000	100,000	133,000	-	-	-	-	-	-
<b>Cable &amp; Electrical Goods</b>									
Pak Elektron Limited	86,500	5,785,000	5,871,500	-	-	-	-	-	-
<b>Cement</b>									
Cherat Cement Company Limited	2,500	-	2,500	-	-	-	-	-	-
Fauji Cement Company Limited	270,000	2,078,000	2,348,000	-	-	-	-	-	-
Lucky Cement Limited	2,500	188,000	190,500	-	-	-	-	-	-
D.G. Khan Cement Company Limited	25,000	4,166,000	4,191,000	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	42,000	3,060,000	3,102,000	-	-	-	-	-	-
Pioneer Cement Limited	31,000	-	31,000	-	-	-	-	-	-
<b>Chemicals</b>									
Descon Oxychem Limited	284,500	1,773,000	2,057,500	-	-	-	-	-	-
Engro Polymer and Chemicals Limited	33,500	10,949,000	10,982,500	-	-	-	-	-	-
Ghani Gases	-	5,000	5,000	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	1,272,500	16,087,000	17,359,500	-	-	-	-	-	-
<b>Commercial Banks</b>									
United Bank Limited	-	50,000	50,000	-	-	-	-	-	-
<b>Engineering</b>									
International Industries Limited	7,000	1,000	8,000	-	-	-	-	-	-
International Steels Limited	9,000	10,000	19,000	-	-	-	-	-	-
Mughal Iron & Steel Industries Limited	500	-	500	-	-	-	-	-	-



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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Name of investee company	Number of shares			Balance as at December 31, 2018				Market Value	
	As at July 01, 2018	Purchased during the period	Sold during the period	As at December 31, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of net assets	As a percentage of total investments
<b>Fertilizer</b>									
Engro Fertilizer Limited	200,500	578,000	778,500	-	-	-	-	-	-
Engro Corporation Limited	500	293,500	294,000	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	12,500	4,114,500	4,127,000	-	-	-	-	-	-
Fauji Fertilizer Company Limited	14,500	640,000	654,500	-	-	-	-	-	-
<b>Food &amp; Personal Care Products</b>									
Engro Foods Limited	1,000	374,500	375,500	-	-	-	-	-	-
Fauji Foods Limited	-	1,104,000	1,104,000	-	-	-	-	-	-
<b>Glass &amp; Ceramics</b>									
Shabbir Tiles & Ceramics Limited**	28,000	3,177,000	3,205,000	-	-	-	-	-	-
<b>Insurance</b>									
Adamjee Insurance Co. Limited	7,000	42,000	49,000	-	-	-	-	-	-
<b>Miscellaneous</b>									
Siddiqsons Tin Plate Limited	-	1,694,000	1,694,000	-	-	-	-	-	-
<b>Oil and Gas Exploration Companies</b>									
Oil & Gas Development Company Limited	12,500	415,000	427,500	-	-	-	-	-	-
Pakistan Oilfields Limited	1,500	71,000	72,500	-	-	-	-	-	-
Pakistan Petroleum Limited	5,500	41,000	46,500	-	-	-	-	-	-
<b>Oil and Gas Marketing Companies</b>									
Pakistan State Oil Company Limited.	6,000	241,500	247,500	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	153,500	3,297,000	3,450,500	-	-	-	-	-	-
Sui Southern Gas Company Limited	188,000	1,132,500	1,320,500	-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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Name of investee company	Number of shares			Balance as at December 31, 2018			Market Value	
	As at July 01, 2018	Purchased during the period	Sold during the period	As at December 31, 2018	Carrying value	Market value (loss) / gain	As a percentage of net assets	As a percentage of total investments
<b>Pharmaceuticals</b>								
The Searle Company Limited	2,000	334,500	336,500	-	-	-	-	-
<b>Power Generation &amp; Distribution</b>								
Hub Power Company Limited	8,500	73,000	81,500	-	-	-	-	-
K-Electric Limited*	2,547,500	11,611,500	14,159,000	-	-	-	-	-
Kot Addu Power Co. Limited	21,000	35,500	56,500	-	-	-	-	-
<b>Refinery</b>								
Attock Refinery Limited	-	4,500	4,500	-	-	-	-	-
Byco Petroleum Pakistan Limited	80,500	1,212,000	1,292,500	-	-	-	-	-
<b>Technology &amp; Communications</b>								
Pakistan Telecommunication Company Limited	30,500	3,564,500	3,595,000	-	-	-	-	-
<b>Textile Composite</b>								
Nishat (Chunian) Limited	34,000	434,000	468,000	-	-	-	-	-
Gul Ahmed Textile Mills Limited	-	105,500	105,500	-	-	-	-	-
Nishat Mills Limited	13,500	143,000	156,500	-	-	-	-	-
<b>Transport</b>								
Pakistan International Bulk Terminal Limited	601,500	5,851,500	6,453,000	-	-	-	-	-
<b>Miscellaneous</b>								
Dolmen City REIT	-	3,000	3,000	-	-	-	-	-
<b>Total as at December 31, 2018</b>					-	-	-	-
<b>Total as at June 30, 2018</b>					118,378	117,007	(1,371)	

\*These have a face value of Rs 3.5 per share

\*\*These have a face value of Rs 5 per share

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

**5.3 Listed debt securities - term finance certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss'**

Name of investee company	Number of certificates				Balance as at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2018	Purchased during the period	Disposed during the period	As at December 31, 2018	Carrying value	Market value	Unrealised (loss) / gain		
----- (Rupees in '000) ----- % -----									
<b>Commercial banks</b>									
Bank Alfalah Limited-V (February 20, 2013)	65,581	-	-	65,581	329,024	315,773	(13,251)	8.51%	21.35%
					<b>329,024</b>	<b>315,773</b>	<b>(13,251)</b>	<b>8.51%</b>	<b>21.35%</b>
<b>Fertilizer</b>									
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017)	3,500	-	750	2,750	275,550	275,015	(535)	7.42%	18.59%
Dawood Hercules Corporation Limited - Sukuk (March 18, 2018)	1,000	-	-	1,000	100,065	100,000	(65)	2.70%	6.76%
					<b>375,615</b>	<b>375,015</b>	<b>(600)</b>	<b>10.11%</b>	<b>25.35%</b>
<b>Leasing companies</b>									
Saudi Pak Leasing Company Limited (March 13, 2010) (refer note 5.4.1) Less: Provision for impairment	10,000	-	-	10,000	27,548 (27,548)	-	-	-	-
					-	-	-	-	-
<b>As at December 31, 2018</b>					<b>704,639</b>	<b>690,788</b>	<b>(13,851)</b>		
As at June 30, 2018					391,558	383,026	(8,532)		

\* Nominal value of these term finance certificates is Rs. 100,000 per certificate.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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**5.4 Unlisted debt securities - term finance and sukuk certificates of Rs.5,000 each (unless stated otherwise) - 'at fair value through profit or loss'**

Name of investee company	Number of certificates			Balance as at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investment	
	As at July 01, 2018	Purchased during the period	Disposed/ Matured during the period	As at December 31, 2018	Carrying value	Market value			Unrealised (loss) / gain
(Rupees in '000)									
<b>Commercial banks</b>									
Askari Bank Limited IV - TFC (September 30, 2014)	39,000	-	-	39,000	194,762	193,715	(1,047)	5.22%	13.10%
Bank AL Habib Limited (March 17, 2016) TFC-II	52,500	-	-	52,500	261,853	277,851	15,998	7.49%	18.79%
The Bank of Punjab Limited - TFC II - Issue Date April 23, 2018	-	850	-	850	84,983	79,212	(5,771)	2.14%	5.36%
The Bank of Punjab Limited TFC-I * (December 23, 2016)	550	-	-	550	53,926	52,724	(1,202)	1.42%	3.56%
					595,524	603,502	7,978	16.27%	40.80%
<b>Chemicals</b>									
Ghani Gases Limited - Sukuk *(February 02, 2017)	500	-	-	500	35,385	35,408	23	0.95%	2.39%
					35,385	35,408	23	0.95%	2.39%
<b>Fertilizer</b>									
Engro Fertilizers Limited (July 09, 2014) Sukuk	15,800	-	15,800	-	-	-	-	-	-
<b>Investment Bank</b>									
Jahangir Siddiqui and Company Limited- TFC-III- July 18, 2017	-	10,000	-	10,000	49,875	49,875	-	1.34%	3.37%
Jahangir Siddiqui & Co. Ltd. - TFC (March 06, 2018)	10,000	4,000	-	14,000	70,036	70,000	(36)	1.89%	4.73%
					119,911	119,875	(36)	3.23%	8.10%
<b>Household goods</b>									
New Allied Electronics Industries (Private) Limited (May 15, 2007) (refer note 5.4.1)	10,400	-	-	10,400	22,337	(22,337)	-	-	-
Less: Provision for impairment									
New Allied Electronics Industries (Private) Limited Sukuk (July 25, 2007) (refer note 5.4.1)	112,000	-	-	112,000	35,603	(35,603)	-	-	-
Less: Provision for impairment									
<b>As at December 31, 2018</b>					750,820	758,785	7,965	20%	51%
<b>As at June 30, 2018</b>					1,045,281	1,038,946	(6,335)		

\* Nominal value of this sukuk certificate is Rs.100,000 per certificate.

**5.4.1** Due to continuous default on repayment of coupon by the issuer, the Fund has classified these investments as non-performing debt securities. The Fund has also suspended further accrual of mark-up there against.

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

**5.4.2** Significant terms and conditions of term finance certificates and other securities outstanding at December 31, 2018 are as follows:

Name of security	Number of certificates	Face value per unit	Face value / redemption value in total	Interest rate per annum	Maturity	Secured / unsecured	Rating
<b>Listed debt securities</b>							
Bank Alfalah Limited V - TFC (20 February, 2013)	65,581	5,000	4,989	6M KIBOR+1.25%	February 20, 2021	Unsecured	AA
Dawood Hercules Corporation Limited - Sukuk (16 November, 2017)	2,750	100,000	100,000	3M KIBOR+1%	November 16, 2022	Secured	AA
Dawood Hercules Corporation Limited - Sukuk (18 March, 2018)	1,000	100,000	100,000	3M KIBOR+1%	March 1, 2023	Unsecured	AA
<b>Unlisted debt securities</b>							
Askari Bank Limited IV - TFC (30 September, 2014)	39,000	5,000	4,992	6M KIBOR+1.2%	September 30, 2024	Unsecured	AA-
Bank ALHabib Limited - TFC II (16 March, 2017)	52,500	5,000	4,995	6M KIBOR+0.75%	March 17, 2026	Unsecured	AA
The Bank of Punjab (23 April, 2018)	850	100,000	99,980	6M KIBOR+1.25%	April 23, 2028	Unsecured	AA-
The Bank of Punjab Limited - TFC (23 December, 2016)	550	100,000	99,920	6M KIBOR+1%	December 23, 2026	Unsecured	AA-
Engro Fertilizers Limited - Sukuk (9 July, 2014)	15,800	5,000	1,750	6M KIBOR+1.75%	July 9, 2019	Secured	AA-
Ghani Gases Limited - Sukuk (02 February, 2017)	500	100,000	70,833	3M KIBOR+1%	February 2, 2023	Unsecured	A
Jahangir Siddiqui and Company Limited (18 July, 2017)	10,000	5,000	5,000	6M KIBOR+1.4%	July 18, 2022	Secured	AA+
Jahangir Siddiqui & Co. Ltd. - TFC (06 march, 2018)	14,000	5,000	5,000	6M KIBOR+1.4%	March 6, 2023	Secured	AA+

The term finance certificates and sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

### 5.4.3 Details of non-compliant investments with the investment criteria as specified by the SECP

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at December 31, 2018, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of total investments
<b>Listed debt securities</b>						
Saudi Pak Leasing Company Limited	TFC	27,548	(27,548)	-	0.00%	0.00%
<b>Unlisted debt securities</b>						
New Allied Electronics Industries (Private) Limited	TFC	22,337	(22,337)	-	0.00%	0.00%
New Allied Electronics Industries (Private) Limited	Sukuk	35,063	(35,063)	-	0.00%	0.00%

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

## 5.5 Government securities - Pakistan investment bonds : Available for sale

Name of security	Date of issue	Face value			Balance as at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 01, 2018	Transferred to financial assets at fair value through profit or loss category upon adoption of IFRS 9 - Note 3.2	Adjusted Balance as at July 1, 2018	Carrying value	Market value	Unrealised gain / (loss)		
----- (Rupees in '000) ----- % -----									
Pakistan Investment Bonds	26-Mar-15	500	500	-	-	-	-	-	-
Pakistan Investment Bonds	18-Jul-13	200	200	-	-	-	-	-	-
<b>As at December 31, 2018</b>					<b>-</b>	<b>-</b>	<b>-</b>		
<b>As at June 30, 2018</b>					<b>-</b>	<b>720</b>	<b>713</b>	<b>(7)</b>	

## 5.6 Government securities - Pakistan investment bonds : At fair value through profit or loss

Name of security	Date of issue	Face value					Balance as at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 01, 2018	Transferred in financial assets at fair value through profit or loss category upon adoption of IFRS 9 - Note 3.3	Purchased during the period	Disposed/ matured during the period	As at December 31, 2018	Carrying value	Market value	Unrealised gain / (loss)		
----- (Rupees in '000) ----- % -----											
Pakistan Investment Bonds	26-Mar-15	-	500	-	500	-	-	-	-	-	-
Pakistan Investment Bonds	18-Jul-13	-	200	-	200	-	-	-	-	-	-
Pakistan Investment Bonds	9-Aug-18	-	-	150,000	150,000	-					
As at December 31, 2018											
As at June 30, 2018		-									

6 ACCRUED AND OTHER LIABILITIES	Note	December 31, 2018 (Un-Audited)	June 30, 2018 (Audited)
		----- (Rupees in '000) -----	
Provision for Sindh Workers' Welfare Fund (SWWF)	6.1	24,333	21,737
Federal Excise Duty on remuneration to the Management Company	6.2	99,060	99,060
Federal Excise Duty and related taxes payable on sales load		27,933	27,933
Sale load payable to MCB Bank Limited (a related party)		390	6
Auditors' remuneration		348	505
Withholding tax payable		126	241
Brokerage payable		284	887
Others		2,917	2,689
		<b>155,391</b>	<b>153,058</b>

### 6.1 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 the 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

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

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 the 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.

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.0.7213 ( June 30, 2018: Re.0.50) per unit.

### 6.2 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 99.060 million is being retained in these condensed 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 Assets Value of the Fund as at December 31, 2018 would have been higher by Rs 2.94 (June 30, 2018: Rs 2.26) per unit.

## 7 CONTINGENCIES AND COMMITMENTS

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

	December 31, 2018 (Un-Audited) ----- (Rupees in '000) -----	June 30, 2018 (Audited)
<b>7.1 Commitments</b>		
Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at period end	-	116,691
Margin Trading System (MTS) transactions entered into by the Fund which have not been settled as at period end:		
- Purchase transactions		
- Sale transactions	-	949

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

## 8 TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute the income to be earned by the Fund during the year ending June 30, 2019 to the unit holders in cash in the manner as explained above. Accordingly, no provision for taxation has been made in these condensed interim financial statements.

## 9 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.

		December 31, 2018 (Un-audited) (Rupees in '000)	June 30, 2018 (Audited)
<b>10 PAYABLE TO THE MANAGEMENT COMPANY</b>	<b>Note</b>		
Remuneration payable	10.1	4,717	5,638
Sindh sales tax on management fee	10.2	613	733
Sale load Payable		133	364
Expenses allocated by the management		314	376
Back load payable		-	27
		<u>5,777</u>	<u>7,138</u>

**10.1** The Management Company has charged remuneration at the rate of 1.5% (June 30, 2018: 1.5%) of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

**10.2** Sindh sales tax on management remuneration has been charged at the rate of 13% (June 30, 2018: 13%).

## 11 TOTAL EXPENSE RATIO

The total expense ratio of the Fund from July 1, 2018 to December 31, 2018 is 1.26%(June 30, 2018: 2.45%) and this includes 0.22%(June 30, 2018: 0.39%) representing government levy, Sindh Worker's Welfare Fund and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an "income scheme".

## 12 ALLOCATED EXPENSES

As per regulation 60 of the NBFC Regulations, the Management Company may charge fees and expenses related to registrar services, accounting, operations and valuations services, related to 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.

## 13 TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER 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.



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

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

### 13.1 Unit Holders' Fund

For the half year ended December 31, 2018 (Un-Audited)								
	As at July 01, 2018	Issuance (including additional units)	Redeemed	As at December 31, 2018	As at July 01, 2018	Issuance*	Redeemed	As at December 31, 2018
	Units			(Rupees in '000)				
<b>Group / associated companies</b>								
MCB Employees' Provident Fund	1,255,728	57,539	-	1,313,267	139,814	6,126	-	144,367
MCB Employees' Pension Fund	1,255,728	57,539	-	1,313,267	139,814	6,126	-	144,367
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	173	-	3,950	421	18	-	434
Adamjee Life Assurance Company Limited - Employees' Gratuity Fund	-	-	-	-	2,932	-	3,067	-
Adamjee Insurance Company Limited - Employees' Gratuity Fund	166,862	7,645	174,508	-	18,579	4,405	18,591	-
Nishat Power Limited Employees Provident Fund Trust	86,109	3,945	90,055	-	9,587	2,273	9,607	-
Adamjee Insurance Co.Ltd Employees Provident Fund	335,292	15,363	350,655	-	37,332	8,851	37,388	-
<b>Mandate under discretionary portfolio services**</b>	1,682,691	163,732	1,824,893	21,530	232,242	9,382	194,676	2,367

For the half year ended December 31, 2017 (Un-Audited)								
	As at July 01, 2017	Issuance	Redeemed	As at December 31, 2017	As at July 01, 2017	Issuance	Redeemed	As at December 31, 2017
	Units			(Rupees in '000)				
<b>Associated companies</b>								
MCB Employees' Provident Fund	1,255,728	-	-	1,255,728	133,646	-	-	136,550
MCB Employees' Pension Fund	1,255,728	-	-	1,255,728	133,646	-	-	136,550
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	-	-	3,777	402	-	-	411
Adamjee Life Assurance Company Limited - Employees' Gratuity Fund	27,549	-	-	27,549	2,932	-	-	2,996
<b>Mandate under discretionary portfolio services**</b>	331,381	41	331,381	41	35,269	4	35,990	4
<b>Key management personnel</b>	9,704	7	381	9,330	1,033	1	41	1,015
<b>Unit holders holding 10% or more units</b>								
Gul Ahmed Energy Limited	6,667,860	337,914	-	7,005,774	709,656	35,999	-	761,823

\* Includes additional units issued at zero cost.

\*\* This reflects position of related party / connected persons status

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

		(Un-Audited)	
		December 31, 2018	December 31, 2017
		----- (Rupees in '000) -----	
<b>13.2 Transactions during the period:</b>			
<b>Management Company</b>			
<b>MCB Arif Habib Savings and Investments Limited</b>			
Remuneration (including indirect taxes)		34,042	52,030
Expense allocated by the Management Company and related taxes		2,269	3,468
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Remuneration (including indirect taxes)		2,415	3,340
Settlement charges		298	-
<b>Group / associated companies</b>			
<b>MCB Bank Limited</b>			
Mark-up on deposit accounts		4	64
Bank charges		9	15
<b>Silk Bank Limited</b>			
Mark-up on deposit accounts		36,741	-
Bank charges		80	-
Sale of Government securities having face value of Rs.1,075,000,000 (2017:Rs:Nil)		1,057,126	-
<b>Next Capital Limited - Brokerage House</b>			
Brokerage and settlement charges *		280	136
<b>Arif Habib Limited</b>			
Brokerage expense *		-	8
<b>Fatima Fertilizer Company Limited</b>			
Purchase of Nil(2017: 8,500) shares		-	270
Sale of Nil (2017: 8,500) shares		-	272
<b>Adamjee Insurance Company Limited</b>			
Purchase of 42,000 (2017: 8,000) shares		2,018	506
Sale of 49,000 (2017: 8,000) shares		2,041	509
<b>Nishat (Chunian) Limited</b>			
Purchase of 434,000 (2017: 631,000) shares		22,933	32,882
Sale of 468,000 (2017: 883,000) shares		23,138	32,223
Dividend income		-	930
<b>D.G. Khan Cement Company Limited</b>			
Purchase of 4,166,000 (2017: 2,855,500) shares		372,736	409,863
Sale of 4,191,000 (2017: 2,841,000) shares		372,662	393,124
Dividend income		-	18,094
<b>Nishat Mills Limited</b>			
Purchase of 143,000 (2017: 919,000) shares		19,729	131,484
Sale of 156,500 (2017: 970,500) shares		19,892	139,482
Dividend income		-	1,050

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

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

	(Un-Audited) December 31, 2018	(Audited) June 30 2018
<b>13.3 Balances outstanding at period end:</b>		
<b>Management Company</b>		
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration payable	4,717	5,638
Sindh sales tax payable on remuneration payable	613	733
Sales load payable	118	322
Sindh sales tax payable on sales load	15	42
Back End Load Payable	-	27
Expense allocated by the Management Company	314	376
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Security deposit	200	200
Remuneration payable (including indirect taxes)	384	441
<b>Group / associated companies</b>		
<b>MCB Bank Limited</b>		
Balances with bank	2,449	3,242
Sales load payable	391	6
<b>Silk Bank Limited</b>		
Balances with bank	947	1,674,650
Profit Recievable	4,824	11,771
<b>Next Capital Limited - Brokerage House</b>		
Brokerage and settlement charges payable*	25	136
<b>Nishat (Chunian) Limited</b>		
Nil (2018: 34,000) shares held	-	1,614
<b>D.G. Khan Cement Company Limited</b>		
Nil (2018: 25,000) shares held	-	2,862
<b>Nishat Mills Limited</b>		
Nil (2018: 13,500) shares held	-	1,902
<b>Mughal Iron &amp; Steel Industries Limited</b>		
Nil (2018: 500) shares held	-	31
<b>Adamjee Insurance Company Limited</b>		
Nil (2018: 7,000) shares held	-	341

**14 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

Financial assets which are tradeable in an open market are revalued at market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and liabilities is considered not to be significantly different from the respective book values.

## 14.1 FAIR VALUE HIERARCHY

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e. derived from prices)

**Level 3:** inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

-----December 31, 2018 -----				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
<b>Investment classified at fair value through profit or loss</b>				
Government securities - Market treasury bills	-	29,517	-	29,517
Listed debt securities	-	690,788	-	690,788
Unlisted debt securities	-	758,785	-	758,785
	-	1,479,090	-	1,479,090

-----June 30, 2018 -----				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
<b>Investment classified at fair value through profit or loss</b>				
Government securities - Market treasury bills	-	148,366	-	148,366
Listed equity securities	117,007	-	-	117,007
Listed debt securities	-	383,026	-	383,026
Unlisted debt securities	-	1,038,946	-	1,038,946
Future stock contracts	(1,057)	-	-	(1,057)
	115,950	1,570,338	-	1,686,288
<b>Investments classified as available for sale</b>				
Government securities - Pakistan Investment Bonds	-	713	-	713
	115,950	1,571,051	-	1,687,001

## 15. GENERAL

Figures have been rounded off to the nearest thousand rupees.

## 16. 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**

**Head Office:** 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900  
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH), 111-468-378 (111-INVEST), Fax: (+92-21) 35316080, 35316081,  
URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)