



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 PAKISTAN FREQUENT PAYOUT FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
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	MCB Financial Services Limited 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Telenor Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited First Mirco Finance Bank Limited Silk Bank Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, We are pleased to present MCB Pakistan Frequent Payout 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.

Equity Market Review

CY18 closed itself on a negative note for the consecutive second year, as the benchmark Index KSE100 posted a loss of 8.4%. Half year/Quarterly return amounted to ~9.5%/11.5% respectively. The month of Dec'18 was the worst month of the year as KSE100 retreated by 8.5%, as unexpected monetary tightening by 150 bps during the last month created a negative environment for equities. Even announcement for support of USD 3 billion by UAE could not come to rescue as overall uncertainty continued to linger towards the economy. Foreign selling during the first half continued with foreigners offloading USD ~404 mn worth of equities, most of which was absorbed by Insurance Companies and Individuals who bought USD ~173 and ~USD 152 mn respectively. Volumes and values averaged around 179 mn shares/ PKR 7.68 bn, depicting a considerable decrease of ~6/~7% as compared to first half.

In the first half, most of the major sectors such Refineries, Autos, OMCs, E&Ps & Cements underperformed the market generating negative returns of 29%/27%/20%/18%/16% respectively. Refineries suffered due to lower throughput and closure of plants amid limited offtake of Furnace Oil. E&Ps took the brunt of plunge in international oil prices by ~30% as compared. Autos, Cements and OMCs followed the thematic decline due to economic slowdown. On the flip side, only

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

Textile Composites remained in the positive territory generating a positive return of 20% due to currency depreciation of ~15% as well as supportive export-oriented policies of the newly-elected government.

FUND PERFORMANCE

During the period under review, the fund posted a return of 2.24% compared to the benchmark return of 4.09%. The fund was mostly invested in cash (68.6%), TFC's (23.9%) and Stocks/Equities (4.6%).

The Net Assets of the Fund as at December 31, 2018 stood at Rs. 327 million as compared to Rs. 487 million as at June 30, 2018 registering a decrease of 32.85%. The Net Asset Value (NAV) per unit as at December 31, 2018 was Rs. 101.0066, a decrease of Rs. 0.2652 over June 30, 2018.

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 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.

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

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

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 کثیرالجہت ایجنسیوں سے مالیات حاصل کرنے میں مدد ملے گی جس کی بدولت خارجی اکاؤنٹ کا بہتر انتظام ممکن ہو سکے گا۔ افراط زر کے دہاؤ 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 سست اثرات کا احاطہ کیا جائے گا۔ تاہم مالیاتی تنگی کا اکثر حصہ مکمل کیا جا چکا ہے جس میں آنے والے افراط زر کے دہاؤ 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 تنظیمیں 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 کلاں معاشیات کے میدان میں تبدیل ہوتے ہوئے محرکات 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 منفی سوچ کے باوجود ہم سمجھتے ہیں کہ کچھ اثاثہ جاتی اور quality کمپنیاں مشکلات سے دوچار 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 منجمنٹ ٹیم کی کاوشوں کو بھی سراہتے ہیں۔

من جانب ڈائریکٹر،

محمد ثاقب سلیم

محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

18 فروری، 2019ء

نسیم بیگ

نسیم بیگ

وائس چیئرمین / ڈائریکٹر

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۔

ایکویٹی مارکیٹ کا جائزہ

سال رواں میں بیچ مارک انڈیکس KSE100 نے 8.4% خسارہ پوسٹ کیا، اور یوں متواتر دوسرے سال کا اختتام منفی صورتحال پر ہوا۔ ششماہی اور سہ ماہی منافع بالترتیب 9.5% اور 11.5% تھا۔ دسمبر 2018ء سال کا بدترین مہینہ تھا کیونکہ KSE100 میں 8.5% تسڑی ہوئی کیونکہ ماہ گزشتہ کے دوران 150 bps غیر متوقع مالیاتی تنگی کے باعث ایکویٹیز کے لیے منفی ماحول پیدا ہو گیا تھا۔ حتیٰ کہ متحدہ عرب امارات کی طرف سے 3 بلین ڈالر کے تعاون کے اعلان سے بھی کوئی خاص فائدہ نہیں ہوسکا کیونکہ معیشت میں مجموعی طور پر غیر یقینی صورتحال منڈلاتی رہی۔ نصف اول کے دوران غیر ملکی فروخت جاری رہی؛ غیر ملکیوں نے 404 بلین ڈالر مالیت کی ایکویٹیز فروخت کیں جن میں سے انشورنس کمپنیوں نے 173 بلین ڈالر افراد نے 152 بلین ڈالر مالیت کی ایکویٹیز خریدیں۔ ایکویٹیز کے حجم کا اوسط تقریباً 179 بلین حصص تھا جبکہ ایکویٹیز کی قدر کا اوسط تقریباً 7.68 بلین روپے تھا، جو نصف اول کے مقابلے میں 6 سے 7 فیصد کی اچھی خاصی کمی ہے۔

نصف اول میں اکثر بڑے شعبہ جات مثلاً ریفرنسز، آئوز، OMCs، E&Ps اور سیمنٹ نے مارکیٹ کے مقابلے میں کمزور کارکردگی کا مظاہرہ کیا اور بالترتیب 29%، 27%، 20%، 18% اور 16% منفی منافع دیا۔ ریفرنسز مال کی پست سطح اور فرنیس آئل کے محدود offtake کے باعث پلانٹس بند ہو جانے سے متاثر ہوئیں۔ E&Ps تیل کی بین الاقوامی قیمتوں میں 30% کمی سے متاثر ہوئیں، اور آئوز، سیمنٹ اور OMCs کے شعبے بھی اسی ضمن میں معاشی سست روی کے باعث تسڑی کا شکار ہوئے۔ دوسری جانب صرف ٹیکسٹائل Composites مثبت احاطے میں رہے اور 20% مثبت منافع حاصل کیا جس کی وجہ روپے کی قدر میں 15% کمی اور منتخب حکومت کی برآمدات کی معاونت کرنے والی پالیسیاں ہیں۔

فنانس کی کارکردگی

دوران جائزہ مدت کے دوران فنڈ کا منافع 2.24% تھا، جبکہ بیچ مارک منافع 4.09% تھا۔ فنڈ کی زیادہ تر سرمایہ کاری نقد (68.6%)، ٹرم فنانسنگ سرٹیفکیٹس (TFCs) اور اسٹاکس / ایکویٹیز (4.6%) میں تھی۔

31 دسمبر 2018ء کو فنڈ کے net اثاثہ جات 327 بلین روپے تھے، جو 30 جون 2018ء کو 487 بلین روپے کے مقابلے میں 32.85% کمی ہے۔ 31 دسمبر 2018ء کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 101.0066 روپے تھی، جو 30 جون 2018ء کی قدر کے مقابلے میں 0.2652 روپے کم 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 بقا 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 سست 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،

ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان فریکوئنٹ پے آؤٹ 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 زر کا جائزہ

مالی سال 2019ء کا آغاز مثبت فضا سے ہوا کیونکہ انتخابی عمل کی بلار کاؤٹ 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 پیکیج 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 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 صارفنی 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 شم 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 ميعاد کے ٹریڈری انفر وٹمنس 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

TRUSTEE REPORT TO THE UNIT HOLDERS



MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

MCB PAKISTAN FREQUENT PAYOUT FUND

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

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

1. MCB Arif Habib Savings and Investments Limited, the Management Company of MCB Pakistan Frequent Payout Fund has, in all material respects, managed MCB Pakistan Frequent Payout Fund during the period ended 31st December 2018 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

A handwritten signature in black ink, appearing to read 'Anwar', is positioned above the printed name of the Chief Executive Officer.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: February 20, 2019



Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Frequent Payout Fund** (the Fund) as at December 31, 2018, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the half year ended December 31, 2018. The Board of the Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

Scope of Review

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

Conclusion

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


Chartered Accountants

Engagement Partner
Hena Sadiq

Dated: February 20, 2019
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

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

		(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Note	----- (Rupees in '000) -----	
ASSETS			
Balance with banks	5	229,728	348,931
Investments	6	95,496	136,603
Dividend and profit receivable		2,872	1,848
Advances, deposits and prepayments		4,469	4,259
Preliminary expenses and floatation costs		-	347
Receivable against sale of investments		-	37,388
Receivable from National Clearing Company of Pakistan Limited		2,285	2,285
Total assets		334,850	531,661
LIABILITIES			
Payable to the Management Company		365	591
MCB Financial Services Limited - Trustee		48	54
Payable to the Securities and Exchange Commission of Pakistan		182	631
Payable against purchase of investments		-	36,167
Accrued expenses and other liabilities	7	7,528	7,667
Total liabilities		8,123	45,110
NET ASSETS		326,727	486,551
Unit holders' fund (as per statement attached)		326,727	486,551
Contingencies and commitments	8		
(Number of units)			
Number of units in issue		3,234,715	4,804,405
(Rupees)			
NET ASSET VALUE PER UNIT		101.0066	101.2718

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

		Half year ended		Quarter ended	
		December 31, 2018		December 31, 2017	
		2018	2017	2018	2017
Note		(Rupees in '000)			
INCOME					
	Income from government securities	3,664	7,332	3,286	1,703
	Capital loss on sale of investments - net	(548)	(2,533)	(154)	(3,641)
	Income from term finance certificates	3,353	1,069	1,413	903
	Profit on bank deposit and term deposit receipts	9,131	12,812	3,072	6,675
	Dividend income	303	3,148	222	2,318
	Markup income on margin trading system	179	1,561	1	1,398
	Loss on spread transaction	-	(1,281)	-	(1,281)
6.5	Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' - net	(2,645)	(364)	(2,044)	2,681
	Total income	13,437	21,744	5,796	10,756
EXPENSES					
	Remuneration of the Management Company	2,308	3,612	1,040	1,693
	Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company	300	469	135	219
	MCB Financial Services Limited - Trustee	257	451	126	210
	Sindh Sales Tax on remuneration of Trustee	33	59	16	28
	Securities and Exchange Commission of Pakistan - annual fee	182	357	81	166
	Allocated expense	217	425	97	198
	Marketing and selling expense	-	1,053	-	250
	Securities transaction cost	125	394	88	583
7.1	Provision for Sindh Workers' Welfare Fund	181	274	75	142
	Settlement and bank charges	265	357	132	
	Fees and subscriptions	140	162	40	96
	Legal and professional charges	91	92	46	37
	Amortization of preliminary expenses and formation costs	74	75	37	37
	Professional charges on marginal trading system	16	193	2	-
	Auditors' remuneration	334	345	186	159
	Printing and related costs	25	-	-	(40)
	Total expenses	4,548	8,318	2,101	3,778
	Net income for the period before taxation	8,889	13,426	3,695	6,978
9	Taxation	-	-	-	-
	Net income for the period	8,889	13,426	3,695	6,978
Allocation of net income for the period:					
	Net income for the period	8,889		3,695	
	Income already paid on units redeemed	(107)		(21)	
		8,782		3,674	
Accounting income available for distribution					
	- Relating to capital gains	-		-	
	- Excluding capital gains	8,782		3,674	
		8,782		3,674	

Earnings per unit

10

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Half year ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Net income for the period after taxation	8,889	13,426	3,695	6,978
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>8,889</u>	<u>13,426</u>	<u>3,695</u>	<u>6,978</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Note	Half year ended December 31,			
		2018			2017
		(Rupees in '000)			
		Capital Value	Undistributed income	Total	Total
Net assets at beginning of the period		476,396	10,155	486,551	899,596
Issue of 59,880 units (2017: 649,832 units)					
- Capital value (at net asset value per unit at the beginning of the period)		6,039	-	6,039	65,909
- Element of income		9	-	9	(161)
Total proceeds on issuance of units		6,048	-	6,048	65,748
Redemption of 1,629,570 units (2017: 2,788,911 units)					
- Capital value (at net asset value per unit at the beginning of the period)		(164,332)	-	(164,332)	(282,866)
- Amount paid out of element of income		(282.00)	(107)	(389)	496
- Relating to 'Net income for the period after taxation'		(164,614.00)	(107)	(164,721)	(282,370)
Total payments on redemption of units					
Total comprehensive income for the period		-	8,889	8,889	13,426
Final distribution at the rate of Rs. 0.4280 per unit for the year end June 30, 2018 (declared on July 04, 2018)		-	(2,056)	(2,056)	(18,546)
Distribution made during the period	14	(5)	(7,979)	(7,984)	-
Net loss for the period less distribution		(5)	(1,146)	(1,151)	(5,120)
Net assets at end of the period		317,825	8,902	326,727	677,854
Undistributed income brought forward					
- Realised			12,551		11,383
- Unrealised			(2,396)		(66)
			10,155		11,317
Accounting income available for distribution					
- Relating to capital gains			-		-
- Excluding capital gains			8,782		11,837
			8,782		11,837
Net income for the period after taxation			-		-
Cash distribution during the period			(10,035)		(18,546)
Undistributed income carried forward			8,902		4,608
Undistributed income carried forward					
- Realised			11,547		4,972
- Unrealised			(2,645)		(364)
			8,902		4,608
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				101.2718	101.4252
Net assets value per unit at end of the period				101.0066	100.7141

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

		Half year ended December 31,	
		2018	2017
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		8,889	13,426
Adjustments for non cash and other items:			
Unrealised diminution / (appreciation) in value of investments classified as 'at fair value through profit or loss' - net		2,645	364
Provision for Sindh Workers' Welfare Fund		-	274
		11,534	14,064
(Increase) / decrease in assets			
Investments		38,462	44,895
Dividend and profit receivable		(1,024)	(2,216)
Advances, deposit and prepayments		(210)	17,031
Preliminary expenses and floatation costs		347	-
Receivable against sale of investments		37,388	-
Receivable from National Clearing Company of Pakistan Limited		-	14,258
		74,963	73,968
Increase / (decrease) in liabilities			
Payable to the Management Company		(226)	(1,004)
MCB Financial Services Limited - Trustee		(6)	(23)
Payable to the Securities and Exchange Commission of Pakistan		(449)	(639)
Payable against purchase of investments		(36,167)	-
Accrued expenses and other liabilities		(139)	(1,052)
		(36,987)	(2,718)
Net cash generated from operating activities	A	49,510	85,314
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issuance of units		6,048	65,748
Payments on redemption of units		(164,721)	(282,370)
Distribution during the period		(10,040)	(19,486)
Net cash used in financing activities	B	(168,713)	(236,108)
Net (decrease) / increase in cash and cash equivalents during the period	A + B	(119,203)	(150,794)
Cash and cash equivalents at beginning of the period		348,931	541,451
Cash and cash equivalents at end of the period		229,728	390,657

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB Pakistan Frequent Payout Fund ("the Fund") was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non Banking Finance Companies and Notified Entities Regulations, 2008. The Fund was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on July 16, 2015. It was constituted under a Trust Deed dated July 22, 2015 between MCB-Arif Habib Savings and Investments Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and MCB Financial Services Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.
- 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 collective investment scheme categorised as an "asset allocation" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The Fund is listed on the Pakistan Stock Exchange Limited. The units of the Fund were initially offered for public subscription at a par value of Rs 100 per unit. Thereafter, the units are being offered for purchase, redemption, transfer, switching, etc. only during the first five business days of every month. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering them to the Fund.
- 1.4** The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions, spread transactions and transaction under Margin Trading System.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ (AM two plus plus) dated October 08, 2018 to the Management Company, while the Fund has been assigned a Fund performance rating of 4-star on October 31, 2018.
- 1.6** Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1** This condensed interim financial information 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 Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and
 - the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements 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 IFRS Standards, 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.

- 2.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

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

2.3 In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2018.

2.4 This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year ended June 30, 2018, except as described in note 3.1 below.

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2018.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not disclosed in this condensed interim financial information.

3.1 Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments. The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at December 31, 2018 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2018, whereas the comparatives in the condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement have been extracted from the unaudited condensed interim financial information of the Fund for the half year ended December 31, 2017.

"Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period."

"IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting."

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

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

"Specifically:"

- "debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;"
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;
- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Fund has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- there is no change in the measurement of the Fund's investments in corporate bonds that were held for trading under IAS 39; those instruments were and continue to be measured at FVTPL;
- there is no change in the measurement of the Fund's investments in corporate bonds that were held for trading under IAS 39; those instruments were and continue to be measured at FVTPL;
- there is no change in the measurement of the Fund's investments in equity instruments that were held for trading under IAS 39; those instruments were and continue to be measured at FVTPL;

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the

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

accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

Profit and other comprehensive income reported for half year ended December 31, 2018 have not been affected as the Fund did not have any financial liabilities designated as at FVTPL.

Apart from the above, the application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

(d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

4. FINANCIAL RISK MANAGEMENT

The Fund's risk management policies are consistent with those disclosed in the financial statements of the Fund as at and for the year ended June 30, 2018.

		(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Note	---- (Rupees in '000) ----	
5. BALANCE WITH BANKS			
- in saving accounts	5.1	<u>229,728</u>	<u>348,931</u>
5.1	These carry profit rates ranging from 10.75% to 11.75% (June 30, 2018: 3.75% to 8.10%) per annum. These balances include Rs 0.51 million (June 30, 2018: Rs 1.487 million) maintained with MCB Bank Limited (a related party) and Rs. 0.606 million (June 30, 2018: Rs 0.847 million) maintained with Silkbank Limited (a related party).		

		(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Note	---- (Rupees in '000) ----	
6. INVESTMENTS			
<i>At fair value through profit or loss</i>			
Unlisted debt securities - Term Finance Certificates	6.1	78,965	98,766
Listed debt securities - Sukuks Certificates	6.2	1,001	998
Government securities	6.3	-	19,782
Listed equity securities	6.4	15,530	17,057
		<u>95,496</u>	<u>136,603</u>

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

6.1 Unlisted debt securities - Term Finance Certificates

Certificates have a face value of Rs 100,000 each unless stated otherwise

Name of investee company	Number of certificates				As at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2018	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2018	Carrying value	Appreciation / (diminution)		
								(Rupees in '000)	%
Commercial banks									
The Bank Of Punjab (23-12-2016 issue)	650	-	450	-	200	24,512	23,965	(547)	7.33
Fertilizer									
Dawood Hercules Corporation Limited (01-03-2018 issue)	350	-	-	-	350	35,023	35,000	(23)	10.71
Investment Company									
Jahangir Siddiqui & Company Limited (18-07-2018 issue)*	-	4,000	-	-	4,000	20,000	20,000	-	6.12
Total as at December 31, 2018						79,535	78,965	(570)	
Total as at June 30, 2018						100,021	100,044	23	

* Face value of the investment is Rs. 5000

6.2 Listed debt securities - Sukuks Certificates

Certificates have a face value of Rs 100,000 each unless stated otherwise

Name of investee company	Number of certificates				As at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2018	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2018	Carrying value	Appreciation / (diminution)		
								(Rupees in '000)	%
Commercial banks									
Byco Petroleum Pakistan Limited (18-Jan-17 issue)	10	-	-	-	10	998	1,001	3	0.31
As at December 31, 2018						998	1,001	3	
As at June 30, 2018						1,000	998	(2)	

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

6.3 Government securities - Treasury Bills

Security	Issue Date	Face value				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	Purchases during the period	Sales / matured during the period	As at December 31, 2018	Carrying value	Market value	Appreciation / (diminution)		
(Rupees in '000)										
Treasury bills - 3 months	7-Jun-18	20,000	-	20,000	-	-	-	-	-	-
Treasury bills - 3 months	2-Aug-18	-	20,000	20,000	-	-	-	-	-	-
Treasury bills - 3 months	19-Jul-18	-	100,000	100,000	-	-	-	-	-	-
Treasury bills - 3 months	11-Oct-18	-	225,000	225,000	-	-	-	-	-	-
Treasury bills - 3 months	11-Oct-18	-	20,000	20,000	-	-	-	-	-	-
Treasury bills - 3 months	11-Oct-18	-	50,000	50,000	-	-	-	-	-	-
Treasury bills - 3 months	11-Oct-18	-	175,000	175,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	75,000	75,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	150,000	150,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	75,000	75,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	50,000	50,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	150,000	150,000	-	-	-	-	-	-
Treasury bills - 3 months	6-Dec-18	-	50,000	50,000	-	-	-	-	-	-
Treasury bills - 3 months	11-Oct-18	-	20,000	20,000	-	-	-	-	-	-

As at December 31, 2018

As at June 30, 2018

-	-	-
19,781	19,782	1

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

6.4 Listed Equity Securities

Name of the investee company	As at July 1, 2018	Purchases during the period	Sales during the period	As at December 31, 2018	As at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments	Market Value as a percentage of total paid-up capital of the investee company
					Carrying Value	Market value	Appreciation/ (diminution)			
Number of shares (Rupees in '000)										
Commercial Banks										
United Bank Limited	-	100,000	-	100,000	14,091	12,263	(1,828)	3.75	12.84	-
Investment Banks / Investment Companies / Securities Companies										
Arif Habib Limited*	45,500	-	45,500	-	-	-	-	-	-	-
Textile Composite										
Gul Ahmed Textile Mills Limited	12,000	-	12,000	-	-	-	-	-	-	-
Kohinoor Textile Mills Limited	2,400	-	2,000	400	22	18	(4)	0.01	0.02	-
Power Generation and Distribution										
Hub Power Company Limited	110,000	-	110,000	-	-	-	-	-	-	-
Real Estate Investment Trust										
Dolmen City Reit*	271,000	-	-	271,000	3,496	3,249	(247)	0.99	3.40	-
Total - December 31, 2018					17,609	15,530	(2,079)			
Total - June 30, 2018					18,197	17,057	(1,140)			

* These represent transactions with related parties.

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

	Note	(Un-audited) December 31, 2018 (Rupees in '000)	(Audited) 30 June 2018
6.5 Net unrealised appreciation in value of investments at fair value through profit or loss			
Market value of investments		95,496	136,603
Carrying value of investments		<u>(98,141)</u>	<u>(138,999)</u>
		<u>(2,645)</u>	<u>(2,396)</u>

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Provision for Sindh Workers' Welfare Fund	7.1	2,279	2,097
Provision for federal excise duty and related tax on	7.2		
- Management fee		841	841
- Sales load		3,625	3,625
Brokerage		9	102
Capital gain tax		1	4
Legal advisor		163	130
Auditors' remuneration		285	448
Sindh sales tax payable on allocated expenses		295	270
Printing and related expenditure		30	40
Other		-	110
		<u>7,528</u>	<u>7,667</u>

7.1 Provision for Sindh Workers' Welfare Fund

There is no change in the status of the SWWF as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the provision for SWWF not been recorded in the condensed half year financial information of the Fund, the net asset value of the Fund as at December 31, 2018 would have been higher by Re. 0.7046 per unit (June 30, 2018 Re. 0.4365 per unit).

7.2 Federal Excise Duty and related tax payable

There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the said provision for FED not been recorded in the condensed half year financial information of the Fund, the net asset value of the Fund as at December 31, 2018 would have been higher by Re. 1.3807 per unit (June 30, 2018: Re.0.1750 per unit).

8. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2018 (June 30, 2018: Nil).

9. TAXATION

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The management intends to distribute at least 90% of income to be earned during current year to the unit holders, therefore, no provision for taxation has been recorded in this condensed interim financial information.

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

10. EARNINGS PER UNIT

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

11. TRANSACTIONS WITH CONNECTED PERSONS

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

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

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

	(Unaudited) December 31, 2018	(Unaudited) December 31, 2017
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration including indirect taxes	2,608	4,081
Marketing and selling expense	-	1,053
Allocated expenses including indirect taxes	217	425
MCB Financial Services Limited - Trustee		
Remuneration of MCB Financial Services Limited -Trustee	257	451
Sindh Sales Tax on remuneration of the Trustee	33	59
MCB Bank Limited - Holding Company of the Management Company		
Profit on bank deposits	32	46
Bank charges	1	1
Purchase of 83,000 (2017: 40,000) shares	16,666	8,600
Sale of 83,000 (2017: 40,000) shares	16,655	8,105
Sale of securities having a face value of Rs 175,000,000 (2017: Rs 250,000,000)	173,578	249,082
Dividend	132	160
D.G. Khan Cement Company Limited		
Purchase of Nil (2017: 251,000) shares	-	6,690
Sale of Nil (2017: 251,000) shares	-	33,741
Dividend income	-	1,185
Dolmen City REIT		
Sale of Nil (2017: 549,000) shares	-	6,528
Dividend income	171	393
Nishat Mills Limited		
Purchase of Nil (2017: 2,000) shares	-	287
Sale of Nil (2017: 2,000) shares	-	288
Nishat Chunian Limited		
Purchase of Nil (2017: 44,000) shares	-	2,151
Sale of Nil (2017: 44,000) shares	-	2,096
Dividend income	-	67

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

	(Unaudited) December 31, 2018	(Unaudited) December 31, 2017
	----- (Rupees in '000) -----	
Arif Habib Limited - Group company of the Management Company*		
Brokerage expense	6	28
Next Capital Limited - Group company of the Management Company*		
Brokerage expense	6	22
<p>* 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 transaction with connected persons as the ultimate counter parties are not the connected persons.</p>		
11.2 Amount outstanding as at period end / year end	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Management remuneration payable	298	488
Sindh sales tax payable on management remuneration	39	63
Payable against allocated expenses	28	40
MCB Financial Services Limited - Trustee		
Trustee remuneration payable	42	48
Sindh Sales Tax payable on trustee remuneration	6	6
MCB Bank Limited - Parent of the Management Company		
Bank balances	510	1,487
Profit receivable on bank balances	-	6
Silk Bank Limited		
Balance with bank	606	847
Profit receivable on bank balances	293	902
Arif Habib Limited		
Nil (2018: 45,500) shares held	-	2,776
Dolmen City Reit		
271,000 (2018: 271,000) shares held	3,249	3,496
Next Capital Limited		
Brokerage payable	6	9
Unitholders holding 10% or more		
Nil	-	55,357

12. EXPENSE RATIO

The expense ratio of the Fund from July 1 2018 to December 31 2018 is 1.2%, the total expense ratio includes 0.19% representing government levy and SECP fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an asset allocation scheme.

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

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

International Financial Reporting Standard 7 - Financial Instruments : Disclosure requires an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

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

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

	December 31, 2018 (Un-audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Investment classified				
- at fair value through profit or loss	95,496	-	-	95,496
	95,496	-	-	95,496
	June 30, 2018 (Audited)			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Investment classified				
- at fair value through profit or loss	17,057	120,824	-	137,881
	17,057	120,824	-	137,881

The following table shows the carrying amounts of financial assets and financial liabilities:

	December 31, 2018 (Un-audited)			
	Carrying amount			
	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Other financial assets / liabilities
	(Rupees in '000)			
On-balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Unlisted debt securities				
- Term Finance Certificates	78,965	-	-	78,965
- Listed debt securities - Sukuks Certificates	1,001	-	-	1,001
- Listed equity securities	15,530	-	-	15,530
	95,496	-	-	95,496

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

December 31, 2018 (Un-audited)					
Carrying amount					
Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Other financial assets / liabilities	Total	
----- (Rupees in '000) -----					
Financial assets not measured at fair value					
Bank balances	-	-	-	229,728	229,728
Dividend receivable and accrued mark-up	-	-	-	2,872	2,872
Advances, deposits and other receivables	-	-	-	4,469	4,469
Receivable from National Clearing Company of Pakistan Limited	-	-	-	2,285	2,285
	-	-	-	239,354	239,354
Financial liabilities not measured at fair value					
Payable to the Management Company	-	-	-	365	365
Payable to the Trustee	-	-	-	48	48
Payable to the Securities and Exchange Commission of Pakistan	-	-	-	182	182
Accrued expenses and other liabilities	-	-	-	7,528	7,528
	-	-	-	8,123	8,123

June 30, 2018 (Audited)					
Carrying amount					
	Held for trading	Available for sale	Loans and receivables	Other financial assets / liabilities	Total
	----- (Rupees in '000) -----				
On-balance sheet financial instruments					
Financial assets measured at fair value					
Investments					
- Unlisted debt securities					
- Term Finance Certificates	100,044	-	-	-	100,044
- Listed debt securities - Sukuks Certificates	998	-	-	-	998
- Government securities	19,782	-	-	-	19,782
- Listed equity securities	17,057	-	-	-	17,057
	137,881	-	-	-	137,881
Financial assets not measured at fair value					
Bank balances	-	-	-	348,931	348,931
Dividend receivable and accrued mark-up	-	-	-	1,848	1,848
Advances, deposits and other receivables	-	-	-	4,259	4,259
Preliminary expenses and floatation costs	-	-	-	347	347
Receivable against sale of investments	-	-	-	37,388	37,388
Receivable from National Clearing Company of Pakistan Limited	-	-	-	2,285	2,285
	-	-	-	395,058	395,058

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

June 30, 2018 (Audited)				
Carrying amount				
Held for trading	Available for sale	Loans and receivables	Other financial assets / liabilities	Total
----- (Rupees in '000) -----				
Financial liabilities not measured at fair value				
Payable to the Management Company	-	-	591	591
Payable to the Trustee	-	-	54	54
Payable to the Securities and Exchange Commission of Pakistan	-	-	631	631
Payable against purchase of investments	-	-	36,167	36,167
Accrued expenses and other liabilities	-	-	7,667	7,667
-	-	-	45,110	45,110

14. DISTRIBUTIONS MADE DURING THE PERIOD

	Rate per unit	Declaration date	Bonus Distribution		Total
			Units	Amount	Distribution
			----- (Rupees in '000) -----		
For the month ended July 2018	Re. 0.5140	July 31, 2018	-	-	2,311
For the month ended August 2018	Re. 0.5145	August 31, 2018	-	-	2,121
For the month ended October 2018	Re. 0.5150	October 31, 2018	-	-	1,774
For the month ended November 2018	Re. 0.5405	November 30, 2018	-	-	1,778
			-	-	7,984

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

15. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was 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, Centrepoint, 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, Email: info@mcbah.com