



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 SOVEREIGN 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 Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Company Secretary	Mr. Muhammad Asif Mehdi Rizvi	
Chief Financial Officer	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited National Bank of Pakistan	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB Pakistan Sovereign 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 5.53% as against its benchmark return of 8.92%.

At period-end, the fund was 41.2% invested in Treasury Bills, 57.9% in cash and bank deposits, and 0.5% in PIBs.

The Net Assets of the Fund as at December 31, 2018 stood at Rs. 591 million as compared to Rs. 585 million as at June 30, 2018 registering an increase of 1.03%.

The Net Asset Value (NAV) per unit as at December 31, 2018 was Rs.54.56 as compared to opening NAV of Rs. 55.83 per unit as at June 30, 2018 registering a decrease of Rs. 1.27 per unit.

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

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
February 18, 2019



Nasim Beg
Vice Chairman / Director

ڈائریکٹر رپورٹ
برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

کلاں معاشیات کے میدان میں تبدیل ہوتے ہوئے محاذات 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 دو چار ہوں گی جن پر توجہ دی جانی چاہیے کیونکہ یہ غیر معمولی منافع کی صلاحیت رکھتی ہیں۔

اظہار تشکر

بورڈ فنڈ کے قابل قدر سرمایہ کاروں، 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 ڈائریکٹر،



نسیم بیگ
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر

18 فروری، 2019ء

بلین مالیت کے حکومت پاکستان کے فلوٹریٹ 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 %5.53 تھا، جبکہ بیچ مارک منافع %8.92 تھا۔

اختتام مدت پر فنڈ کی %41.2 سرمایہ کاری ٹریڈری بلز میں، %57.9 نقد اور بینک ڈپازٹس میں، اور %0.5 پاکستان انویسٹمنٹ بانڈز (PIBs) میں تھی۔ 31 دسمبر 2018ء کو فنڈ کے net اثاثہ جات 591 ملین روپے تھے، جو 30 جون 2018ء کو 585 ملین روپے کے مقابلے میں %1.03 اضافہ ہے۔ 31 دسمبر 2018ء کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 54.56 روپے تھی، جو 30 جون 2018ء کو 55.83 روپے فی یونٹ ابتدائی NAV کے مقابلے میں 1.27 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 کاروباری اکاؤنٹ کے توازن میں مزید بہتری درکار ہے تاکہ مستقبل میں مالیات کی فراہمی اور خساروں کی قابل بقاء سطحوں تک رسائی ہو سکے۔ برآمدات میں بہتری کا رجحان متوقع ہے جس کی معاونت روپے کی قدر میں کمی، برآمد کاروں کو ٹیکس کی واپسی، توانائی کی بہتر فراہمیوں اور توانائی کی قیمتوں میں علاقائی فریقوں سے مساوات کے سبب اثر سے ہوگی۔ درآمدات میں سال کے نصف آخر میں سبب سے متوقع ہے کیونکہ یکبارگی کی 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 اڈل کے 8 بلین ڈالر کے مقابلے میں سبب سے متوقع ہے کیونکہ یکبارگی کی 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 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 کثیرالجبہت 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 سبب سے روپے 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 موڈ پر معاشی تنظیم 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

ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان Sovereign فنڈ کی 31 دسمبر 2018ء کو اختتام پذیر ہونے والی مدت کی نصف سالانہ 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% 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۔ نتیجتاً، پاکستان کو سعودی عرب، متحدہ عرب امارات اور چین سے ادائیگیوں کے توازن میں معاونت کے لیے 14 بلین ڈالر کے ہیکل 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 پسٹ 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 چیلنگ اور اصل قیمت کے درمیان فاصلے میں اچھا خاصا اضافہ ہو گیا ہے۔ مالی سال 2019ء کی دوسری ششماہی کے لیے CPI کا اوسط بجلی میں کمی بیشی کے اثر کا احاطہ کرنے کے بعد 8.5% متوقع ہے۔

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

مجموعی مانگ کو مستحکم کرنے کی حکومتی توجہ کے نتیجے میں بڑے پیمانے پر ہونے والی مینوفیکچرنگ (LSM) متاثر ہوئی جس میں مالی سال 2019ء کے ابتدائی پانچ ماہ میں 0.9% YoY کمی ہوئی۔ اس کمی کی وجہ تیل کی مصنوعات کی پیداوار میں کمی اور اس کے باعث گاڑیوں، دواسازی اور صارفی مصنوعات میں 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 ٹیم 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 انسر 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 پہل سطح پر رہی۔ دوسری سہ ماہی کے دوران 117.7

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 Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



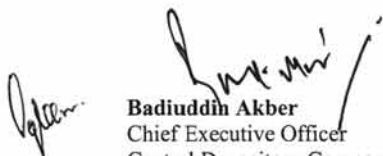
TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN SOVEREIGN 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 Pakistan Sovereign 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





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

Introduction

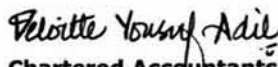
We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Sovereign Fund** (the Fund) as at December 31, 2018, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement 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	622,695	592,954
Investments	6	447,895	542,864
Profit receivable		1,764	2,172
Advances and prepayments		2,846	2,818
Total assets		1,075,200	1,140,808
LIABILITIES			
Payable to the Management Company		601	477
Payable to the Central Depository Company of Pakistan Limited - Trustee		85	90
Payable to the Securities and Exchange Commission of Pakistan		229	739
Payable against purchase of investments		442,975	514,487
Accrued expenses and other liabilities	7	40,133	40,034
Total liabilities		484,023	555,827
NET ASSETS		591,177	584,981
Unit holders' fund (as per statement attached)		591,177	584,981
Contingencies and commitments	8		
		----- (Number of units) -----	
Number of units in issue		10,836,049	10,477,317
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT		54.56	55.83

The annexed notes from 1 to 14 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

		Half year ended December 31,		Quarter ended December 31,	
		2018	2017	2018	2017
		----- (Rupees in '000) -----			
Income	Note				
Income from government securities		22,200	25,702	12,126	11,820
Capital loss on sale of investments - net		(4,217)	(250)	(3,986)	(61)
Profit on bank deposits		4,479	10,910	2,245	5,265
Unrealised (diminution) / appreciation in fair value of investments classified 'at fair value through profit or loss' - net	6.3	(665)	(23)	69	(58)
Total income		21,797	36,339	10,454	16,966
Expenses					
Remuneration of the Management Company		2,526	3,695	1,318	1,699
Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company		328	480	171	220
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		459	820	229	393
Sindh Sales Tax on remuneration of Trustee		60	107	30	51
Securities and Exchange Commission of Pakistan - annual fee		229	443	114	205
Allocated expenses		346	668	173	309
Provision for Sindh Workers' Welfare Fund		339	589	161	277
Brokerage expenses		67	77	(32)	12
Auditors' remuneration		359	293	231	146
Other expenses		361	297	193	52
Total expenses		5,074	7,469	2,588	3,364
Net income for the period before taxation		16,723	28,870	7,866	13,602
Taxation	9	-	-	-	-
Net income for the period		16,723	28,870	7,866	13,602
Allocation of net income for the period:					
Net income for the period		16,723		7,866	
Income already paid on units redeemed		(1,265)		(705)	
		15,458		7,161	
Accounting income available for distribution:					
- Relating to capital gains		-		-	
- Excluding capital gains		15,458		7,161	
		15,458		7,161	
Earnings per unit					

The annexed notes from 1 to 14 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

	Half year ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
	(Rupees in '000)			
Net income for the period after taxation	16,723	28,870	7,866	13,602
Other comprehensive loss for the period:				
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through other comprehensive income' - net	-	(561)	-	(592)
Total comprehensive income for the period	16,723	28,309	7,866	13,010

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Half year ended December 31,				
	2018			2017	
	(Rupees in '000)				
	Capital value	Undistributed income / (loss)	Unrealised appreciation / (diminution) on available-for-sale investments	Total	Total
Net assets at beginning of the period	1,310,356	(725,494)	119	584,981	1,351,385
Issue of 3,245,021 units (2017: 1,526,291 units)					
- Capital value (at net asset value per unit at the beginning of the period)	181,170	-	-	181,170	81,091
- Element of income	(8,091)	-	-	(8,091)	867
Total proceeds on issuance of units	173,079	-	-	173,079	81,958
Redemption of 2,886,289 units (2017: 9,266,455 units)					
- Capital value (at net asset value per unit at the beginning of the period)	(161,142)	-	-	(161,142)	(492,322)
- Amount paid out of element of income					
- Relating to 'Net income for the period after taxation'	7,733	(1,265)	-	6,468	(5,542)
Refund / adjustment on units as element of loss	-	-	-	-	253
Total payments on redemption of units	(153,409)	(1,265)	-	(154,674)	(497,611)
Total comprehensive income for the period	-	16,723	(119)	16,604	28,309
Final Distribution for the year ended June 30, 2018 (including additional units) at the rate of Rs. 2.75 per unit (Declared on July 04, 2018)	(960)	(27,853)	-	(28,813)	-
Net income for the period less distribution	(960)	(11,130)	(119)	(12,209)	28,309
Net assets at end of the period	1,329,066	(737,889)	-	591,177	964,041
Undistributed loss brought forward					
- Realised		(725,088)			(753,344)
- Unrealised		(406)			(3)
		(725,494)			(753,347)
Accounting income available for distribution					
- Relating to capital losses		-			-
- Excluding capital losses		15,458			23,328
		15,458			23,328
Net income for the period after taxation		-			-
Distribution during the period		(27,853)			-
Undistributed loss carried forward		(737,889)			(730,019)
Undistributed loss carried forward					
- Realised		(737,224)			(729,996)
- Unrealised		(665)			(23)
		(737,889)			(730,019)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

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

		Half year ended December 31,	
		2018	2017
		----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		16,723	28,870
Adjustments for:			
Unrealised diminution in fair value of investments classified 'at fair value through profit or loss' - net		665	23
		17,388	28,893
(Increase) / decrease in assets			
Investments		537,163	432,881
Profit receivable		408	1,643
Advances and prepayments		(28)	135
		537,543	434,659
Increase / (decrease) in liabilities			
Payable to the Management Company		124	(699)
Payable to the Central Depository Company of Pakistan Limited - Trustee		(5)	(73)
Payable to the Securities and Exchange Commission of Pakistan		(510)	(3,506)
Payable against purchase of investments		(71,512)	(253,889)
Accrued expenses and other liabilities		99	(12,509)
		(71,804)	(270,676)
Net cash generated from operating activities		483,127	192,876
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issuance of units		173,079	81,958
Payments on redemption of units		(154,674)	(498,117)
Dividend paid		(28,813)	-
Net cash used in financing activities		(10,408)	(416,159)
Net (decrease) / increase in cash and cash equivalents during the period		472,719	(223,283)
Cash and cash equivalents at beginning of the period		592,954	1,670,848
Cash and cash equivalents at end of the period	12	1,065,673	1,447,565

The annexed notes from 1 to 14 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 Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 07, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules)].
- 1.2 The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated March 06, 2009.
- 1.3 During the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated 3 November 2009. Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.
- 1.4 Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company was changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.
- 1.5 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by 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.
- 1.6 MCB Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Fund can also invest in sub-scheme of the Fund.
- 1.7 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.8 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ dated October 31, 2018 to the Management Company and has assigned stability rating of "AA-(f)" dated October 21, 2018 to the Fund. The Fund consists of a 'Perpetual' (the scheme). In addition, the Fund had also issued other sub-scheme which matured as follows:

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	December 31, 2012
MetroBank - Pakistan Sovereign Fund - (December 2007)	December 31, 2007
MetroBank - Pakistan Sovereign Fund - (December 2005)	December 31, 2005
MetroBank - Pakistan Sovereign Fund - (December 2003)	December 31, 2003

- 1.9 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the Trustee of the Fund.

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

2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial information has 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.

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 half year statement of assets and liabilities presented in

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

the condensed half year 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 half year income statement, condensed half year statement of movement in unit holders' fund and condensed half year cash flow statement have been extracted from the unaudited condensed half year 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.

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.

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

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:

- the Fund's investments in government securities (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available for sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these investments will be recognised in income statement;
 - there is no change in the measurement of the Fund's investments in government securities that are held for trading; 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 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.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

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

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.

	Note	(Un-Audited) December 31, 2018 ----- (Rupees in '000) -----	(Audited) June 30, 2018
5. BALANCE WITH BANKS			
- Savings accounts	5.1	620,727	592,134
- Current accounts		1,968	820
	5.2	622,695	592,954

5.1 These carry mark-up at rates ranging between 8% to 10.75% (June 30, 2018: 3.75% to 7.20%) per annum.

5.2 These include a balance of Rs. 2.364 million (June 30, 2018: Rs.1.44 million) held with MCB Bank Limited (a related party).

	Note	(Un-Audited) December 31, 2018 ----- (Rupees in '000) -----	(Audited) June 30, 2018
6. INVESTMENTS			
'At fair value through profit or loss '			
Government securities - Pakistan investment bonds	6.1.1	4,917	16,889
Government securities - Treasury Bills	6.1.2	442,978	514,526
		447,895	531,415
'Available-for-sale'			
Government securities - Pakistan investment bonds	6.2.1	-	11,449
		447,895	542,864

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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6.1 At fair value through profit or loss

6.1.1 Government securities - Pakistan Investment Bonds

Name of security	Date of issue	Face value				As at 31 December 2018			Market value	
		As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at December 31, 2018	Carrying value	Market value	Unrealised loss	As a percentage of net assets	As a percentage of total investments
(Rupees in '000)										
Pakistan Investment Bonds - 10 years	19-Jul-12	15,200	-	(15,200)	-					
Pakistan Investment Bonds - 20 years	10-Jun-04	-	5,500	-	5,500	5,585	4,917	(668)	0.01	0.01
Total as at December 31, 2018						5,585	4,917	(668)		
Total as at June 30, 2018						17,337	16,889	(448)		

6.1.2 Government securities - Treasury Bills

Name of security	Date of issue	Face value				As at 31 December 2018			Market value	
		As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at December 31, 2018	Carrying value	Market value	Unrealised gain / (loss)	As a percentage of net assets	As a percentage of total investments
(Rupees in '000)										
Market treasury bills - 3 months	7-Jun-18	520,000	-	(520,000)	-	-	-	-	-	-
Market treasury bills - 3 months	6-Dec-18	-	1,125,000	(675,000)	450,000	442,975	442,978	3	0.75	0.99
Total as at December 31, 2018						442,975	442,978	3		
Total as at June 30, 2018						514,482	514,526	44		

6.2 Available-for-sale

6.2.1 Government securities - Pakistan Investment Bonds

Name of security	Date of issue	Face value				As at 31 December 2018			Market value		
		As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at December 31, 2018	Carrying value	Market value	(Diminution)/Appreciation	As a percentage of net assets	As a percentage of total investments	
in Rupees in '000											
Pakistan Investment Bonds - 5 years	18-Jul-13	480	-	480	-	-	-	-	-	-	
	26-Mar-15	5,000	-	5,000	-	-	-	-	-	-	
Pakistan Investment Bonds - 10 years	19-Jul-12	50	-	50	-	-	-	-	-	-	
Pakistan Investment Bonds - 20 years	10-Jun-04	5,500	-	5,500	-	-	-	-	-	-	
Total as at December 31, 2018						-	-	-			
Total as at June 30, 2018						11,330	11,449	119			

**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
	Note	----- (Rupees in '000) -----	
6.3 Net unrealised loss on revaluation of investments at fair value through profit or loss'			
Market value of investments	6.1.1 & 6.1.2	447,895	531,415
Carrying value of investments	6.1.1 & 6.1.2	(448,560)	(531,819)
		(665)	(404)
7. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	7.1	4,852	4,513
Provision for Federal Excise Duty and related tax on	7.2		
- Management fee		29,028	29,028
- Sales load		4,170	4,170
Withholding tax payable		12	62
Auditors' remuneration payable		272	366
Brokerage payable		20	33
Others		1,779	1,862
		40,133	40,034

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 interim financial information of the Fund, the net asset value of the Fund as at December 31, 2018 would have been higher by Re.0.45 per unit (June 30, 2018 Re. 0.43 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 interim financial information of the Fund, the net asset value of the Fund as at December 31, 2018 would have been higher by Re. 3.06 per unit (June 30, 2018: Re. 2.77 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 to 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 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 other than unrealised 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. Since the management intends to distribute the income earned by the Fund during the year 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.

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

10. 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.

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.

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

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

		For the six months ended December 31, 2018					
		As at July 01, 2018	Issued for cash	Bonus	Redeemed	As at December 31, 2018	As at December 31, 2018
		Units					
		(Rupees in '000)					
DG Khan Cement company Limited	6	-	-	-	-	-	-
Mandate under discretionary portfolio services	452,191	23,427	-	475,496	122	1,243	25,294
Key management personnel	7	-	-	7	-	-	-
		As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at December 31, 2017	As at December 31, 2017
		Units					
		(Rupees in '000)					
Mandate under discretionary portfolio services	47,579	201	-	47,780	2,528	11	2,602
Key management personnel	11,048	9	11,048	9	587	1	600

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

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

	(Unaudited) December 31, 2018	(Un-audited) December 31, 2017
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
MCB-Arif Habib Savings and Investments Limited - 'Management Company		
Remuneration of the Management Company including indirect taxes	2,854	4,175
Expenses allocated by the Management Company and related taxes	346	668
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes	519	927
MCB Bank Limited		
Mark-up on bank deposits	23	15
Bank charges	2	2
Sale of securities face value Rs. 450 million (2017: Nil)	446,479	-
Silk Bank Limited		
Sale of securities face value Nil (2017: 150 M)	-	156,215
Purchase of securities face value Rs. 50 Million (2017: Nil)	51,654	-

11.3 Balances outstanding at period / year end:

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
MCB-Arif Habib Savings and Investments Limited - 'Management Company		
Remuneration payable to Management Company	487	1,080
Sales tax payable on remuneration to Management Company	63	141
Expenses allocated by Management Company	51	174
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (including indirect taxes)	85	217
MCB Bank Limited		
Bank balance	2,364	15,018
Mark-up receivable	91	93
Sales load payable	-	53
Next Capital Limited - Brokerage House		
Brokerage payable*	-	8

* 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.

		(Un-Audited) December 31, 2018	(Un-audited) December 31, 2017
		----- (Rupees in '000) -----	----- (Rupees in '000) -----
12. CASH AND CASH EQUIVALENTS	Note		
Balance with banks	5	622,695	968,823
Treasury bills maturing within 3 months	6.1.2	442,978	478,742
		1,065,673	1,447,565

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) 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	-	447,895	-
	-	447,895	-
			447,895

-----June 30, 2018 (Audited) -----			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			
Investment classified			
- at fair value through profit or loss	-	542,864	-
	-	542,864	-
			542,864

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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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	Total
----- (Rupees in '000) -----				
On-balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Government securities	447,895	-	-	447,895
	<u>447,895</u>	<u>-</u>	<u>-</u>	<u>447,895</u>
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				
Balance with banks	-	-	622,695	622,695
Profit receivable	-	-	1,764	1,764
Advances, deposits and prepayments	-	-	2,846	2,846
	<u>-</u>	<u>-</u>	<u>627,305</u>	<u>627,305</u>
Financial liabilities not measured at fair value				
Payable to the Management Company	-	-	601	601
Payable to the Trustee	-	-	85	85
Payable to the Securities and Exchange Commission of Pakistan	-	-	229	229
Payable against purchase of investments	-	-	442,975	442,975
Accrued expenses and other liabilities	-	-	40,133	40,133
	<u>-</u>	<u>-</u>	<u>484,023</u>	<u>484,023</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
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			
On-balance sheet financial instruments	(Rupees in '000)			
Financial assets measured at fair value				
Investments				
- Government securities	531,415	11,449	-	-
	<u>531,415</u>	<u>11,449</u>	<u>-</u>	<u>-</u>
				<u>542,864</u>
Financial assets not measured at fair value				
Balance with banks	-	-	-	592,954
Profit receivable	-	-	-	2,172
Advances, deposits and prepayments	-	-	-	2,818
	<u>-</u>	<u>-</u>	<u>-</u>	<u>595,126</u>
				<u>597,944</u>
Financial liabilities not measured at fair value				
Payable to the Management Company	-	-	-	477
Payable to the Trustee	-	-	-	90
Payable to the Securities and Exchange Commission of Pakistan	-	-	-	739
Payable against purchase of investments	-	-	-	514,487
Accrued expenses and other liabilities	-	-	-	40,034
	<u>-</u>	<u>-</u>	<u>-</u>	<u>555,827</u>
				<u>555,827</u>

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 18, 2019 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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