



MCB-ARIF HABIB
Savings and Investments Limited

AM2++
BY PACRA

QUARTERLY REPORT

MARCH
2019
(UNAUDITED)

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

PAKISTAN INCOME ENHANCEMENT 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	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.cdc pakistan.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 NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
Auditors	A.F Ferguson & Co. Chartered Accountants State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Center point, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2019

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **Pakistan Income Enhancement Fund's** Nine Months Report for the period ended March 31, 2019.

MARKET & ECONOMIC REVIEW

Economy and Money Market Review

At the onset of the fiscal year, the economy inherited deep challenges in the form of external crisis as it was facing a huge current account deficit along with depleting foreign reserves. To cope with the underlying challenges, the central bank took major policy actions (currency depreciation of 16% along with interest rate hike of 425 bps in the current fiscal year). Stabilization efforts finally paid off as indicated by a declining current account deficit, which shrank by 22% during the first 8 months of FY19. Moreover, the recent trend is even more promising as current account deficit for Feb'19 was recorded below USD 400 million, a 3 year low.

While the government remained tentative about IMF program signup, it was able to secure funding from friendly allies which has bridged the gap in external account balance for short term. Saudi Arabia, UAE & China provided balance of payment support to the tune of USD 8 billion. Meanwhile Saudi Arabia announced USD 20 billion of investments for Pakistan, along with providing a USD 3 billion deferred credit facility for oil.

GDP growth is expected to set in a range of 2.5-3.0% as last year's record twin deficits restrict the ability of the government to carry on expansionary fiscal policies. Large scale manufacturing (LSM) is already down by 1.5% during the 7MFY19, while weak agricultural growth (cotton and wheat are expected to miss the targets) along with a considerable decline in Retail and Wholesale trade (Import Compression) will slowdown the overall aggregate demand during the current year.

Amid currency depreciation and utility prices adjustment, CPI has also indicating higher inflationary pressures and the inflation which on average has yet remained below 7% for the year but now looking to remain near 9% in coming months which is also likely to continue to remain in the next fiscal year due to utility tariff adjustments along with the lagged impact of currency depreciation. Central bank raised the interest rates by 500 bps during the current year owing to anticipated higher inflation and a weak balance of payment profile.

The government has indicated that it is close to sign the IMF program. Alongside, the government will have to address the key structural issues to tread on the path of long term sustainable economic growth.

The yield curve showed an upward trajectory during the fiscal year due to continued expectations of monetary tightening by the market participants. During the first 9 months, State Bank of Pakistan increased the policy rate by 425 bps in line with the expectations of most of the market. Several PIB auctions during the period under review had to be rejected by State Bank of Pakistan due to thin volume and participation at higher levels. Concerns over external front kept market participants at bay from longer tenor Treasury instruments similarly participation in Pakistan Investment Bonds also price in healthy liquidity premium. During the period under review, 314.38 billion worth of GOP Ijara Sukuk matured against which no fresh GOP Ijara Sukuk were issued by SBP.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 7.28% as against its benchmark return of 10.51%. At period-end, the fund was 45.0% invested in Cash and 53.0% in TFCs.

The Net Assets of the Fund as at March 31, 2019 stood at Rs. 811 million as compared to Rs. 1,350 million as at June 30, 2018.

The Net Asset Value (NAV) per unit as at March 31, 2019 was Rs. 56.0087 as compared to opening NAV of Rs. 55.8399 per unit as at June 30, 2018 registering a decrease of Rs. 0.1688 per unit.

MARKET & ECONOMY - FUTURE OUTLOOK

The tough measures taken by the incumbent government in the form of currency adjustments and monetary tightening for the purpose of reducing aggregate demand to control external imbalances is bearing fruit. The current account balance has begun to reflect the policy adjustments with the beginning 2 months of the current calendar registering decline of more than 50% in current account balance. The external account is expected to remain at sustainable levels with the impetus expected to come from lagged increase in exports. The balance of payments support availed from friendly nations would

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2019

be adequate to support financing of the remaining year. Subsequently, we expect normalized PKR/USD adjustment given the Real Effective Exchange Rate is close to its fundamental value.

However, the entrance into IMF program is likely to provide the much needed financial stability relative to external inflows through multilateral agencies along with better policy management related to dealing with structural issues in the economy.

In IMF program, focus is expected to shift towards fiscal side. The substantial curtailment of development budget has failed to curtail the fiscal deficit given the higher cost of borrowing for the government and sluggish performance in revenue collection due to relief in income tax, curtailment of telecom duties and import slowdown. The impact of monetary tightening is expected to be more visible in this half towards expenditures side. The revenue shortfall is expected to lead towards a fiscal deficit of more than 6% for this year. The focus of next budget is expected to be towards revenue generation measures particularly, higher taxation, duties, etc.

Inflationary pressures are expected to become more visible as reflected in the recent reading of 9.4% 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 may 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
April 19, 2019



Nasim Beg
Vice Chairman / Director

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، ڈائریکٹرز مینجمنٹ ٹیم کی کاوشوں کو بھی سراہتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
19 اپریل، 2019ء

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 7.28% تھا جبکہ بیچ مارک منافع 10.51% تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری 45.0% نقد میں اور 53.0% ٹرم فنانس سرٹیفکیٹس میں تھی۔

31 مارچ 2019ء کو فنڈ کے net اثاثہ جات 811 ملین روپے تھے جبکہ 30 جون 2018ء کو 1,350 ملین روپے تھے۔ 31 مارچ 2019ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 56.0087 روپے تھی، جو 30 جون 2018ء کی ابتدائی قدر 55.8399 روپے فی یونٹ کے مقابلے میں 0.1688 روپے فی یونٹ کمی ہے۔

مستقبل کا منظر

موجودہ حکومت نے خارجی عدم توازن پر قابو پانے کے لیے مجموعی طلب میں کمی کرنے کے مقصد سے روپے کی قدر میں کمی پیشی اور مالیاتی تنگی کی صورت میں جو سخت اقدامات کیے تھے ان کے ثمرات حاصل ہو رہے ہیں۔ موجودہ کیلنڈر کے ابتدائی دو ماہ کے ساتھ ہی کرنٹ اکاؤنٹ میں پالیسی کی تبدیلیوں کی عکاسی ہونے لگی ہے اور 50% سے زائد کمی کی ہوئی۔ برآمدات میں سست رفتار اضافے سے ملنے والی متوقع قوت سے خارجی اکاؤنٹ کے پائیدار سطحوں پر برقرار رہنے کی توقع ہے۔ ادائیگیوں کے توازن کے ضمن میں دوستانہ ممالک سے حاصل ہونے والا تعاون سال کے بقیہ حصے کے دوران رقم کی فراہمی کے لیے کافی ہوگا۔ بعد ازاں، Real Effective شرح مبادلہ اپنی بنیادی قدر کے قریب ہے جس کے باعث پاکستانی روپے اور امریکی ڈالر میں عمومی باہمی کمی پیشی متوقع ہے۔

آئی ایم ایف پروگرام میں توجہ کا رخ مالیاتی جانب منتقل ہونے کا امکان ہے۔ ترقیاتی بجٹ میں قابل ذکر کمی کے نتیجے میں مالیاتی خسارے میں کمی نہیں ہو سکی جس کی وجہ حکومت کے لیے حصول قرض کی بلند تر قیمت، اور آمدنی ٹیکس میں چھوٹ، ٹیلی کام محصولات میں کمی اور درآمدات میں سست روی کے باعث آمدنی جمع کرنے کی سست رفتار کارکردگی ہے۔ مالیاتی تنگی کے اثرات رواں ششماہی میں اخراجات کی جہت میں مزید ظاہر ہونے کی توقع ہے۔ کم آمدنی کے نتیجے میں رواں سال 6% سے زیادہ مالیاتی خسارہ ہونے کا امکان ہے۔ اگلے بجٹ کی زیادہ توجہ متوقع طور پر آمدنی پیدا کرنے کے اقدامات، بلند تر ٹیکس اور محصولات وغیرہ کی طرف ہوگی۔

افراط زر کے دباؤ متوقع طور پر مزید ظاہر ہوں گے جیسا کہ روپے کی قدر میں کمی کے سست رفتار اثرات، گیس کی قیمت میں اضافہ اور بجلی کی قیمت میں کمی پیشی کو شامل کرنے پر 9.4% کی حالیہ سطح سے عکاسی ہوتی ہے۔ تاہم زیادہ تر مالیاتی تنگی آئندہ افراط زر کے دباؤ کی عکاسی کے لیے کی گئی ہے، اور مزید تنگی کی وسعت 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 پیشی اور مالیاتی پالیسی میں مزید تنگی کھپت کے رجحان پر حاوی رہے گی۔ تاہم بجلی کی پہلے سے زیادہ فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس مشکل موڑ پر معاشی منتظمین کو سہولت فراہم ہوگی۔ نئی حکومت معاشی میدان کے دیرینہ مسائل کے حل پر توجہ دینے کی زیادہ مرکوز اور مخلص کاوشیں کر رہی ہے، چنانچہ ہم بہتر حکومت داری اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں؛ تاہم راستہ متوقع طور پر دشوار اور کم ناپائیدہ 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 کی قیمت کا تعین کر دیا گیا ہے 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 محركات مثلاً انٹریسٹ کی شرحوں میں اضافے سے مستفید ہوں گے (کمرشل بینک) اُن 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۔

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان انکم انہاسمنٹ فنڈ کی 31 مارچ 2019ء کو ختم ہونے والے نو ماہ کی رپورٹ پیش خدمت ہے۔

مارکیٹ اور معیشت کا جائزہ

معیشت اور بازار زر کا جائزہ

مالی سال کے آغاز ہی سے معیشت کو کرنٹ اکاؤنٹ کے خطرہ خسارے اور غیر ملکی ذخائر میں کمی کے باعث خارجی بحران کی شکل میں سنگین چیلنجز وراثت میں ملے۔ ان مسائل سے نمٹنے کے لیے مرکزی بینک نے اہم پالیسی اقدامات اٹھائے (موجودہ مالی سال میں روپے کی قدر میں 16% کمی اور انٹریسٹ کی شرح میں 425 bps اضافہ)۔ بالآخر استحکام کی کوششوں کے ثمرات حاصل ہوئے اور مالی سال 2019ء کے پہلے آٹھ ماہ کے دوران کرنٹ اکاؤنٹ کے خسارے میں 22% کمی ہوئی۔ مزید برآں، حالیہ رجحان زیادہ اُمید افزا ہے کیونکہ فروری 2019ء کا کرنٹ اکاؤنٹ کا خسارہ 400 ملین ڈالر سے کم تھا جو گزشتہ 3 برسوں کی پست ترین سطح ہے۔

اگرچہ حکومت آئی ایم ایف پروگرام کے حوالے سے غیر یقینی صورتحال سے دوچار رہی لیکن دوستانہ اتحادیوں سے رقم حاصل کرنے میں کامیاب ہوئی جس کی بدولت مختصر میعاد کے لیے خارجی اکاؤنٹ میں موجود خلا پُر ہوگئی۔ سعودی عرب، متحدہ عرب امارات اور چین نے ادائیگیوں کے توازن میں 8 بلین ڈالر تک کی معاونت فراہم کی، جبکہ سعودی عرب نے پاکستان کے لیے 20 بلین ڈالر کی سرمایہ کاریوں کے اعلان کے ساتھ ساتھ تیل کے شعبے میں 3 بلین ڈالر کی پیشگی ادائیگی کی سہولت فراہم کی۔

مجموعی ملکی پیداوار (GDP) میں 2.5 سے 3 فیصد تک ترقی متوقع ہے کیونکہ گزشتہ برس بلند ترین جڑواں خساروں کے سبب توسیعی مالیاتی پالیسیاں جاری رکھنے کی حکومتی صلاحیت متاثر ہوئی۔ وسیع پیمانے کی مینوفیکچرنگ (LSM) مالی سال 2019ء کے ساتویں ماہ میں پہلے ہی پست سطح پر ہے، جبکہ کمزور زرعی ترقی (کپاس اور گندم بدف تک نہیں پہنچ سکیں گے) کے ساتھ ساتھ خوردہ اور تھوک تجارت میں قابل ذکر کمی (درآمداتی کمپیشن) کے باعث موجودہ سال کے دوران کل مجموعی طلب سُست روی کا شکار ہوگی۔

روپے کی قدر اور بجلی اور گیس وغیرہ کی قیمتوں میں کمی کے ساتھ ساتھ CPI افراط زر کے دباؤ میں اضافے کی نشاندہی کرتا رہا ہے۔ افراط زر کا اوسط اس سال 7% سے کم رہا لیکن آنے والے مہینوں میں تقریباً 9% پر قائم رہنے کے لیے پُر امید ہے، اور توقع ہے کہ یہ سطح بجلی اور گیس وغیرہ کی قیمتوں میں کمی بیشی کے ساتھ ساتھ روپے کی قدر میں کمی کے سُست رَو اثر کے باعث اگلے مالی سال میں برقرار رہے گی۔ افراط زر میں متوقع مزید اضافے اور ادائیگیوں کے توازن کی کمزور صورتحال کے باعث موجودہ سال میں مرکزی بینک نے انٹریسٹ کی شرحوں میں 500 bps اضافہ کیا۔

حکومت نے اشارہ دیا ہے کہ وہ آئی ایم ایف پروگرام پر عنقریب دستخط کرنے والی ہے۔ ساتھ ساتھ حکومت کو اہم ترین بنیادی مسائل پر توجہ دینی ہوگی تاکہ طویل المیعاد پائیدار معاشی ترقی کی راہ پر گامزن ہو سکے۔

دوران مالی سال مارکیٹ کے شرکاء کی مالیاتی تنگی کی مسلسل توقعات کے باعث پیداواری خم بلندی کی طرف گامزن رہا۔ پہلے نو ماہ کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی شرح میں 425 bps اضافہ کیا جو مارکیٹ کے بڑے حصے کی توقعات کے مطابق تھا۔ زیر جائزہ مدت کے دوران پاکستان انویسٹمنٹ بانڈز کی متعدد نیلامیوں کو کمزور حجم اور بلند سطحوں پر شرکت کے باعث اسٹیٹ بینک آف پاکستان کو مسترد کرنا پڑا۔ خارجی میدان میں خدشات نے مارکیٹ کے شرکاء کو طویل المیعاد ٹریڈری انسٹرومنٹس سے دور رکھا۔ زیر جائزہ مدت کے دوران 314.38 بلین مالیت کے حکومت پاکستان اجارہ سلک کی مدت مکمل ہوئی، اور ان کی جگہ اسٹیٹ بینک آف پاکستان کی طرف سے تازہ سلک جاری نہیں کیے گئے۔

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2019

		(Un-Audited) March 31, 2019	(Audited) June 30, 2018
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	4	379,477	646,442
Investments	5	446,594	675,658
Dividend and profit receivable		11,927	13,220
Advances, deposits and prepayments		3,169	3,054
Advance against subscription of Term Finance Certificate		-	22,000
Receivable from National Clearing Company of Pakistan Limited		1,963	22,963
Total assets		843,130	1,383,337
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		1,149	2,535
Payable to Central Depository Company of Pakistan Limited - Trustee		133	190
Payable to the Securities and Exchange Commission of Pakistan		514	1,378
Payable against redemption of units		2,079	2,079
Accrued expenses and other liabilities	6	27,937	27,162
Total liabilities		31,812	33,344
NET ASSETS		811,318	1,349,993
Unit holders' fund (as per statement attached)		811,318	1,349,993
Contingencies and Commitments	7		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		14,485,557	24,176,126
		(Rupees)	
NET ASSETS VALUE PER UNIT		56.0087	55.8399

The annexed notes from 1 to 13 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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2019

	Nine months period ended March 31,		Quarter ended March 31,	
	2019	2018	2019	2018
Note	(Rupees in '000)		(Rupees in '000)	
INCOME				
Income from government securities	1,149	3,669	-	1,128
Income from Term Finance Certificates	34,938	33,109	12,030	11,715
Profit on bank deposits	29,494	46,706	11,971	13,570
Capital loss on sale of investments - net	(605)	(1,539)	1	(432)
Dividend income	-	1,980	-	-
Markup income on margin trading system	-	10,331	-	3,202
Income on commercial papers	1,705	10,096	-	4,821
Loss on spread transactions	-	(1,853)	-	(526)
Unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss' - net	(3,278)	(2,866)	(2,769)	(1,353)
Other income	63	571	57	169
Total income	63,466	100,203	21,290	32,293
EXPENSES				
Remuneration of Management Company	8,952	15,107	2,828	4,895
Sindh sales tax on remuneration of Management Company	1,164	1,964	368	636
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,144	1,890	345	624
Sindh Sales tax on remuneration of Central Depository Company of Pakistan Limited - Trustee	149	246	45	82
Annual fee to Securities and Exchange Commission of Pakistan	514	1,104	153	366
Allocated expenses including indirect taxes	761	1,663	216	551
Securities transaction cost	319	1,051	95	369
Professional charges on marginal trading system	-	1,326	-	489
Provision for Sindh Workers' Welfare Fund	986	1,493	339	477
Fees and subscription	376	507	68	205
Legal and professional charges	158	83	67	-
Auditors' remuneration	475	486	138	150
Bank charges	95	167	23	59
Printing and related costs	51	30	26	21
Total expenses	15,143	27,116	4,710	8,923
Net income from operating activities	48,323	73,088	16,580	23,370
Net income for the period before taxation	48,323	73,088	16,580	23,370
Taxation	-	-	-	-
Net income for the period after taxation	48,323	73,088	16,580	23,370
Allocation of net income for the period:				
Net income for the period	48,323	73,088	16,580	23,370
Income already paid on units redeemed	(82,516)	(27,316)	(5,009)	(16,511)
	(34,193)	45,772	11,571	6,859
Accounting income available for distribution				
- Relating to capital gains	-	-	-	-
- Excluding capital gains	(34,193)	45,772	11,571	6,859
	(34,193)	45,772	11,571	6,859
Earnings per unit				

8

9

The annexed notes from 1 to 13 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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2019**

	Note	Nine months period ended March 31,		Quarter ended March 31,	
		2019 (Rupees in '000)	2018 (Rupees in '000)	2019 (Rupees in '000)	2018 (Rupees in '000)
Net income for the period after taxation		48,323	73,088	16,580	23,370
Unrealised diminution on re-measurement of investments classified as 'available-for-sale' - net		-	(358)	-	(212)
Total comprehensive income for the period		<u>48,323</u>	<u>72,730</u>	<u>16,580</u>	<u>23,158</u>

The annexed notes from 1 to 13 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 NINE MONTHS ENDED MARCH 31, 2019

	Nine months period ended	
	March 31, 2019	March 31, 2018
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	48,323	73,171
Adjustments for non cash and other items:		
Unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss' - net	3,278	2,866
	<u>51,601</u>	<u>76,037</u>
Increase / (Decrease) in assets		
Investments - net	225,786	(29,108)
Dividend and profit receivable	1,293	(1,267)
Advances, deposit and prepayments	(115)	(57)
Advance against subscription of Term Finance Certificate	22,000	(24,000)
Receivable against margin trading system	-	(3,034)
Receivable from National Clearing Company of Pakistan Limited	21,000	(29)
Receivable against sale of equity securities - net	-	42,689
	<u>269,964</u>	<u>(14,805)</u>
Decrease in liabilities		
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	(1,386)	(978)
Payable to Central Depository Company of Pakistan Limited - Trustee	(57)	(15)
Payable to the Securities and Exchange Commission of Pakistan	(864)	(722)
Payable against purchase of equity securities	-	(19,523)
Accrued expenses and other liabilities	775	(1,640)
	<u>(1,532)</u>	<u>(22,878)</u>
Net cash generated from operating activities	<u>320,033</u>	<u>38,355</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(51,272)	-
Receipts against issuance and conversion of units (excluding additional units)	1,467,272	2,048,728
Payment against redemption and conversion of units	(2,002,998)	(2,277,838)
Net cash used in financing activities	<u>(586,998)</u>	<u>(229,110)</u>
Net decrease in cash and cash equivalents during the year	<u>(266,965)</u>	<u>(190,755)</u>
Cash and cash equivalents at beginning of the period	646,442	642,493
Cash and cash equivalents at end of the period	<u>379,477</u>	<u>451,738</u>

The annexed notes from 1 to 13 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 (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Income Enhancement Fund (the Fund) was established through a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited), as Management Company and the Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 14, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 26, 2008 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3 The Fund is an open-ended mutual fund and has been categorised as 'Aggressive Fixed Income Scheme' by the Board of Directors of the Management Company in pursuant to Circular 7 of 2009, dated 6 March 2009 issued by the SECP, and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unit holders are divided into plan 'A' and plan 'B'. The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend. The units are listed on Pakistan Stock Exchange Limited (PSX).
- 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, reverse repurchase transactions, spread transactions and transactions under Margin Trading System.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated April 08, 2019 to the Management Company and "A+(f)" as stability rating dated December 28, 2018 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

- 2.1.2 This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2018.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

2.1.3 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 comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2019 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2018, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the nine months ended 31 March 2018.

2.1.4 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 is unaudited.

2.1.5 In compliance with schedule V of the NBFC Regulations the Directors of the Management Company, hereby declare that this condensed interim financial statement give a true and fair view of the Fund.

2.1.6 "This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund."

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

3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018 except for the change in accounting policy as explained in note 3.3.

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

3.3 Standards and amendments to published accounting and reporting standards that are effective in the current period

Effective from July 01, 2018, the fund has adopted IFRS 9: "Financial Instruments" which has replaced IAS 39: "Financial Instruments: Recognition and Measurement". The standard addresses recognition, classification, measurement and derecognition of financial assets and financial liabilities. The standard has also introduced a new impairment model for financial assets which requires recognition of impairment charge based on 'expected credit losses' (ECL) approach rather than 'incurred credit losses' approach, as previously given under IAS 39. However, the SECP vide its letter dated November 21, 2017, has deferred the applicability of requirements relating to impairment for debt securities on mutual funds till further instructions. Currently, the Asset Management Companies are required to continue to follow the requirements of Circular 33 of 2012 for impairment of debt securities.

IFRS 9 has provided a criteria for debt securities whereby debt securities are either classified as (a) amortised cost or (b) at fair value through other comprehensive income "(FVOCI)" or (c) at fair value through profit or loss (FVPL) based on the business model of the entity. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Furthermore, the collection of contractual cash flows for debt securities is only incidental to achieving the Fund's business model's objective. All equity investments are required to be measured in the "Statement of Assets and Liabilities" at fair value, with gains and losses recognized in the "Income Statement", except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

IFRS 9 requires securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis to be recognized as FVPL. The management considers its investments being managed as a group of assets and hence has classified them as FVPL. Other financial assets which are held for collection continue to be measured at amortised cost. Consequently, on adoption of IFRS 9 all investments which were previously classified as "available for sale" or "Loans and Receivables" have been transferred / redesignated as FVPL.

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

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

	As at June 30, 2018	Change	As at July 1, 2018
	-----Rs. in '000-----		
Impact on Statement of Unit holders' fund			
Unrealised appreciation/(diminution) on 'available for sale' investments	(40)	40	-
Undistributed income	145,951	(40)	145,911
Impact on Statement of Assets and Liabilities			
Investments - 'available for sale'	811	(811)	-
Investments - 'Loans and Receivables'	118,295	(118,295)	-
Investments - 'At fair value through profit or loss'	556,552	119,106	675,658

The adoption of IFRS-9 did not have any impact on classification and measurement of financial assets and financial liabilities on the date of its adoption. There is no impact on the condensed interim income statement, condensed interim statement of comprehensive income and condensed interim cash flow statement. There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on July 1, 2018 that have a material effect on the condensed interim financial statements of the Fund.

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

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

		(Un-Audited) March 31, 2019	(Audited) June 30, 2018
4 BALANCES WITH BANKS	Note	----- (Rupees in '000) -----	
In current accounts	4.1	1,173	11
In saving accounts	4.2	378,304	646,431
		<u>379,477</u>	<u>646,442</u>

4.1 This includes balances of Rs. 1.24 million (June 30, 2018: Rs.1.59 million) maintained with MCB Bank Limited (a related party) that carry profit at 8.00% per annum (June 30, 2018: 3.75%).

4.2 These carry profits at the rates ranging from 8.00% to 11.75% (June 30, 2018: 3.75% to 6.75%) per annum and include Rs. 0.01 million (June 30, 2018: Rs. 92.07) million and Rs. 207 million (June 30, 2018: 22.73) maintained with MCB Bank Limited and Silk Bank Limited, a related party which carries profit at the rate of 8.00% (June 30, 2018: 3.75%) and 11.75% per annum (June 30, 2018: 7.5%).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

		(Un-Audited) March 31, 2019	(Audited) June 30, 2018
5	INVESTMENTS	Note	----- (Rupees in '000) -----
	At fair value through profit or loss		
	Government securities	5.1	-
	Listed debt securities	5.2	138,787
	Unlisted debt securities	5.3	307,807
			<u>446,594</u>
	Available for sale		
	Government securities	3.3	-
	Loans and receivables		
	Commercial papers	3.3	-
			<u>446,594</u>
			<u>675,658</u>

During the period, the Fund has adopted IFRS-9: "Financial Instruments" which has replaced IAS-39: "Financial Instruments: Recognition and Measurement". As a result of adoption of IFRS-9, investments amounting to Rs. 119.11 million have been reclassified from 'Available for sale' as at June 30, 2018 to 'fair value through profit or loss' category with effect from July 1, 2018 (as disclosed in note 3.3).

5.1 Government securities - Fair value through profit or loss

Tenure	Issue Date	Maturity Date	Face value					At March 31, 2019			Market value as a percent-age of net assets	Market value as a percent-age of total invest-ments	
			At July 01, 2018	Transferred to financial assets at fair value through profit or loss category upon adoption of IFRS 9 - Note 3.3	Adjusted balance as at July 01, 2018	Purchased during the period	Sales / matured during the period	At March 31, 2019	Carrying value	Market value			(Diminu-tion) / apprecia-tion
----- (Rupees in '000) -----													----- % -----
*Treasury bills - 3 months													
Treasury Bills	June 7, 2018	August 30 2018	25,000	-	25,000	-	25,000	-	-	-	-	-	-
Pakistan Investment Bonds - 5 years													
Pakistan Investment Bonds	March 26, 2015	March 26 2020	-	800	800	-	800	-	-	-	-	-	-
Pakistan Investment Bonds - 15 years													
Pakistan Investment Bonds	January 20, 2004	January 1 2019	18,000	-	18,000	-	18,000	-	-	-	-	-	-
As at March 31, 2019								-	-	-			
As at June 30, 2018								43,007	42,927	(80)			

		(Un-Audited) March 31, 2019	(Audited) June 30, 2018
5.2	Listed debt securities - Fair value through profit or loss	Note	----- (Rupees in '000) -----
	Term finance certificates	5.2.1	211,357
	Provision against Eden Housing Limited	5.2.1	(72,570)
	Book value		<u>138,787</u>
			<u>170,096</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

5.2.1 Listed debt securities - Term Finance Certificates/Sukuks

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of Certificates					At March 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investment
	At July 1, 2018	Purchased during the period	Matured during the period	Disposed during the period	At March 31, 2019	Carrying value	Market value	diminution		
-----Rupees in '000-----										
----- % -----										
Commercial Banks										
Bank Alfalah Limited (20-02-13 issue)	6,581	-	-	-	6,581	33,010	32,761	(249)	4.04	7.34
Fertilizer										
Dawood Hercules Corporation Limited (16-11-2017 issue) *-Sukuk	1,320		-	250	1,070	107,214	106,026	(1,188)	13.07	23.74
Real Estate investment and services										
Pace Pakistan Limited (15-02-08 issue)	15,000	-	-	-	15,000	72,570				
Less: Provision for impairment						(72,570)				
						-	-	-	-	-
As at March 31, 2019						140,224	138,787	(1,437)		
As at June 30, 2018						173,802	170,096	(3,706)		
* Face value of the investment is Rs. 100,000										

* Face value of the investment is Rs. 100,000

(Un-Audited) (Audited)
March 31, June 30,
2019 2018

5.3 Unlisted debt securities - Fair value through profit or loss

Note ----- (Rupees in '000) -----

Term finance certificates	5.3.1	318,058	353,780
Provision against Eden Housing Limited	5.3.1	(10,251)	(10,251)
Book value		<u>307,807</u>	<u>343,529</u>

5.3.1 Term Finance Certificates/Sukuks

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of Certificates					As at March 31, 2019			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 March 31, 2019	Carrying value*	Market value	Appreciation / (diminution)		
----- Rupees in '000 -----										

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

5.4 Commercial papers - Amortised cost

Particulars	Profit / mark-up rates	Issue date	Maturity date	Transferred to financial assets at fair value through profit or loss category upon adoption of IFRS 9 - Note 3.3	Adjusted Amortised cost as at July 1, 2018	Matured during the period	Amortised cost	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
-------------	------------------------	------------	---------------	------------------------------------------------------------------------------------------------------------------	--------------------------------------------	---------------------------	----------------	----------------------------------------------	-----------------------------------------------------

----- Rupees in '000 -----

Pak Elektron Limited	7.72%	December 14, 2017	September 18, 2018	118,295	118,295	(118,295)	-	0.00	0.00
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As at March 31, 2019

(118,295) -

5.4.1 Commercial papers - Fair value through profit or loss

Particulars	Profit / mark-up rates	Issue date	Maturity date	Transferred from amortised cost upon adoption of IFRS 9 - Note 3.3	Closing balance as at March 31, 2019	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
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----- Rupees in '000 -----

Pak Elektron Limited	7.72%	December 14, 2017	September 18, 2018	118,295	(118,295)	-	0.00
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As at March 31, 2019

(118,295) -

5.5 Significant terms and conditions of term finance certificates and other securities outstanding at March 31, 2019 are as follows:

Name of security	Number of certificates	Face value per unit	Face value/ redemption value in total	Interest rate per annum	Maturity	Secured / unsecured	Rating
Bank Al Falah Limited (20 February 2013)	6,581	5,000	4,988	6M KIBOR+1.25%	February 20, 2021	Unsecured	AA
Dawood Hercules Corporation Limited - Sukuk (16 November, 2017)	1,070	100,000	100,000	3M KIBOR+1%	November 16, 2022	Secured	AA
Askari Bank Limited IV - TFC (30 September, 2014)	8,300	5,000	4,991	6M KIBOR+1.2%	September 30, 2024	Unsecured	AA-
Bank ALHabib Limited - TFC II (17 march, 2016)	17,000	5,000	4,994	6M KIBOR+0.75%	March 17, 2026	Unsecured	AA
The Bank of Punjab (23 April, 2018)	220	100,000	99,980	6M KIBOR+1.25%	April 23, 2028	Unsecured	AA-
The Bank of Punjab Limited - TFC 23 December, 2016)	875	100,000	99,920	6M KIBOR+1%	December 23, 2026	Unsecured	AA-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

Category of non-compliant investment	Type of Investment/ Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
-----Rs in '000'-----						
Investment in debt securities	a) Pace Pakistan Limited (note 5.2)	72,570	72,570	-	8.94%	8.94%
	b) Eden Housing Limited (note 5.3)	10,251	10,251	-	1.26%	1.26%

(Un-Audited)
March 31,
2019
(Audited)
June 30,
2018

6 ACCRUED EXPENSES AND OTHER LIABILITIES

Note ----- (Rupees in '000) -----

Provision for Sindh workers' welfare fund	6.1	6,023	5,037
Provision for federal excise duty and related taxes on	6.2		
- Management fee		16,590	16,590
- Sales load		4,746	4,746
Brokerage		-	24
Capital gain tax		59	85
Auditors' remuneration		220	360
Printing and related expenditure		55	40
Zakat		14	-
Other		229	280
		<u>27,937</u>	<u>27,162</u>

6.1 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 March 31, 2019 would have been higher/lower by Re. 0.42 per unit (June 30, 2018 Re. 0.21 per unit).

6.2 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 March 31, 2019 would have been higher/lower by Re. 1.15 per unit (June 30, 2018: Re. 0.88 per unit).

7 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments outstanding as at March 31, 2019 and June 30, 2018.

8 TAXATION

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

9 EARNINGS PER UNIT

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

10 TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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

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

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

"Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:"

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

For the nine months period ended March 31, 2019 (unaudited)									
As at July 01, 2018	Issued for cash	Bonus	Redeemed	As at March 31, 2019	As at July 01, 2018	Issued for cash	Redeemed	As at March 31, 2019	
Units					(Rupees in '000)				
Associated Companies:									
MCB Arif Habib Savings and Investments Limited	-	17,649,726	-	17,649,726	-	-	962,667	963,340	-
Adamjee Life Assurance Company Limited Conventional Business	-	-	-	-	-	-	-	-	-
Adamjee Insurance Company Limited Employees Gratuity Fund	-	-	-	-	-	-	-	-	-
Adamjee Insurance Company Limited Employees Provident Fund	-	-	-	-	-	-	-	-	-
Security General Insurance Company Limited Employees Provident Fund Trust	36,603	1,884		38,487	2,013	43,928	-	2,156	
Fatima Fertilizer Company Limited Management Staff Gratuity Fund	183,106	9,423	-	192,529	-	10,071	225	10,300	-
Mandate Under Discretionary									
Portfolio Services *	1,515,709	67,274	-	1,582,983	-	84,637	3,572	84,411	-
Key management personnel	17	137	-	154	-	1	7	8	-
Unit holders holding 10% or more units									
Security General Insurance Company Ltd	3,929,901	181,132	-	4,111,033	-	219,445	6,350	219,397	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

For the nine months period ended March 31, 2018 (unaudited)									
As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at March 31, 2018	As at July 01, 2017	Issued for cash	Redeemed	As at March 31, 2018	
Units					(Rupees in '000)				
Associated Companies:									
Adamjee Life Assurance Company Limited Conventional Business	206,090	-	-	-	206,090	10,942	-	-	11,364
Adamjee Insurance Company Limited Employees Gratuity Fund	-	-	-	-	-	-	-	-	-
Adamjee Insurance Company Limited Employees Provident Fund	819,194	-	-	819,194	-	44,628	-	44,628	-
Mandate Under Discretionary									
Portfolio Services *	2,050,076	1,267,673	-	810,559	2,507,190	113,189	68,358	44,439	138,250
Key management personnel	-	98,804	-	98,797	7	-	5,322	5,375	-
Unit holders holding 10% or more units									
Security General Insurance Company Limited	5,839,596	3,704,760	-	5,614,456	3,929,900	310,057	200,000	300,000	216,699

* This reflects position of related party / connected persons status

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

	(Un-Audited) March 31, 2019	(Un-Audited) March 31, 2018
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration including indirect taxes	10,116	17,070
Allocated expenses including indirect taxes	761	1,663
Central Depository Company of Pakistan Limited		
Remuneration of the trustee (including indirect taxes)	1,293	2,135
CDC settlement charges	17	389
MCB Bank Limited		
Profit on bank deposits	9	41
Bank charges	6	19
Sale of securities - Face Value: NIL (2018: 140,000,000)	-	139,082
D.G. Khan Cement Company Limited		
Dividend income	-	139
Nishat Mills Limited		
Dividend income	-	1,042
Nishat Chunian Limited		
Dividend income	-	154
Next Capital Limited		
Brokerage expense*	12	-
Silk Bank Limited		
Profit on bank deposits	14,406	2,668
Bank charges	43	11

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

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

(Un-Audited) March 31, 2019	(Audited) June 30, 2018
----- (Rupees in '000) -----	

10.3 Amount outstanding as at period end / year end

MCB - Arif Habib Savings & Investments Limited - Management Company

Remuneration payable	956	1,170
Sindh Sale tax payable on remuneration to the Management Company	124	152
Sales load payable	-	221
Allocated expenses payable excluding related taxes	69	992

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	118	168
Sindh Sales tax payable on remuneration of Trustee	15	22
Security deposits	200	200

MCB Bank Limited

Bank deposits held	1,252	1,599
Sales Load	213	

Next Capital Limited

Brokerage expense*	0	0
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Silk Bank Limited

Bank deposit held	207,342	364,904
Accrued profit on bank deposit	2,091	1,171

11 TOTAL EXPENSE RATIO

The total expense ratio of the Fund from July 1, 2018 to March 31, 2019 is 1.55 % (March 31, 2018: 1.38%) and this includes 0.21% (March 31, 2018: 0.26%) representing government levy, Sindh Worker's Welfare Fund and SECP fee. This ratio is within the maximum limit of 2 % prescribed under the NBFC Regulations for a collective investment scheme categorized as a "Aggressive Fixed Income Scheme".

12 GENERAL

12.1 Figures have been rounded off to the nearest thousand rupees.

12.2 Corresponding figures have been reclassified and rearranged in these condensed interim financial statements, wherever necessary, for the purpose of better presentation. No significant rearrangements or reclassifications were made in these condensed interim financial statements.

13 DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 19, 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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