



MCB-ARIF HABIB
Savings and Investments Limited

AM2
by NACFA

HALF YEAR REPORT

DECEMBER
2019
(UNAUDITED)

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

ALHAMRA ISLAMIC ASSET ALLOCATION FUND

CONTENTS

1	Fund's Information	305
2	Report of the Directors of the Management Company	306
3	Trustee Report to the Unit Holders	313
4	Auditor's Report to the Unit Holders on Review of Condensed Interim Financial Statements	314
5	Condensed Interim Statement of Assets And Liabilities	315
6	Condensed Interim Income Statement (Un-audited)	316
7	Condensed Interim Statement of Other Comprehensive Income (Un-audited)	317
8	Condensed Interim Statement of Movement in Unit Holder's Funds (Un-audited)	318
9	Condensed Interim Cash Flow Statement (Un-audited)	319
10	Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	320

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
Board of Directors	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
Human Resource & Remuneration Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating & Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Altaf Ahmad Faisal	
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 Faysal Bank Limited United Bank Limited Allied Bank Limited Silk Bank Limited Bank Al-Habib Limited Habib Bank Limited National Bank of Pakistan Meezan Bank Limited Dubai Islamic Bank Pakistan Limited MCB Islamic Bank Limited Bank Islami Pakistan Limited	
Auditors	A.F. Ferguson & Co Chartered Accountants (Member Firm of PWC Network) 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 Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2019

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **Alhamra Islamic Asset Allocation Fund** accounts review for the half year ended December 31, 2019.

ECONOMY AND MONEY MARKET OVERVIEW

Stabilization measures pursued by the government have started to bear fruits as the Balance of Payment situation continues to improve. The Current Account Deficit (CAD) contracted by ~75% on a Year on Year (YoY) basis to USD 2.1 billion in the first half of FY20. Imports of goods and services continued to nosedive as it compressed by 18.5% while exports of goods and services increased by 4.8% in the first half of fiscal year. Remittances provided a moderate buffer, increasing by 3.3% to USD 11.4 billion during the period. Foreign exchange reserves increased by a massive USD 4.1 billion during the period as Pakistan received flows from IMF and multilateral institutions, while the outflow from CAD remained restrained.

CPI was rebased with a new base of 2015-16 and the average for newly rebased CPI clocked in at 11.1% YoY for the first half of FY20. Food inflation took a toll on the overall CPI, as it increased by 14.9% during the period. Major hit on food inflation surfaced from a hike in the prices of perishable food items after imports from India was banned. Nevertheless, core inflation as measured by Non Food Non Energy was still controlled and averaged 8.1% for the period. All the monetary policy meetings held during period kept interest rates on a status quo citing near term inflation as the major concern.

The outlook on GDP growth ranged in between 2.5% to 3.5% according to various institutions. However, as of late it was expected to remain on the lower side as weak production outlook of major crops (Cotton, Wheat and Sugar) along with a lower industrial growth arising out of weaker than expected LSM growth is expected to take a dent on the overall growth. Large Scale Manufacturing as anticipated continued on a downward trajectory as the import based consumption demand evaporated. LSM posted a decline of ~5.9% in the first five months of FY20, with most of the decline emanating from cyclical sectors. Both Autos and Steel manufacturing saw demand compression of 37.7% and 13.8% respectively.

Provisional number of tax collection were also encouraging as FBR collected PKR 2,080 billion in the first half of the current fiscal year, which was 17% higher compared to the corresponding period of the last year. Dissecting the performance in terms of domestic and international collection, the performance was even better as domestic tax revenue grew by 28% YoY. The target for primary deficit is also expected to be met as the government had generated significant buffer during the first quarter.

During the period under review, yield curve shifted downwards owing to massive demand for longer tenor bonds as market participants drew comfort from stabilization measures and anticipated outlook of lower inflation. Alongside, participation from foreign investors at such an unprecedented scale for the first time in the local bond market brought in extra pool of liquidity pushing the yields down. 3 Year bonds eased off by 221 bps while the longer tenor (10Y) bonds eased off by nearly ~300 bps during the first half. While, the State Bank of Pakistan (SBP) left the Policy Rate unchanged at 13.25% during the all monetary policies held in the quarter, citing the outlook on near term inflation however, it vowed to bring down inflation to 5-7% over the course of next 2 years.

EQUITIES MARKET OVERVIEW

While fiscal year 2020 had a dismal start during the first quarter, it sharply rebounded during the second quarter posting an astounding return of 27.0% during the second quarter, taking the cumulative return of first half to 20.2%. Foreigners after an extended period turned out to be net buyers, whilst accumulating a moderate USD 8 million during the first half. Individuals turned out to be major buyers during the period taking a exposure of USD 140 million in equities, while commercial banks and mutual funds turned out to be net sellers reducing their exposure by USD 91 million and USD 53 million respectively. Volumes and values traded averaged around 180.49 mn shares/ PKR 6.54 bn during the period.

Confidence in the risk assets was rejuvenated after data on external sector pointed out towards stability while currency appreciated by ~6% from its lows. Reversal of long term bond yields also proved to be a major catalyst for bull run in the equity markets. Bond markets rallied as the outlook on inflation improved after a stable currency and perhaps as the central bank vowed to fight inflation and bring it in a range of 5-7% in next 24 months. Most of the cyclical had a stellar performance during the first half as cheap valuations along with a better medium term growth outlook provided the impetus. Along with that, appreciation in local currency for the first time after several years provided the much required boost to cyclicals. Engineering & Pharmaceutical sectors delivered significant outperformance (~43/36% respectively) during the period. While, E&Ps, Fertilizer, & Banks underperformed the market generating returns of 19%/17% and 12% respectively.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2019

FUND PERFORMANCE

During the period under review, the fund delivered a return of 15.93% as against its benchmark return of 20.10%. On the equities front, the overall allocation was 72.2% at the end of the period under review. The fund was mainly invested in Oil & Gas Exploration Companies, Fertilizer and Power Generation & Distribution significantly during the period. On the fixed income side, there was no exposure towards Sukuk at the end of the period under review. The Net Assets of the Fund as at December 31, 2019 stood at Rs. 2,611 million as compared to Rs. 2,973 million as at June 30, 2019 registering an increase of 12.2%.

The Net Asset Value (NAV) per unit as at December 31, 2019 was Rs. 73.9947 as compared to opening NAV of Rs. 63.8246 per unit as at June 30, 2019 registering a decrease of Rs. 10.1701 per unit.

FUTURE OUTLOOK

Policy adjustments by the central bank will result in macroeconomic consolidation thus restricting the economic growth in low single digits for the current year. IMF forecasts Pakistan GDP growth to slow down to 2.5% in FY20, in the wake of tightening policies pursued by the government. Industrial growth will remain muted particularly for the import-driven consumption based sectors. However, export driven industrial companies can provide some respite as the government has incentivized the above, while increased power supply also eliminates bottleneck for them. Balance of Payment worries are over for now as current account deficit has adjusted to reasonable level since the policy actions taken by the central government. Our forecast at very conservative assumptions is that CAD will settle at 2.3% of GDP. We have assumed crude oil prices at USD 70/BBL for the remaining part of the year, which are currently hovering near USD 60/BBL. After signing up for an IMF program, Pakistan will be able to finance its gross finance requirements by tapping into international avenues. Saudi deferred oil facility will also provide a short term buffer to foreign exchange reserves. We expect foreign exchange reserves to increase to USD ~14 billion by the end of the current fiscal year. With PKR aligned to its equilibrium levels (Oct'19 REER at 95.9) and current account deficit in a sustainable range, PKR should now depreciate nominally based on its historical average.

CPI is expected to average ~11.9% in the current fiscal year owing to lagged impact of currency depreciation along with a rise in food inflation. However, with a stable currency and high base effect, we expect headline inflation to ease off in the next year and decline to an average of ~8.8%. Risk to our expectations are any adverse increase in international commodity prices along with more than expected adjustment in utility tariffs. We believe current real interest rate is sufficient to cater for the near term inflation. However, given the room in real interest rates going forward, we do not rule out monetary easing at the start of the next fiscal year. Based on our outlook of inflation, we expect interest rates to ease off by 150-200 bps in the next 12 months.

On the fiscal side, the government is aiming to limit fiscal deficit at 7.3% of GDP for the year. While the final target for fiscal deficit can evolve, nevertheless, it has to meet the primary condition of IMF for limiting the primary deficit at 0.6% of GDP. For this purpose, FBR is targeting a revised tax collection of PKR 5.2 trillion (up 30% YoY). The budget presented in the parliament proposed PKR 600-700 billion of tax measures, while the remaining amount was kept contingent on FBR efforts and economic growth. On the expenditure side, the government is aiming for austerity measures on the current expenditure side, however, it is aiming for an expansionary Public Sector Development Program (PSDP) of PKR 1.6 trillion (up 40% YoY). We believe the tax collection target to be highly optimistic and expect a net shortfall of PKR ~300-400 billion. The result of provisional tax collection for 1H assert our view as there was a shortfall of PKR 120 billion during the period. Resultantly, the shortfall in tax collection will trickle down to a lower development spending. From the capital market perspective, we believe investor confidence should renew towards risk assets as macroeconomic stability will be cherished after a bout of volatile years. Equity market has still a lot to offer despite the recent bull run (up 40%+ since the trough). Reversal in monetary policy will be a key theme to eye in CY20 as slowdown in inflation will provide much needed room to central bank to cut down the interest rates. We foresee interest rates easing of 150-200 bps in the next 12 months, albeit majority of them coming in the second half of the calendar year. Double digit earnings growth and cheap valuations will drive the total returns of equities. Generally, earnings rebound sharply after an economic downturn as equities tend to exhibit inflation hedging behavior. During the last few years earnings growth has not caught up with the nominal GDP growth, which generally tends to revert whenever the difference widens. Hence, we expect earnings growth to remain in double digits over the span of next few years, a key reason behind our optimism for equities.

We believe a micro view of sectors and stock will remain more important this year and investment selection should focus on companies which trade at a deep discount to their intrinsic value. Similarly, focus should also revert back to companies that are expected to exhibit stellar earnings growth over the medium term.

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. On the other hand, government bonds have already priced in some of the expected monetary easing during the course of

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2019

year. Further capital gains are contingent on earlier than expected reversal in monetary cycle along with quantum of interest rate cuts. Liquidity in the monetary system will also define yield on bonds since the government has liberalized its sources of financing, particularly opening avenues from external sources.

ELECTION OF THE BOARD OF DIRECTORS

On February 06, 2020, election of directors of the Management Company was held in an extra ordinary general meeting. Mian Muhammad Mansha and Mr. Samad A. Habib have retired from the Board and Mr. Kashif A. Habib and Ms. Mavra Adil Khan have joined the Company as new directors. Details of the new Board is given in Company Introduction. The approval of the Securities and Exchange Commission of Pakistan is pending as on the date of the Directors' Report.

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 21, 2020



Nasim Beg
Vice Chairman / Director
February 21, 2020

ڈائریکٹرز رپورٹ

بورڈ آف ڈائریکٹرز کا انتخاب

06 فروری 2020ء کو ایک غیر معمولی عمومی اجلاس میں مینجمنٹ کمپنی کے ڈائریکٹرز کا انتخاب منعقد ہوا۔ میاں محمد منشاء اور جناب صد اے حبیب بورڈ سے ریٹائر ہو گئے ہیں اور جناب کاشف اے حبیب اور محترمہ ماوراء عادل خان کی کمپنی کے نئے ڈائریکٹرز کے طور پر تقرری ہوئی ہے۔ نئے بورڈ کی تفصیلات 'کمپنی کے تعارف' میں دی گئی ہیں۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی منظوری ڈائریکٹرز رپورٹ کی تاریخ پر التواء ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیوں کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ

وائس چیئرمین / ڈائریکٹر

21 فروری، 2020ء



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

21 فروری، 2020ء

ملتی شدہ سہولت سے بھی زرمبادلہ کے ذخائر کو مختصر المیعاد سہارا فراہم ہوگا۔ موجودہ مالی سال کے اختتام تک زرمبادلہ کے ذخائر کے حوالے سے توقع ہے کہ وہ بڑھ کر 14 بلین ڈالر تک پہنچ جائیں گے۔ پاکستانی روپیہ اپنے توازن کی سطحوں سے ہم آہنگ ہے (اکتوبر ۲۰۱۹ء 95.9 REER فیصد پر) اور سی اے ڈی قابل بقاء حد میں ہے، چنانچہ پاکستانی روپے کی قدر میں اب اس کے تاریخی اوسط کی بنیاد پر معمولی کمی ہونی چاہیے۔

موجودہ مالی سال کے لیے سی پی آئی کا متوقع اوسط 11.9 فیصد ہوگا جس کا سبب روپے کی قدر کی سست رفتار اثر پذیری اور اشیائے خورد و نوش کے افراط زر میں اضافہ ہے۔ تاہم مستحکم روپے اور بلند base کے اثر کے ساتھ ہمیں اُمید ہے کہ مجموعی افراط زر کا اوسط اگلے سال کم ہو کر 8.8 فیصد ہو جائے گا۔ بین الاقوامی اشیاء کی قیمتوں میں کسی منفی اضافے کے ساتھ ساتھ یوٹیلٹی کی محصولات وغیرہ میں متوقع سے زیادہ ترمیمات سے ہماری توقعات کو خطرہ لاحق ہو سکتا ہے۔ ہم سمجھتے ہیں کہ انٹریسٹ کی موجودہ حقیقی شرح قریب المیعاد افراط زر سے نمٹنے کے لیے کافی ہے۔ تاہم حقیقی شرح میں اضافے کی گنجائش کو دیکھتے ہوئے اگلے مالی سال کے آغاز میں مالیاتی تسہیل کا امکان بعید نہیں ہے۔ افراط زر سے متعلق ہمارے پیش بینی کی بنیاد پر انٹریسٹ کی شرحوں میں اگلے بارہ ماہ میں 150 سے 200 بی پی ایس تک کی کمی کی اُمید ہے۔

مالیاتی جہت میں حکومت زیر بحث سال کے لیے مالیاتی خسارے کو جی ڈی پی کے 7.3 فیصد تک محدود کرنے کے لیے کوشاں ہے۔ اگرچہ مالیاتی خسارے کا حتمی ہدف ارتقاء پذیر ہونے کے باعث تبدیل ہو سکتا ہے لیکن پرائمری خسارے کو جی ڈی پی کے 0.6 فیصد پر محدود کر دینے کی آئی ایم کی بنیادی شرط کو پورا کرنا لازمی ہے۔ اس مقصد کے لیے ایف بی آر 5.5 ٹریلین روپے (30 فیصد سال در سال زیادہ) ٹیکس جمع کرنے کے لیے مصروف عمل ہے۔ پارلیمنٹ میں پیش کردہ بجٹ میں 600 سے 700 بلین روپے ٹیکس کے اقدامات کی تجویز دی گئی جبکہ باقی مقدار کو ایف بی آر کی کوششوں اور معاشی ترقی سے مشروط کیا گیا۔ اخراجات کی جہت میں حکومت کرنٹ اخراجات کے حوالے سے سادگی کے اقدامات پر توجہ دے رہی ہے تاہم 1.5 ٹریلین روپے (40 فیصد سال در سال زیادہ) کا ایک توسیعی پبلک سیکٹر ڈویلپمنٹ پروگرام (پی ایس ڈی پی) کے لیے بھی کوشاں ہے۔ ہم ٹیکس وصولی کے ہدف کو بے حد رجائیت پسند سمجھتے ہیں لیکن ہمیں لگتا ہے کہ اس کے حصول میں 300 سے 400 بلین روپے کی کمی آئے گی۔ نصف اوّل میں عارضی ٹیکس وصولی کے نتیجے سے ہمارے نظریے کی توثیق ہوتی ہے کیونکہ دورانِ سہ ماہی 120 بلین ڈالر کم کی وصولی ہوئی جس کے نتیجے میں ترقیاتی اقدامات کے لیے بھی کم خرچ کیا جائے گا۔

کمپیٹل مارکیٹ کے نظریے سے ہم سمجھتے ہیں کہ خطرات کے حامل اثاثہ جات میں سرمایہ کاروں کا اعتماد بحال ہونا چاہیے کیونکہ کئی برسوں کی عدم یقینی کے بعد حاصل ہونے والے کلاں معاشیاتی استحکام کا خیر مقدم کیا جائے گا۔ ایکوٹی مارکیٹ حالیہ bull run (40 فیصد اضافے) کے باوجود بہت استعداد کی حامل ہے۔ موجودہ سال ۲۰۲۰ء میں اہم ترین موضوع مالیاتی پالیسی کی تقلیب ہوگا کیونکہ افراط زر میں کمی سے مرکزی بینک کو انٹریسٹ کی شرحوں میں کمی کرنے کے لیے مطلوبہ محرک فراہم ہوگا۔ ہم اگلے بارہ ماہ میں انٹریسٹ کی شرحوں میں 150 سے 200 بی پی ایس کی دیکھ رہے ہیں، اگرچہ اس کا زیادہ تر حصہ کیلنڈر سال (جنوری تا دسمبر) کے نصف آخر میں ظاہر ہوگا۔ دو اعداد پر مشتمل آمدنیاں اور کم قیمت قدر کا تعین ایکویٹیز کے مجموعی منافعوں کے لیے محرک ثابت ہوں گے۔ کسی معاشی سست روی کے دور کے بعد عموماً آمدنیاں تیزی سے بڑھتی ہیں کیونکہ ایکویٹیز افراط زر سے تحفظ فراہم کرتی ہیں۔ گزشتہ کچھ برسوں کے دوران آمدنیوں کی ترقی جی ڈی پی کی برائے نام ترقی کے شانہ بشانہ بھی نہیں چل سکی ہے، جو عموماً فرق بڑھنے پر واپس لوٹتی ہے۔ چنانچہ اگلے پانچ برسوں کے دوران آمدنیوں میں ترقی دو اعداد پر برقرار رہنے کی توقع ہے جو ایکویٹیز سے متعلق ہماری رجائیت پسندی کی ایک کلیدی وجہ ہے۔

ہم سمجھتے ہیں کہ اس سال سیکٹرز اور اسٹاک کا خورد نظریہ زیادہ اہمیت کا حامل رہے گا اور سرمایہ کاری کے انتخاب کے لیے ایسی کمپنیوں پر توجہ مرکوز ہونی چاہیے جو اپنی اندرونی قدر میں گہری رعایت پر تجارت کرتی ہیں۔ اسی طرح، اُن کمپنیوں کی جانب بھی توجہ مبذول ہونی چاہیے جن کی درمیانی میعاد کی آمدنی میں زبردست ترقی متوقع ہے۔

Debt حاملین کے لیے ہم توقع کرتے ہیں کہ Money مارکیٹ فنڈز پالیسی شرحوں کی عکاسی بلا رکاوٹ سال بھر جاری رکھیں گے۔ دوسری جانب حکومتی بانڈز دوران سال پہلے ہی کچھ حد تک متوقع مالیاتی تسہیل میں کردار ادا کر چکے ہیں۔ کمپیٹل میں مزید منافعوں کا دار و مدار مالیاتی چکر میں متوقع سے قبل تقلیب کے ساتھ ساتھ انٹریسٹ کی شرحوں میں کمی کے حجم پر ہے۔ مالیاتی نظام میں نقدیت سے بھی بانڈز پر منافع کا تعین ہوگا کیونکہ حکومت نے رقم کی فراہمی کے اپنے ذرائع میں آسانیاں پیدا کی ہیں، خاص طور پر خارجی ذرائع سے مواقع میسر کر کے۔

ڈائریکٹرز رپورٹ

سے نصف اوّل کا مجموعی منافع 20.2 فیصد تک پہنچ گیا۔ طویل مدّت بعد غرملکی افراد net خریدار ثابت ہوئے اور نصف اوّل کے دوران 8 ملین ڈالر کی معتدل مقدار جمع ہوئی۔ دورانِ مدّت افراد (بالمقابل ادارے) بڑے خریدار ثابت ہوئے اور ایکویٹیز میں 140 ملین ڈالر کی شمولیت ہوئی جبکہ کمرشل بینک اور میوچل فنڈز net فروخت کار ثابت ہوئے جن کی شمولیت کم ہو کر بالترتیب 91 ملین ڈالر اور 53 ملین ڈالر ہو گئی۔ دورانِ مدّت تجارت میں لگائے گئے حجم اور قدر تقریباً 180.49 ملین حصص / 6.54 روپے کی اوسط تک پہنچے۔

خارجی شعبے کے اعداد و شمار نے استحکام کی طرف اشارہ کیا جس کی بدولت خطرات پر مبنی اثاثہ جات میں اعتماد بحال ہوا جبکہ روپے کی قدر گزشتہ پست سطح سے اٹھ کر 6 فیصد تک پہنچ سکی۔ طویل المیعاد بانڈز کے منافعوں میں کمی بھی ایکویٹی مارکیٹس میں حصص کی قیمتوں میں اضافے (bull run) کے لیے بڑا محرک ثابت ہوئی۔ روپے میں استحکام کے باعث، اور شاید اس وجہ سے بھی کہ مرکزی بینک نے افراط زر کا مقابلہ کر کے اسے اگلے چوبیس ماہ میں 5 سے 7 فیصد تک لانے کے عہد کیا ہے، افراط زر کی صورتحال میں متوقع بہتری ہوئی اور اس کے نتیجے میں بانڈ مارکیٹس میں تیز رفتار ترقی ہوئی۔ نصف اوّل کے دوران اکثر گردش شعبوں کی کارکردگی شاندار رہی کیونکہ کم قیمت قدر کے تعین کے ساتھ ساتھ درمیانی مدّت کی متوقع ترقی نے محرک فراہم کیا۔ مزید برآں، متعدد برسوں بعد پہلی مرتبہ روپے کی قدر میں اضافے سے گردش شعبوں کو مطلوبہ افزودگی فراہم ہوئی۔ انجینئرنگ اور فارماسیوٹیکلز شعبوں نے دورانِ مدّت قابل ذکر بہتر کارکردگی کا مظاہرہ کیا (بالترتیب 43 فیصد اور 36 فیصد) جبکہ دریافت اور پیداوار (ایکسپلوریشن اینڈ پروڈکشن: ای اینڈ پی)، کھاد اور بینکوں کے شعبوں نے بالترتیب 19 فیصد، 17 فیصد اور 12 فیصد منافع حاصل کر کے مارکیٹ کے مقابلے میں کم تر کارکردگی کا مظاہرہ کیا۔

فنڈ کی کارکردگی

زیر جائزہ مدّت کے دوران فنڈ نے 15.93 فیصد منافع حاصل کیا جبکہ مقررہ معیار (بنچ مارک) 20.10 فیصد تھا۔ ایکویٹیز کے شعبے میں مجموعی شمولیت زیر جائزہ مدّت کے اختتام پر 72.2 فیصد تھی۔ دورانِ مدّت فنڈ کی زیادہ تر سرمایہ کاری تیل اور گیس کی دریافت کی کمپنیوں، کھاد، اور بجلی کی پیداوار اور تقسیم کے شعبوں میں کی گئی۔ مقررہ آمدنی کے شعبے پر نظر ڈالیں تو زیر جائزہ مدّت کے اختتام پر سسٹمک میں کوئی شمولیت نہیں تھی۔ 31 دسمبر 2019ء کو فنڈ کے net اثاثہ جات 2,611 ملین روپے تھے جو 30 جون 2019ء (2,973 ملین روپے) کے مقابلے میں 12.2 فیصد اضافہ ہے۔ 31 دسمبر 2019ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 73.9947 روپے تھی جو 30 جون 2019ء کی ابتدائی NAV (63.8246 روپے) کے مقابلے میں 10.1701 روپے فی یونٹ کمی ہے۔

مستقبل کا منظر

مرکزی بینک کی طرف سے پالیسی میں ترمیمات کے نتیجے میں کلاں معاشیاتی استحکام ہوگا جس کے باعث موجودہ سال کے لیے معاشی ترقی چھوٹے اعداد تک محدود ہو جائے گی۔ آئی ایم ایف کی پیش گوئی کے مطابق حکومت کی اختیار کردہ تنگی پر مبنی پالیسیوں کے تناظر میں پاکستان کی مجموعی ملکی پیداوار (جی ڈی پی) کی ترقی مالی سال 20-2019ء میں سست روی کا شکار ہو کر 2.5 فیصد پر آجائے گی۔ صنعتی ترقی غیر فعال رہے گی، خاص طور پر درآمدات سے چلنے والے صرف پر مبنی شعبوں کے لیے۔ تاہم برآمدات سے چلنے والی صنعتی کمپنیاں کچھ سہولت فراہم کر سکتی ہیں کیونکہ حکومت نے ان کے لیے ترغیبات مقرر کی ہیں، جبکہ توانائی کی فراہمی میں اضافے سے بھی ان کمپنیوں کے لیے رکاوٹیں دور ہوتی ہیں۔ ادائیگی کے توازن کی پریشانیوں فی الوقت ختم ہو گئی ہیں کیونکہ سی اے ڈی مرکزی حکومت کے پالیسی اقدامات کے بعد معقول سطح تک آ گیا ہے۔ ہم بے حد محتاط مفروضوں کی بنیاد پر پیش گوئی کر سکتے ہیں کہ سی اے ڈی، جی ڈی پی کے 2.3 فیصد پر رک جائے گا۔ ہم نے خام تیل کی قیمتوں کو 70 ڈالر فی بی ایل فرض کیا ہے جو موجودہ طور پر 60 ڈالر فی بی ایل کے قریب منڈلا رہی ہیں۔ پاکستان ایک آئی ایم ایف پروگرام اختیار کرنے کے بعد بین الاقوامی ذرائع کو استعمال میں لا کر اپنی مجموعی مالیاتی ضروریات پوری کر سکے گا۔ سعودی تیل کی

ڈائریکٹرز رپورٹ

عزیز سرمایہ کار

الحمد للہ اسلامک ایسیٹ ایلوکیٹن فنڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2019ء کو ختم ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

استحکام کے حکومتی اقدامات کے اثرات ظاہر ہونا شروع ہو گئے ہیں کیونکہ ادائیگی کے توازن کی صورت حال میں بہتری جاری ہے۔ مالی سال 2020ء کے نصف اول میں کرنٹ اکاؤنٹ خسارہ (سی اے ڈی) سال در سال (YoY) بنیاد پر 75 فیصد کم ہو کر 2.1 بلین ڈالر ہو گیا۔ اشیاء اور مصنوعات کی درآمدات میں کمی کا سلسلہ جاری رہا اور 18.5 فیصد کمی ہوئی جبکہ اشیاء اور مصنوعات کی برآمدات میں 4.8 فیصد اضافہ ہوا۔ ترسیلات زر 3.3 فیصد بڑھ کر 11.4 بلین ڈالر ہو گئیں جس سے معتدل رکاوٹ فراہم ہوئی۔ غیر ملکی زرمبادلہ کے ذخائر میں 4.1 بلین ڈالر کا خطیر اضافہ ہوا کیونکہ پاکستان کو آئی ایم ایف اور کثیرالچلتی اداروں سے رقوم موصول ہوئیں، جبکہ سی اے ڈی کے ذریعے رقوم کے خروج کا سلسلہ محدود رہا۔ صارفی قیمت کے انڈیکس (کنزیومر پرائس انڈیکس: سی پی آئی) کو سال 2019ء اور 2020ء والی بنیاد پر دوبارہ مقرر کیا گیا اور مالی سال 2020ء کے نصف اول کے لیے نئی بنیاد پر مقرر کردہ سی پی آئی کا اوسط 11.1 فیصد سال در سال بنا۔ اشیاء خورد و نوش کے افراط زر میں دوران مدت 14.9 فیصد اضافہ ہوا اور اس نے مجموعی سی پی آئی کو متاثر کیا۔ اشیاء خورد و نوش کے افراط زر کی سب سے بڑی وجہ بھارت سے درآمدات پر پابندی کے بعد جلد خراب ہو جانے والی اشیاء خورد و نوش کی قیمتوں میں اضافہ ہے۔ بہر حال اشیاء خورد و نوش اور توانائی کے علاوہ پینائش کردہ بنیادی افراط زر پھر بھی قابو میں تھی اور مذکورہ مدت کے لیے اس کا اوسط 8.1 فیصد تھا۔ دوران مدت ہونے والے تمام مالیاتی اجلاسوں میں انٹریسٹ کی شرحوں کو برقرار رکھا گیا اور مستقبل قریب میں متوقع افراط زر کو ایک بڑا مسئلہ قرار دیا گیا۔

جی ڈی پی میں متوقع ترقی مختلف اداروں کے مطابق 2.5 سے 3 فیصد تھی، تاہم حالیہ مدت میں اہم فصلوں (کپاس، گندم اور چینی) کی کمزور متوقع ترقی کے باعث جی ڈی پی میں ترقی بھی پست رہنے کا امکان ہے۔ علاوہ ازیں، بڑے پیمانے پر ہونے والی مینوفیکچرنگ (ایل ایس ایم) میں متوقع سے کم ترقی کے باعث کمزور صنعتی ترقی سے مجموعی ترقی کے متاثر ہونے کا امکان ہے۔ مزید برآں، درآمدات پر پابندی کی طلب میں بتدریج کمی کے باعث ایل ایس ایم میں کمی کا سلسلہ جاری رہنے کا امکان ہے۔ مالی سال 2020ء کے ابتدائی پانچ ماہ کے دوران ایل ایس ایم میں 5.9 فیصد کمی ہوئی جس میں سے اکثر کا تعلق گردش شعبوں سے تھا۔ آٹو ز اور اسٹیل مینوفیکچرنگ میں طلب میں بالترتیب 37.7 فیصد اور 13.8 فیصد کمی ہوئی۔

ٹیکس وصولی کی عارضی تعداد بھی حوصلہ افزائی - موجودہ مالی سال کے نصف اول میں فیڈرل بورڈ آف ریونیو (ایف بی آر) نے 2,080 بلین روپے جمع کیے جو گزشتہ سال کی مماثل مدت سے 17 فیصد زیادہ ہے۔ ملکی اور بین الاقوامی وصولی کو علیحدہ علیحدہ دیکھا جائے تو کارکردگی مزید بہتر ہے کیونکہ ملکی سطح پر آمدنی میں 28 فیصد سال در سال اضافہ ہوا۔ پرائمری خسارے کا ہدف بھی پورا ہونے کا امکان ہے کیونکہ حکومت نے پہلی سہ ماہی کے دوران مطلوبہ رکاوٹ پیدا کر دی تھی۔

زیر جائزہ مدت کے دوران طویل تریمعاد کے بانڈز کی خطیر طلب کے باعث پیداواری ختم میں جھکاؤ آیا کیونکہ مارکیٹ کے فریق استحکام کے اقدامات سے مطمئن ہوئے اور افراط زر میں کمی کا امکان پیدا ہوا۔ ساتھ ساتھ مقامی بانڈ مارکیٹ میں پہلی مرتبہ غیر ملکی سرمایہ کاروں کی اتنی بڑے پیمانے پر شرکت کی بدولت کثیر نقد کی آمد ہوئی جس کے باعث پیداواریں کمی ہوئی۔ نصف اول کے دوران تین سالہ بانڈز میں 221 بیسیس پوائنٹس (بی پی ایس) جبکہ طویل تریمعاد کے (دس سالہ) بانڈز میں تقریباً 300 بی پی ایس کی کمی ہوئی۔ اگرچہ اسٹیٹ بینک آف پاکستان (ایس بی پی) نے مذکورہ سہ ماہی میں منعقدہ تمام پالیسی اجلاسوں میں مستقبل قریب کی افراط زر کا حوالہ دیتے ہوئے پالیسی کی شرح کو غیر تبدیل شدہ رکھا لیکن اگلے دو برسوں کے دوران افراط زر میں 5 تا 7 فیصد کمی کا عہد کیا۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

اگرچہ مالی سال 2020ء کا آغاز پہلی سہ ماہی کے دوران مایوس کن تھا لیکن دوسری سہ ماہی کے دوران اس نے تیزی سے رُخ بدلا اور 27 فیصد کا حیران کن منافع حاصل کیا جس

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
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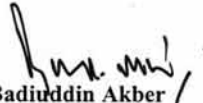
TRUSTEE REPORT TO THE UNIT HOLDERS

ALHAMRA ISLAMIC ASSET ALLOCATION 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 Alhamra Islamic Asset Allocation 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, 2019 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, 2020



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



A.F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE UNIT HOLDERS OF ALHAMRA ISLAMIC ASSET ALLOCATION FUND

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Alhamra Islamic Asset Allocation Fund** (the Fund) as at December 31, 2019 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial statements'), for the six months period ended December 31, 2019. The Management Company (MCB-Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review. The figures included in the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the six months period ended December 31, 2019.

Scope of Review

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

Conclusion

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

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: February 26, 2020

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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■ KARACHI ■ LAHORE ■ ISLAMABAD

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

		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	5	723,969	763,340
Investments	6	1,937,465	2,179,968
Dividend, profit and other receivables		16,797	21,918
Advances, deposits and prepayments		3,414	3,403
Receivable against sale of investments		-	36,127
Total assets		<u>2,681,645</u>	<u>3,004,756</u>
LIABILITIES			
Payable to MCB Arif Habib Savings and Investments Limited - Management Company	7	15,570 347	9,875 377
Payable to Central Depository Company of Pakistan Limited - Trustee			
Payable to the Securities and Exchange Commission of Pakistan (SECP)	8	262	3,422
Payable against purchase of investments		26,890	-
Accrued expenses and other liabilities	9	27,150	17,995
Total liabilities		<u>70,219</u>	<u>31,669</u>
NET ASSETS		<u>2,611,426</u>	<u>2,973,087</u>
Unit holders' fund (as per statement attached)		<u>2,611,426</u>	<u>2,973,087</u>
Contingencies and commitments	10		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		<u>35,292,056</u>	<u>46,582,144</u>
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT		<u>73.9947</u>	<u>63.8246</u>

The annexed notes from 1 to 18 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, 2019

	Six months period ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
Note ----- (Rupees in '000) -----				
INCOME				
Capital gain / (loss) on sale of investments - net	71,538	(228)	95,882	(15,333)
Dividend income	64,071	56,564	27,477	26,051
Profit on bank deposits	50,360	76,537	23,632	43,797
Income on term deposits	1,978	870	1	322
Net unrealised gain / (loss) on re-measurement of investments classified as 'at fair value through profit or loss'	6.1 235,579	(215,612)	346,670	(181,029)
Total income / (loss)	423,526	(81,869)	493,662	(126,192)
EXPENSES				
Remuneration of MCB-Arif Habib Savings & Investments Limited - Management Company	7.1 26,222	38,271	13,010	19,257
Sindh Sales tax on remuneration of the Management Company	7.2 3,409	4,975	1,692	2,503
Allocated expenses	7.3 1,311	2,162	650	1,088
Remuneration of Central Depository Company of Pakistan Limited - Trustee	1,814	2,418	902	1,215
Sindh sales tax on remuneration of the trustee	236	314	117	158
Selling and marketing expenses	7.4 12,217	7,654	8,115	3,851
Annual fee to the Securities and Exchange Commission of Pakistan	8 262	1,818	130	915
Brokerage, settlement and bank charges	3,531	3,041	2,504	1,582
Printing and related costs	18	24	(7)	(1)
Fees and subscription	26	38	7	15
Shariah advisory fee	452	450	226	222
Auditors' remuneration	284	201	167	47
Legal and professional charges	91	109	45	54
Donation	1,586	849	598	545
Total expenses	51,459	62,324	28,156	31,451
Net income / (loss) from operating activities	372,067	(144,193)	465,506	(157,643)
Provision for Sindh Worker's Welfare Fund (SWWF)	9.1 (7,441)	-	(7,441)	(269)
Net income / (loss) for the period before taxation	364,626	(144,193)	458,065	(157,912)
Taxation	11 -	-	-	-
Net income / (loss) for the period after taxation	364,626	(144,193)	458,065	(157,912)
<i>Allocation of net income / (loss) for the period:</i>				
Net income / (loss) for the period after taxation	364,626	(144,193)		
Income already paid on units redeemed	(38,420)	-		
	326,206	(144,193)		
<i>Accounting income available for distribution:</i>				
- Relating to capital gains	306,990	-		
- Excluding capital gains	19,216	-		
	326,206	-		
Earnings / loss per unit	13			

The annexed notes from 1 to 18 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, 2019**

	<u>Six months period ended</u> <u>December 31,</u>		<u>Quarter ended</u> <u>December 31,</u>	
	2019	2018	2019	2018
	<u>----- (Rupees in '000) -----</u>			
Net income / (loss) for the period after taxation	364,626	(144,193)	458,065	(157,912)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>364,626</u>	<u>(144,193)</u>	<u>458,065</u>	<u>(157,912)</u>

The annexed notes from 1 to 18 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, 2019

Six months period ended December 31, 2019			Half year ended December 31, 2018			
Capital value	Undistributed income / (accumulated loss)	Total	Capital value	Undistributed income / (accumulated loss)	Unrealised appreciation / (diminution) on available-for-sale	Total

(Rupees in '000)

Net assets at the beginning of the period	3,168,189	(195,102)	2,973,087	3,513,190	97,827	22,520	3,633,537
Effect of adoption of IFRS 9	-	-	-	-	22,520	(22,520)	-
Net assets at the beginning of the period	3,168,189	(195,102)	2,973,087	3,513,190	120,347	-	3,633,537

Issuance of 3,409,626 units (2018: 8,782,750 units):

- Capital value (at net asset value per unit at the beginning of the period)
- Element of income

217,618	-	217,618	615,225	-	-	615,225
19,296	-	19,296	2,331	-	-	2,331
236,914	-	236,914	617,556	-	-	617,556

Redemption of 14,699,714 units (2018: 7,339,182 units):

- Capital value (at net asset value per unit at the beginning of the period)
- Element of loss

938,203	-	938,203	514,104	-	-	514,104
(13,422)	38,420	24,998	(2,559)	-	-	(2,559)
924,781	38,420	963,201	511,545	-	-	511,545

Total comprehensive income / (loss) for the period

Distribution during the period

Net loss for the period less distribution

-	364,626	364,626	-	(144,193)	-	(144,193)
-	-	-	-	-	-	-
-	364,626	364,626	-	(144,193)	-	(144,193)

Net assets at the end of the period

2,480,322	131,104	2,611,426	3,619,201	(23,846)	-	3,595,355
-----------	---------	-----------	-----------	----------	---	-----------

(Accumulated loss) / undistributed income brought forward comprising of:

- Realised gain
- Unrealised gain

186,816	97,827
(381,918)	-
(195,102)	97,827

Effect of adoption of IFRS 9

(Accumulated loss) / undistributed income brought forward

-	22,520
(195,102)	120,347

Accounting income available for distribution

- Relating to capital gains
- Excluding capital gains

306,990	-
19,216	-
326,206	-

Net loss for the period after taxation

Distribution during the period

Undistributed income / (accumulated loss) carried forward

-	(144,193)
-	-
131,104	(23,846)

Undistributed income carried forward comprising of:

- Realised (loss) / gain
- Unrealised gain / (loss)

(104,475)	191,766
235,579	(215,612)
131,104	(23,846)

(Rupees)

Net asset value per unit at the beginning of the period

Net asset value per unit at the end of the period

63.8246
73.9947

(Rupees)

70.0492
67.4363

The annexed notes from 1 to 18 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, 2019

	Six Months Period Ended	
	December 31, 2019	December 31, 2018
	Note ----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the period before taxation	364,626	(144,193)
Adjustments for:		
Dividend income	(64,071)	(56,564)
Net unrealised (gain) / loss on revaluation of investments 'at fair value through profit or loss'	(235,579)	215,612
Provision for Sindh Workers' Welfare Fund (SWWF)	7,441	-
	<u>72,417</u>	<u>14,855</u>
Decrease / (Increase) in assets		
Investments - net	478,082	(382,635)
Dividend, profit and other receivables	(2,835)	(8,583)
Advances, deposits and prepayments	(11)	(33)
Receivable against sale of investments	36,127	-
	<u>511,363</u>	<u>(391,251)</u>
Increase / (decrease) in liabilities		
Payable to MCB Arif Habib Savings and Investments Limited - Management Company	5,695	(1,248)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(30)	35
Payable to the Securities and Exchange of Pakistan (SECP)	(3,160)	(551)
Payable against purchase of investments	26,890	7,347
Accrued expenses and other liabilities	1,714	(489)
	<u>31,109</u>	<u>5,094</u>
Dividend received	72,027	56,564
Net cash generated from / (used in) operating activities	<u>686,916</u>	<u>(314,738)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	236,914	617,556
Payments against redemption of units	(963,201)	(511,545)
Net cash (used in) / generated from financing activities	<u>(726,287)</u>	<u>106,011</u>
Net decrease in cash and cash equivalents during the period	<u>(39,371)</u>	<u>(208,727)</u>
Cash and cash equivalents at the beginning of the period	763,340	1,892,537
Cash and cash equivalents at the end of the period	12 <u><u>723,969</u></u>	<u><u>1,683,810</u></u>

The annexed notes from 1 to 18 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, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Alhamra Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB - Arif Habib Savings and Investments Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed and was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 14, 2005 under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3** The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange Limited. The principal activity of the Fund is to make investment in shariah compliant investments in securities or instruments both inside and outside Pakistan. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as "Shariah compliant Islamic Asset Allocation" scheme by the Board of Directors of the Asset Management Company in accordance with the requirements of Circular 7 of 2009 dated March 06, 2009 issued by the SECP.
- 1.4** Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated October 08, 2019 to the Management Company.
- 1.5** 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 PRESENTATION

The transactions undertaken by the Fund are in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisor and are accounted for on substance rather than the form prescribed by the earlier referred guidelines. This practice is being followed to comply with the requirements of the accounting and reporting standards as applicable in Pakistan.

3 BASIS OF PREPARATION

3.1 Statement of compliance

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

- International Accounting Standard (IAS) 34, Interim Financial Reporting, issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- 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 the requirements of the Trust Deed differ with the requirements of IAS 34, 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. These condensed interim financial statements do not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2019.

These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the statutory auditors. In compliance with Schedule V of the NBFC Regulations, the directors of the Management Company declare that these condensed interim financial statements give a true and fair view of the state of affairs of the Fund as at December 31, 2019.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING ESTIMATES, JUDGMENTS AND RISK MANAGEMENT POLICIES

4.1 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, 2019.

4.2 The preparation of the condensed interim financial statements in conformity with accounting and reporting standards as applicable in Pakistan requires management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision. In preparing the condensed interim financial statements, the significant judgments made by management in applying the Fund's accounting policies and the key sources of estimation and uncertainty were the same as those applied to the financial statements as at and for the year ended June 30, 2019. The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual financial statements of the Funds for the year ended June 30, 2019.

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

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

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

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2020
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2020

These amendments may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these amendments on the financial statements of the Fund.

There are certain new standards and amendments to the accounting and reporting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2020. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these condensed interim financial statements.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

		(Un-Audited) December 31, 2019	(Audited) June 30, 2019
5 BANK BALANCES	Note	----- (Rupees in '000) -----	
In current accounts	5.1	15,034	14,406
In saving accounts	5.2	708,935	748,934
		<u>723,969</u>	<u>763,340</u>

5.1 This includes balances of Rs. 14.829 million (June 30, 2019: Rs. 12.592 million) maintained with MCB Bank Limited (a related party).

5.2 This includes balances of Rs. 3.385 million (June 30, 2019: Rs. 0.014 million) maintained with MCB Islamic Bank Limited (a related party) that carry profit at 8% per annum (June 30, 2019: 4.5% per annum). Other profit and loss saving accounts of the Fund carry profit rates ranging from 11.50% to 13.00% per annum (June 30, 2019: 6.00% to 11.75% per annum).

		(Un-Audited) December 31, 2019	(Audited) June 30, 2019
6 INVESTMENTS	Note	----- (Rupees in '000) -----	
Investment by category			
At fair value through profit or loss			
- Quoted equity securities	6.1	1,937,465	2,004,968
Term deposit musharika		-	175,000
		<u>1,937,465</u>	<u>2,179,968</u>

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

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

Name of the investee company	Number of shares					Balance as at December 31, 2019			Market value as a percentage of		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
	As at July 01, 2019	Purchased during the period	Right issue/ Bonus during the period	Sold during the period	As at December 31, 2019	Carrying value	Market value	Unrealised (loss) / gain	total invest-ments	net assets	
----- (Rupees in '000) ----- % -----											
Automobile Parts and Accessories											
Agriauto Industries Limited	37,000	-	-	-	37,000	7,399	7,400	1	0.38%	0.28%	0.26%
Millat Tractors Limited	-	32,600	-	-	32,600	22,191	22,964	773	1.19%	0.88%	0.07%
						29,590	30,364	774	1.57%	1.16%	0.33%
Cable and Electrical Goods											
Pak Elektron Limited	1,400,000	1,000,000	-	1,400,000	1,000,000	26,665	27,070	405	1.40%	1.04%	0.20%
						26,665	27,070	405	1.40%	1.04%	0.20%
Cement											
Lucky Cement Limited	107,550	337,000	-	137,550	307,000	116,929	131,519	14,590	6.79%	5.04%	0.09%
Kohat Cement Company Limited	63,700	-	-	-	63,700	3,346	4,930	1,584	0.25%	0.19%	0.03%
Maple Leaf Cement Factory Limited	1,000,000	2,323,500	606,475	2,750,001	1,179,974	19,027	27,305	8,278	1.41%	1.05%	0.18%
						139,302	163,754	24,452	8.45%	6.28%	0.31%
Chemical											
Engro Polymer & Chemicals Limited	4,161,748	270,000	-	525,000	3,906,748	107,138	129,743	22,605	6.70%	4.97%	0.43%
Lotte Chemical Pakistan Limited	2,150,000	1,922,000	-	4,072,000	-	-	-	-	-	-	-
						107,138	129,743	22,605	6.70%	4.97%	0.43%

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

Name of the investee company	Number of shares					Balance as at December 31, 2019			Market value as a percentage of		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
	As at July 01, 2019	Purchased during the period	Right issue/Bonus during the period	Sold during the period	As at December 31, 2019	Carrying value	Market value	Unrealised (loss) / gain	total investments	net assets	
----- (Rupees in '000) ----- % -----											
Commercial banks											
Meezan Bank Limited	1,006,512	-	-	-	1,006,512	87,728	95,749	8,021	4.94%	3.67%	0.08%
						87,728	95,749	8,021	4.94%	3.67%	0.08%
Engineering											
International Industries Limited	144,600	14,460	-	140,000	19,060	1,335	2,113	778	0.11%	0.08%	0.02%
						1,335	2,113	778	0.11%	0.08%	0.02%
Fertilizers											
Engro Corporation Limited	726,880	209,500	-	536,400	399,980	117,747	138,093	20,346	7.13%	5.29%	0.08%
Engro Fertilizer Limited	2,332,000	298,500	-	2,630,500	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited**	2,080,500	-	-	-	2,080,500	62,103	55,320	(6,783)	2.86%	2.12%	0.10%
						179,850	193,413	13,563	9.99%	7.41%	0.18%
Food and Personal Care Products											
Frieslandcampina Engro Foods Limited	700	-	-	700	-	-	-	-	-	-	-
National Foods Limited	80,400	16,080	-	-	96,480	14,806	21,420	6,614	1.11%	0.82%	0.16%
						14,806	21,420	6,614	1.11%	0.82%	0.16%
Glass and Ceramics											
Tariq Glass Industries Limited	499,000	-	-	-	499,000	38,238	53,393	15,155	2.76%	2.04%	0.68%
						38,238	53,393	15,155	2.76%	2.04%	0.68%
Oil and Gas Exploration Companies											
Pakistan Petroleum Limited	1,705,380	64,900	326,476	865,400	1,231,356	147,966	168,868	20,902	8.72%	6.47%	0.05%
Oil & Gas Development Company Limited (note 6.1.1)	1,682,400	188,600	-	370,000	1,501,000	197,937	213,622	15,685	11.03%	8.18%	0.03%
Pakistan Oilfields Limited	450,860	169,000	-	72,900	546,960	219,314	244,338	25,024	12.61%	9.36%	0.19%
Mari Petroleum Company Limited	6	45,580	2,868	6	48,448	47,234	63,472	16,238	3.28%	2.43%	0.04%
						612,451	690,300	77,849	35.64%	26.44%	0.32%
Oil and Gas Marketing Companies											
Attock Petroleum Limited	10	84,000	-	10	84,000	26,270	31,063	4,793	1.60%	1.19%	0.08%
Sui Northern Gas Company Limited	2,132,500	430,000	-	608,000	1,954,500	137,135	148,874	11,739	7.68%	5.70%	0.22%
Hi-Tech Lubricants Limited	-	901,000	-	-	901,000	24,164	28,057	3,893	1.45%	1.07%	0.78%
Pakistan State Oil Company Limited	158,040	-	-	158,040	-	-	-	-	-	-	-
						187,569	207,994	20,425	10.73%	7.96%	1.08%
Paper and Board											
Packages Limited*	350	-	-	6	344	103	137	34	0.01%	0.01%	-
						103	137	34	0.01%	0.01%	-
Pharmaceuticals											
AGP Limited	32	-	-	32	-	-	-	-	-	-	-
The Searle Company Limited* (note 6.1.2)	1,258	-	-	1,061	197	29	37	8	-	-	-
IBL Healthcare Limited* (note 6.1.2)	4,933	-	-	4,242	691	23	52	29	-	-	-
						52	89	37	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

Name of the investee company	Number of shares					Balance as at December 31, 2019			Market value as a percentage of		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
	As at July 01, 2019	Purchased during the period	Right issue/Bonus during the period	Sold during the period	As at December 31, 2019	Carrying value	Market value	Unrealised (loss) / gain	total investments	net assets	

----- (Rupees in '000) ----- % -----

Power Generation and Distribution

The Hub Power Company Limited (note 6.1.1)	3,238,242	779,500	-	2,199,000	1,818,742	142,291	169,780	27,489	8.76%	6.50%	0.16%
LalPir Power Limited**	-	2,000,000	-	-	2,000,000	27,300	29,020	1,720	1.50%	1.11%	0.53%
						169,591	198,800	29,209	10.26%	7.61%	0.68%

Refinery

Attock Refinery limited	-	200,000	-	-	200,000	27,402	22,338	(5,064)	1.15%	0.86%	0.19%
National Refinery limited	-	75,000	-	-	75,000	12,351	10,581	(1,770)	0.55%	0.41%	0.09%
						39,753	32,919	(6,834)	1.70%	1.27%	0.28%

Sugar and Allied industries

Faran Sugar Mills Limited	92,000	-	-	-	92,000	3,735	6,984	3,249	0.36%	0.27%	0.37%
						3,735	6,984	3,249	0.36%	0.27%	0.37%

Technology and Communication

Pakistan Telecommunication Company Limited*	131,500	-	-	-	131,500	1,088	1,231	143	0.06%	0.05%	-
Systems Limited	553,300	-	-	185,500	367,800	35,298	45,718	10,420	2.36%	1.75%	0.30%
						36,386	46,949	10,563	2.42%	1.80%	0.30%

Textile Composite

Interloop limited	915,520	-	-	300,500	615,020	27,227	35,702	8,475	1.84%	1.37%	0.07%
Kohinoor Textile Mills Limited*	214,650	-	-	200,000	14,650	367	572	205	0.03%	0.02%	-
Nishat Mills Limited**	163,600	-	-	163,600	-	-	-	-	-	-	-
						27,594	36,274	8,680	1.87%	1.39%	0.07%

Total as at December 31, 2019

1,701,886 1,937,465 235,579

Total as at June 30, 2019

2,386,886 2,004,968 (381,918)

* Nil figures due to rounding off

** These represent transactions of shares which are related parties.

6.1.1 Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by Securities and Exchange Commission of Pakistan (SECP).

Name of security	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019
	----- (Number of shares) -----		----- (Rupees in '000) -----	
The Hub Power Company Limited	233,744	233,744	21,820	18,407
Lucky Cement Limited		25,000		9,512
Oil & Gas Development Company Limited	100,000	100,000	14,232	13,149
	333,744	358,744	36,052	41,068

6.1.2 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause 99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the Honourable High Court of Sindh in favour of CISs.

During the year ended June 30, 2018, the Supreme Court of Pakistan passed a judgement on June 27, 2018 whereby the suits which are already pending or shall be filed in future must only be continued / entertained on the condition that a minimum of 50 percent of the tax calculated by the tax authorities is deposited with the authorities. Accordingly, the CISs were required to pay minimum 50% of the tax calculated by the tax authorities for the case to remain continued. The CISs failed to deposit the minimum 50% of the tax liability and accordingly the stay got vacated automatically. Subsequent to June 30, 2019, the CISs have filed a fresh constitutional petition via CP 4653 dated July 11, 2019. In this regard, on July 15, 2019, the Honourable High of Sindh has issued notices to the relevant parties and has ordered that no third party interest on bonus shares issued to the Funds in lieu of their investments be created in the meantime. The matter is still pending adjudication and the Funds have included these shares in their portfolio, as the management is confident that the decision of the constitutional petition will be in favour of the CISs.

Finance Act, 2018 effective from July 1, 2018 has omitted Section 236M of Income Tax Ordinance, 2001 requiring every company quoted on stock exchange issuing bonus shares to the shareholders of the company, to withhold five percent of the bonus shares to be issued. Therefore, bonus shares issued to the Fund during the period were not withheld by the investee companies.

As at December 31, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 0.084 million (June 30, 2019: Rs. 0.052 million).

		(Un-Audited) December 31, 2019	(Audited) June 30, 2019
	Note	----- (Rupees in '000) -----	
7 PAYABLE TO MCB ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY			
Management remuneration payable	7.1	4,438	5,024
Sindh sales Tax payable on management remuneration	7.2	577	653
Allocated expenses payable	7.3	855	251
Selling and marketing expenses	7.4	8,114	3,144
Sales load payable		332	226
Back end load payable		1,177	502
Shariah advisory fee		77	75
		15,570	9,875
7.1	The Management Company has charged remuneration at the rate of 2% (June 30, 2019: 2%) of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.		
7.2	Sindh sales tax on management remuneration has been charged at the rate of 13% (June 30, 2019: 13%)		
7.3	In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).		

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense, which has also been approved by the Board of Director of The Management Company.

- 7.4** The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.

During the current period, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board of Director of The Management Company as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

The Management Company has charged selling and marketing expenses to the Fund based on its discretion subject to not being higher than actual expense, which has also been approved by the Board of Director of The Management Company.

8 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the current period. Previously, the rate of annual fee applicable to asset allocation scheme was 0.095% of the average annual net assets of the Fund.

	Note	(Un-Audited) December 31, 2019	(Audited) June 30, 2019
		----- (Rupees in '000) -----	
9 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund (SWWF)	9.1	15,063	7,622
Federal Excise Duty payable on management fee	9.2	5,910	5,910
Federal Excise Duty payable on sales load	9.2	1,136	1,136
Charity / donation payable		1,586	2,104
Auditors' remuneration		258	324
Withholding tax payable		893	2
Brokerage payable		2,125	739
Other payables		179	158
		<u>27,150</u>	<u>17,995</u>

9.1 Provision for Sindh Workers' Welfare Fund

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

Had the provision for SWWF not been recorded in the condensed interim financial statements of the Fund, the net assets value of the Fund as at December 31, 2019 would have been higher by Re.0.43 (June 30, 2019: Re.0.16) per unit.

9.2 Federal Excise Duty on remuneration of the Management Company and sales load

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

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 7.04 million is being retained in these condensed interim financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at December 31, 2019 would have been higher by Re 0.20 (June 30, 2019: Re 0.15) per unit.

10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2019 and June 30, 2019.

11 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 Regulations, 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 ending June 30, 2020 to the unit holders atleast 90% of the income therefore, no provision for taxation has been made in these condensed interim financial statements.

12 CASH AND CASH EQUIVALENTS

Balances with banks

(Un-Audited)	
December 31, 2019	December 31, 2018
----- (Rupees in '000) -----	
723,969	1,683,810

13 EARNINGS / LOSS PER UNIT

Earnings / loss 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

14 TOTAL EXPENSE RATIO

The total expense Ratio (TER) of the Fund for the current period is 4.48% (December 31, 2018: 1.63%) which includes 0.87% (December 31, 2018: 0.19%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 4% (excluding government levies prescribed under the NBFC Regulations for a collective investment scheme categorised as a shariah compliant Islamic asset allocation scheme.

15 TRANSACTIONS 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, key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

Remuneration to the Management Company of the Fund is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

Remuneration to the Trustee of the Fund is determined in accordance with the provisions of the Trust Deed.

The details of transactions during the current period and balances at period end with related parties / connected persons are as follows:

	(Un-Audited)	
	December 31, 2019	December 31, 2018
	----- (Rupees in '000) -----	
15.1 Details of transactions with connected persons are as follows:		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration (including indirect taxes)	29,631	43,246
Allocated expenses	1,311	2,162
Selling and marketing expenses	12,217	7,654
Shariah advisory fee	452	450
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes	2,050	2,732
Settlement charges	73	96
Group / Associated Companies:		
MCB Bank Limited		
Bank charges	9	7
Arif Habib Limited		
Brokerage expense *	303	182
Next Capital Limited		
Brokerage expense *	106	93
Nishat Mills Limited		
Sale of 163,600 (2018: 413,400) shares	10,546	56,022
Dividend income	-	2,696

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

D.G. Khan Cement Company Limited

Purchase of Nil (2018: 225,000) shares	-	20,752
Sale of Nil (2018: 848,000) shares	-	95,966

Fatima Fertilizer Company Limited

Purchase of Nil (2018: 1,680,500) shares	-	55,928
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Lalpir Power Limited

Purchase of 2,000,000 (2018: Nil) shares	27,230	-
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Packages Limited

Sale of 6 (2018: Nil) shares	1	-
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* 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, June 30,
2019 2019
----- (Rupees in '000) -----

15.2 Balances outstanding at period / year end:

MCB Arif Habib Savings and Investments

Limited - Management Company

Remuneration payable	4,438	5,024
Sindh sales tax payable on management remuneration	577	653
Allocated expenses payable	855	251
Selling and marketing expenses payable	8,114	3,144
Sales load payable	332	226
Back end load payable	1,177	502
Shariah advisory fee payable	77	75

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable	307	334
Sales tax on remuneration payable	40	43
Security deposit	200	200

Group / Associated Companies:

MCB Bank Limited

Balance with bank	14,829	12,592
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Arif Habib Limited - Brokerage house

Brokerage payable *	238	38
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Next Capital Limited - Brokerage house

Brokerage payable *	88	62
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

MCB Islamic Bank Limited

Balance with bank	3,385	14
Profit receivable on deposit account with bank	1,764	-

Lalpir Power Limited

2,000,000 (2019: Nil) shares held	29,020	-
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Nishat Mills Limited

Nil shares held (June 30, 2019: 163,600 shares)	-	15,270
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Fatima Fertilizer Company Limited

2,080,500 shares held (June 30, 2019: 2,080,500 shares)	55,320	62,103
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Packages Limited

344 shares held (June 30, 2019: 350 shares)	137	105
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* 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.

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

December 31, 2019 (Un-Audited)							
As at July 01, 2019	Issued for cash	Redeemed	As at December 31, 2019	As at July 01, 2019	Issued for cash	Redeemed	As at December 31, 2019
----- Units -----				----- (Rupees in '000) -----			

Group / Associated Companies

D.G Khan Cement Company Limited - Employees' Provident Fund Trust	111,064	-	-	111,064	7,089		8,218
Adamjee Life Assurance Company Limited - Investment Multiplier Fund	572,847	-	-	572,847	36,562		42,388
Adamjee Life Assurance Company Limited - (MAZAAF)	354,404	681,930	-	1,036,334	22,620	50,000	76,683

Key management personnel*	14,241	1,335	2,705	12,871	909	84	169	952
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Mandate under Discretionary

Portfolio Services *	297,835	21,522	5,325	314,032	19,009	1,273	330	23,237
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* This reflects the position of related party / connected persons status as at December 31, 2019.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

December 31, 2018 (Un-Audited)							
As at July 01, 2018	Issued for cash	Redeemed	As at December 31, 2018	As at July 01, 2018	Issued for cash	Redeemed	As at December 31, 2018
----- Units -----				----- (Rupees in '000) -----			

Group / Associated Companies

D.G Khan Cement Company Limited -

Employees' Provident Fund Trust	111,064	-	-	111,064	7,780	-	-	7,490
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Adamjee Life Assurance Company

Limited - (MAZAAF)	919,634	-	-	919,634	64,420	-	-	62,017
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Key management personnel*	12,157	16,378	-	28,535	852	1,154	-	1,924
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Mandate under Discretionary

Portfolio Services*	1,247,261	7,681	358,270	896,672	87,370	530	24,785	60,468
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* This reflects the position of related party / connected persons status as at December 31, 2018.

16 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

16.1 FAIR VALUE HIERARCHY

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

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

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

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

As at December 31, 2019 and June 30, 2019, the Fund holds the following financial instruments measured at fair value:

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

	-----Unaudited-----			
	-----December 31, 2019-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
Investment in quoted equity securities classified at fair value through profit or loss	1,937,465	-	-	1,937,465
	<u>1,937,465</u>	<u>-</u>	<u>-</u>	<u>1,937,465</u>
	-----Audited-----			
	-----June 30, 2019-----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000') -----			
Investment in quoted equity securities classified at fair value through profit or loss	2,004,968	-	-	2,004,968
Term deposit musharika*	-	175,000	-	175,000
	<u>2,004,968</u>	<u>175,000</u>	<u>-</u>	<u>2,179,968</u>

* The carrying value of these securities approximate their fair value since these are short term in nature and are placed with counter parties which have high credit ratings.

17 GENERAL

Figures have been rounded off to the nearest thousand rupees.

18 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 21, 2020 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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