



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY PACTA

HALF YEAR REPORT

DECEMBER
2019
(UNAUDITED)

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

Vision

To become synonymous with Savings.

Mission

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

Core Values

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

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MCB DCF INCOME FUND

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FUND'S INFORMATION

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 Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Silk Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Telenor Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
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 **MCB DCF Income 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.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 11.35% as against its benchmark return of 14.18%. The WAM of the fund reduced to 1.3 years because of interest rate outlook which was on a rising trend. The fund allocation remained notably in cash and T-Bills at the end of the period under review. At period-end, the fund was 36.5% invested in T-Bills, 44.1% in Cash and 16.8% in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at December 31, 2019 stood at Rs. 4,260 million as compared to Rs. 3,933 million as at June 30, 2019 registering an increase of 8.31%.

The Net Asset Value (NAV) per unit as at December 31, 2019 was Rs. 112.6529 as compared to opening NAV of Rs. 106.5542 per unit as at June 30, 2019 registering an increase of Rs. 6.0987 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

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

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 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.

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

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

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۔

کمپنیل 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 2020ء میں اہم ترین موضوع مالیاتی پالیسی کی تقلیب ہوگا کیونکہ افراطِ 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 سُست روی کے دور کے بعد عموماً آمدنیاں تیزی سے بڑھتی ہیں کیونکہ ایکویٹیز افراطِ 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 دورانِ سال پہلے ہی کچھ حد تک متوقع مالیاتی تسہیل میں کردار ادا کر چکے ہیں۔ کمپنیل 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۔

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 صمد 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 زیر التواء ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز 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

ڈائریکٹر رپورٹ

فنڈ کی سرمایہ کاری 36.5 فیصدٹی۔ بلز میں، 44.1 فیصد نقد میں اور 16.8 فیصد ٹرم فنانس سرٹیفکیٹس میں تھی۔ نقد میں بھاری شمولیت کی وجہ بینک ڈپازٹس پر پُرکشش شرحیں تھی۔

31 دسمبر 2019ء کو فنڈ کے net اثاثہ جات 4,260 ملین روپے تھے جو 30 جون 2019ء (3,933 ملین روپے) کے مقابلے میں 8.31 فیصد اضافہ ہے۔
31 دسمبر 2019ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 112.6529 روپے تھی جو 30 جون 2019ء کی ابتدائی NAV (106.5542 روپے) کے مقابلے میں 6.0987 روپے فی یونٹ اضافہ 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 2019-20ء 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 کسی اے ڈی، جی ڈی پی کے 2.3 فیصد پر رک جائے گا۔ ہم نے خام تیل کی قیمتوں کو 70 ڈالر فی بی بی ایل فرض کیا ہے جو موجودہ طور پر 60 ڈالر فی بی بی ایل کے قریب منڈا 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 ملٹوی شدہ سہولت سے بھی زرمبادلہ کے ذخائر 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 2019ء REER 95.9 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 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 ڈیولپمنٹ 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

ایم سی بی ڈی سی ایف انکم فنڈ کے بورڈ آف ڈائریکٹر کی جانب سے 31 دسمبر 2019ء کو ختم ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

استحکام کے حکومتی اقدامات کے ثمرات ظاہر ہونا شروع ہو گئے ہیں کیونکہ ادائیگی کے توازن کی صورتحال 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 کثیرالجہتی اداروں سے رقوم موصول ہوئیں، جبکہ سی اے ڈی کے ذریعے رقوم کے خروج کا سلسلہ محدود رہا۔ صارفی قیمت کے انڈیکس (کنز یومر پرائس انڈیکس: سی پی آئی) کو سال 2015ء اور 2016ء 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 پیمائش 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 مبنی کھپت 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 اور اسٹیل مینوفیکچرنگ میں طلب میں بالترتیب 37.7 فیصد اور 13.8 فیصد کمی ہوئی۔ ٹیکس وصولی کی عارضی تعداد بھی حوصلہ افزا تھی - 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 تریمعا 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 پیداوار میں کمی ہوئی۔ نصف اول کے دوران تین سالہ بانڈز میں 221 بیسس پوائنٹس (بی پی ایس) جبکہ طویل تریمعا 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۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 11.35 فیصد تھا جبکہ مقررہ معیار (بنچ مارک) منافع 14.18 فیصد تھا۔ فنڈ کی WAM (ویٹڈ ایورتج میچورٹی) انٹریسٹ کی شرحوں میں اضافے کے رجحان کے باعث کم ہو کر 1.3 سال ہو گئی۔ زیر جائزہ مدت کے اختتام پر فنڈ کی زیادہ تر شمولیت نقد اور ٹریڈری بلز (ٹی-بلز) میں تھی۔ اختتام مدت پر

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahr-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
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Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DCF INCOME FUND

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

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB DCF Income 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 (Un-Audited)	June 30, 2019 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	4	3,082,184	2,779,853
Investments	5	3,798,218	1,244,532
Mark-up, dividend and other receivables		47,436	48,566
Receivable against sale of investments		-	22,840
Advances, deposits and prepayments		69,658	43,925
Total assets		6,997,496	4,139,716
LIABILITIES			
Payable to MCB Arif Habib Savings and Investments Limited - Management Company	6	11,202	6,118
Payable to Central Depository Company of Pakistan Limited - Trustee	7	314	385
Payable to the Securities and Exchange Commission of Pakistan (SECP)	8	424	2,939
Payable against purchase of investments		2,563,169	4,443
Accrued expenses and other liabilities	9	162,160	192,386
Total liabilities		2,737,269	206,271
NET ASSETS		4,260,227	3,933,445
Unit holders' fund (as per statement attached)		4,260,227	3,933,445
Contingencies and commitments	10		
NUMBER OF UNITS IN ISSUE			
		37,817,270	36,914,955
NET ASSET VALUE PER UNIT			
		112.6529	106.5542

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					
		119,965	16,164	82,528	7,766
		86,068	65,503	46,916	35,029
		(6,698)	(51,184)	(11,262)	(35,621)
		80,659	81,797	21,595	43,841
		-	6,093	-	209
		17,710	11,958	15,495	6,951
		(5,114)	52,522	(5,978)	27,435
		(660)	-	(193)	(2,581)
	5.4.4	(1,744)	(5,886)	(3,839)	9,708
		1,252	392	808	271
		291,438	177,359	146,070	93,008
EXPENSES					
	6.1	31,829	30,125	16,348	14,184
	6.2	4,138	3,917	2,125	1,845
	6.3	2,122	2,269	1,090	1,068
	7	1,592	2,137	818	1,019
		207	278	106	133
	6.4	4,948	-	4,029	-
	8	424	1,506	218	709
		2,879	6,477	1,882	3,238
		490	356	317	142
		91	120	45	65
		340	393	153	197
		49,060	47,578	27,131	22,600
		242,378	129,781	118,939	70,408
	9.1	(4,848)	(2,596)	(2,379)	(1,408)
		237,530	127,185	116,560	69,000
	11	-	-	-	-
		237,530	127,185	116,560	69,000
Allocation of net income for the period:					
		237,530	127,185		
		(26,830)	(13,464)		
		210,700	113,721		
Accounting income available for distribution:					
		-	-		
		210,700	113,721		
		210,700	113,721		

Earnings per unit

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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**

	Six months period ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
	----- (Rupees in '000) -----			
Net income for the period after taxation	237,530	127,185	116,560	69,000
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	<u>237,530</u>	<u>127,185</u>	<u>116,560</u>	<u>69,000</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			Six months period ended December 31, 2019			
Capital value	Undistributed income	Total	Capital value	Undistributed income	Unrealised appreciation/(diminution) on available-for-sale investments	Total
(Rupees in '000)						
Net assets at the beginning of the period	3,539,191	394,254	3,933,445	4,299,274	573,226	(7) 4,872,493
Effect of adoption of IFRS 9	-	-	-	-	(7)	7 -
Net assets at the beginning of the period	3,539,191	394,254	3,933,445	4,299,274	573,219	- 4,872,493
Issuance of 22,399,019 units (2018: 5,517,395 units)						
- Capital value (at net asset value per unit at the beginning of the period)	2,386,710	-	2,386,710	587,398	-	- 587,398
- Element of income	67,682	-	67,682	4,586	-	- 4,586
	2,454,392	-	2,454,392	591,984	-	- 591,984
Redemption of 21,496,704 units (2018: 15,542,779 units)						
- Capital value (at net asset value per unit at the beginning of the period)	2,290,565	-	2,290,565	1,654,729	-	- 1,654,729
- Element of income	47,745	26,830	74,575	1,356	13,464	- 14,820
	2,338,310	26,830	2,365,140	1,656,085	13,464	- 1,669,549
Total comprehensive income for the period	-	237,530	237,530	-	127,185	- 127,185
Final Distribution for the year ended June 30, 2018 (including additional units) at the rate of Rs.4.8783 per unit (Declared on July 04, 2018)	-	-	-	(31,091)	(182,392)	- (213,483)
	-	237,530	237,530	(31,091)	(55,207)	- (86,298)
Net assets at the end of the period	3,655,273	604,954	4,260,227	3,204,082	504,548	- 3,708,630

Undistributed income brought forward comprising of:

- Realised gain
- Unrealised loss

407,880	590,511
(13,626)	(17,285)
394,254	573,226
-	(7)
394,254	573,219

Effect of adoption of IFRS 9

Undistributed income brought forward

Accounting income available for distribution:

- Relating to capital gains
- Excluding capital gains

-	-
210,700	113,721
210,700	113,721
-	(182,392)
604,954	504,548

Cash distribution during the period

Undistributed income carried forward

Undistributed income carried forward comprising of:

- Realised gain
- Unrealised loss

607,358	510,434
(2,404)	(5,886)
604,954	504,548
(Rupees)	(Rupees)
106.5542	111.3412
112.6529	109.9295

Net asset value per unit at the beginning of the period

Net asset value per unit at the end of the period

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

CASH FLOWS FROM OPERATING ACTIVITIES

Net income for the period before taxation	237,530	127,185
Adjustments for:		
Dividend income	(17,710)	(11,958)
Net unrealised loss on revaluation of future stock contracts	660	129
Net unrealised loss on revaluation of investments 'at fair value through profit or loss	1,744	5,886
Provision for Sindh Workers' Welfare Fund (SWWF)	4,848	2,596
	<u>227,072</u>	<u>123,838</u>
Decrease / (Increase) in assets		
Investments	(2,556,090)	201,896
Mark-up, dividend and other receivables	557	(7,043)
Receivable against sale of investments	22,840	(84,510)
Receivable against Margin Trading System (MTS)	-	1,893
Advances and prepayments	(25,733)	78,346
	<u>(2,558,426)</u>	<u>190,582</u>
(Decrease) / increase in liabilities		
Payable to MCB Arif Habib Savings and Investments Limited - Management Company	5,084	(1,361)
Payable to Central Depository Company of Pakistan Limited - Trustee	(71)	(57)
Payable to the Securities and Exchange Commission of Pakistan (SECP)	(2,515)	(2,608)
Payable against purchase of investments	2,558,726	36,944
Accrued expenses and other liabilities	(35,074)	(263)
	<u>2,526,150</u>	<u>32,655</u>
Dividends received	18,283	12,643
Net cash generated from operating activities	<u>213,079</u>	<u>359,718</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Receipts from issuance of units	2,454,392	560,893
Payments on redemption of units	(2,365,140)	(1,674,288)
Dividend paid	-	(182,392)
Net cash generated from / (used in) financing activities	<u>89,252</u>	<u>(1,295,787)</u>
Net increase / (decrease) in cash and cash equivalents during the period	<u>302,331</u>	<u>(936,069)</u>
Cash and cash equivalents at the beginning of the period	2,779,853	2,944,793
Cash and cash equivalents at the end of the period	<u>12 3,082,184</u>	<u>2,008,724</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 MCB DCF Income Fund (the Fund) was established under a Trust Deed dated November 20, 2006 executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme vide its letter dated on November 7, 2006 consequent to which the trust deed was executed on November 10, 2006 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (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 has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.4 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated October 08, 2019 to the Management Company and a stability rating of 'AA-(f)' dated December 24, 2019 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 (CDC) as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and 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.

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.

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

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

3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2019.

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

3.3 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.

3.4 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.

	Note	December 31, 2019 (Un-audited) ------(Rupees in '000)-----	June 30, 2019 (Audited)
4 BALANCES WITH BANKS			
Current accounts	4.1	1,900	3,509
Savings accounts	4.2	3,080,284	2,776,344
		<u>3,082,184</u>	<u>2,779,853</u>

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

- 4.1** This represents balance maintained with MCB Bank Limited (a related party).
- 4.2** This includes balances of Rs.4.096 million (June 30, 2019: Rs.5.718 million) maintained with related party that carry profit at 11.25% per annum (June 30, 2019: 4.5%). Other profit and loss saving accounts of the Fund carry profit rates ranging from 10.25% to 14.45% per annum (June 30, 2019: 3.75% to 13.10% per annum).

5 INVESTMENTS	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
Investments by Category		------(Rupees in '000)-----	
At fair value through profit or loss			
Government securities	5.1	2,582,005	29,540
Listed equity securities	5.2	39,040	3,965
Listed debt securities	5.3	616,239	651,178
Unlisted debt securities	5.4	561,594	559,978
Future stock contracts		(660)	(129)
		<u>3,798,218</u>	<u>1,244,532</u>

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

5.1 Government securities - 'at fair value through profit or loss

Name of security	Date of issue	Face value				Balance as at December 31, 2019			Market value as a percentage of	
		As at July 01, 2019	Purchased during the period	Disposed/ matured during the period	As at December 31, 2019	Carrying value	Market value	Unrealised gain / (loss)	net assets	total invest-ments
(Rupees in '000)										
%										
Treasury Bills - 3 months										
Treasury Bills	23-May-2019	30,000	-	30,000	-	-	-	-	-	-
Treasury Bills	18-Jul-2019	-	9,850,000	9,850,000	-	-	-	-	-	-
Treasury Bills	01-Aug-2019	-	75,000	75,000	-	-	-	-	-	-
Treasury Bills	16-Aug-2019	-	3,430,000	3,430,000	-	-	-	-	-	-
Treasury Bills	29-Aug-2019	-	2,405,000	2,405,000	-	-	-	-	-	-
Treasury Bills	12-Sep-2019	-	700,000	700,000	-	-	-	-	-	-
Treasury Bills	26-Sep-2019	-	500,000	500,000	-	-	-	-	-	-
Treasury Bills	10-Oct-2019	-	1,400,000	1,400,000	-	-	-	-	-	-
Treasury Bills	24-Oct-2019	-	1,600,000	1,600,000	-	-	-	-	-	-
Treasury Bills	07-Nov-2019	-	1,525,000	1,525,000	-	-	-	-	-	-
Treasury Bills - 6 months										
Treasury Bills* (note 5.1.1)	18-Jul-2019	-	5,250,000	4,670,000	580,000	577,033	577,027	(6)	13.54%	15.19%
Treasury Bills	12-Sep-2019	-	1,500,000	1,500,000	-	-	-	-	-	-
Treasury Bills	26-Sep-2019	-	500,000	500,000	-	-	-	-	-	-
Treasury Bills	10-Oct-2019	-	1,375,000	1,375,000	-	-	-	-	-	-
Treasury Bills	24-Oct-2019	-	500,000	500,000	-	-	-	-	-	-
Treasury Bills	07-Nov-2019	-	2,200,000	2,200,000	-	-	-	-	-	-
Treasury Bills	05-Dec-2019	-	250,000	250,000	-	-	-	-	-	-
Treasury Bills*	19-Dec-2019	-	2,500,000	1,250,000	1,250,000	1,178,011	1,177,536	(475)	27.64%	31.00%
Treasury Bills - 12 months										
Treasury Bills	18-Jul-2019	-	1,000,000	1,000,000	-	-	-	-	-	-
Treasury Bills	29-Aug-2019	-	2,550,000	2,550,000	-	-	-	-	-	-
Treasury Bills	12-Sep-2019	-	2,850,000	2,850,000	-	-	-	-	-	-
Treasury Bills	26-Sep-2019	-	500,000	500,000	-	-	-	-	-	-
Treasury Bills*	10-Oct-2019	-	1,000,000	500,000	500,000	453,932	453,917	(15)	10.65%	11.95%
Treasury Bills	24-Oct-2019	-	1,000,000	1,000,000	-	-	-	-	-	-

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

Name of security	Date of issue	Face value				Balance as at December 31, 2019			Market value as a percentage of	
		As at July 01, 2019	Purchased during the period	Disposed/ matured during the period	As at December 31, 2019	Carrying value	Market value	Unrealised gain / (loss)	net assets	total investments
Treasury Bills	07-Nov-2019	-	1,000,000	1,000,000	-	-	-	-	-	-
Treasury Bills*	19-Dec-2019	-	1,989,000	1,600,000	389,000	345,648	345,519	(129)	8.11%	9.10%
Pakistan Investment Bonds										
Pakistan Investment Bonds - 03 years**	12-Jul-2018	-	61,000	50,000	11,000	10,147	10,206	59	0.24%	0.27%
Pakistan Investment Bonds - 05 years	19-Sep-2019	-	674,000	655,000	19,000	17,478	17,800	322	0.42%	0.47%
Pakistan Investment Bonds - 10 years	12-Jul-2018	-	496,900	496,900	-	-	-	-	-	-
	19-Sep-2019	-	175,000	175,000	-	-	-	-	-	-
	12-Jul-2018	-	37,500	37,500	-	-	-	-	-	-
	19-Sep-2019	-	50,000	50,000	-	-	-	-	-	-
Total as at December 31, 2019						2,582,249	2,582,005	(244)		
Total as at June 30, 2019						29,543	29,540	(3)		

* These will mature latest by January 16, 2020 and carries effective yield with rates ranging from 13.12% to 13.90% (June 30, 2019: 6.74%) per annum.

** These will mature latest by July 12, 2021 and carries effective yield with rates ranging from 13.63% to 13.09% (June 30, 2019: Nil) per annum.

5.1.1

The Market treasury Bill having a face value of Rs.30 million (June 30, 2019: Nil) was pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin and marked to market losses in accordance with Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

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

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

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

Name of investee company	Number of shares			Balance as at December 31, 2019			Market Value as a percentage of		
	As at July 01, 2019	Purchased during the period	Sold during the period	As at December 31, 2019	Carrying value	Market value	Unrealised (loss) / gain	net assets	total invest- ments
(Rupees in '000) %									
Food & Personal Care Products									
Frieslandcampina Engro Pakistan Limited	-	56,500	56,500	-	-	-	-	-	-
Fauji Foods Limited	-	1,798,000	1,798,000	-	-	-	-	-	-
Oil and Gas Exploration Companies									
Oil & Gas Development Company Limited	-	903,500	903,500	-	-	-	-	-	-
Pakistan Oilfields Limited	-	49,500	49,500	-	-	-	-	-	-
Oil and Gas Marketing Companies									
Hascol Petroleum Limited	-	14,500	14,500	-	-	-	-	-	-
Sui Southern Gas Company Limited	40,500	2,631,500	2,672,000	-	-	-	-	-	-
Pharmaceuticals									
The Searle Company Limited	-	539,000	539,000	-	-	-	-	-	-
Power Generation & Distribution									
The Hub Power Company Limited	-	28,500	28,500	-	-	-	-	-	-
K-Electric Limited*	541,000	4,705,500	5,246,500	-	-	-	-	-	-
Kot Addu Power Company Limited	2,000	824,000	826,000	-	-	-	-	-	-
Refinery									
Attock Refinery Limited	-	2,000	2,000	-	-	-	-	-	-
National Refinery Limited	-	135,500	135,500	-	-	-	-	-	-
Technology & Communications									
Netsol Technologies Limited	-	123,500	123,500	-	-	-	-	-	-
TRG Pakistan Limited	-	1,000	1,000	-	-	-	-	-	-
Textile Composite									
Nishat (Chunian) Limited	4,500	312,500	317,000	-	-	-	-	-	-
Nishat Mills Limited	500	310,000	310,500	-	-	-	-	-	-

(Rupees in '000) %

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

Name of investee company	Number of shares			Balance as at December 31, 2019		Market Value as a percentage of	
	As at July 01, 2019	Purchased during the period	Sold during the period	As at December 31, 2019	Carrying value	Market value	total investments
Transport							
Pakistan International Bulk Terminal Limited	-	2,423,500	2,423,500	-	-	-	-
Total as at December 31, 2019					38,380	39,040	1.03%
Total as at June 30, 2019					3,799	3,965	166

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

Name of investee company	Number of certificates				Balance as at December 31, 2019		Market value as a percentage of	
	As at July 01, 2019	Purchased during the period	Disposed during the period	As at December 31, 2019	Carrying value	Market value	net assets	total investments
Commercial banks								
Bank Alfalah Limited-V (February 20, 2013)	65,581	-	-	65,581	327,052	327,052	7.68%	8.61%
Fertilizer								
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017)*	2,500	-	-	2,500	199,342	199,480	138	4.68%
Dawood Hercules Corporation Limited - Sukuk (March 01, 2018)*	1,000	-	-	1,000	89,820	89,707	(113)	2.11%
Leasing companies								
Saudi Pak Leasing Company Limited (March 13, 2008) (refer note 5.4.1) Less: Provision for impairment	10,000	-	-	10,000	289,162	289,187	25	6.79%
As at December 31, 2019					616,214	616,239	25	
As at June 30, 2019					654,473	651,178	(3,295)	

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

Name of investee company	Number of certificates				Balance as at December 31, 2019			Market value as a percentage of
	As at July 01, 2019	Purchased during the period	Disposed/ Matured during the period	As at December 31, 2019	Carrying value	Market value	Unrealised (loss) / gain	
Commercial banks								
Askari Bank Limited IV - TFC (September 30, 2014)	39,000	-	-	39,000	189,560	190,224	664	4.47%
Bank AL Habib Limited (March 17, 2016) TFC-II	10,480	-	-	10,480	51,803	51,411	(392)	1.21%
The Bank of Punjab Limited - TFC II* - Issue Date April 23, 2018	850	-	-	850	80,370	81,151	781	1.90%
The Bank of Punjab Limited TFC-I* (December 23, 2016)	950	145	-	1,095	108,212	107,604	(608)	2.53%
					429,945	430,390	445	10.11%
Chemicals								
Ghani Chemical Industries Limited - Sukuk* (February 02, 2017)	500	-	-	500	27,147	24,375	(2,772)	0.57%
Investment Bank								
Jahangir Siddiqui and Company Limited- TFC-III- July 18, 2017	10,000	-	-	10,000	37,142	37,388	246	0.88%
Jahangir Siddiqui & Company Limited. - TFC (March 06, 2018)	14,000	-	-	14,000	69,545	69,441	(104)	1.63%
					106,687	106,829	142	2.51%
Household goods								
New Allied Electronics Industries (Private) Limited (May 15, 2007) (refer note 5.4.1)	10,400	-	-	10,400	21,983			
Less: Provision for impairment					(21,983)			
					-			
New Allied Electronics Industries (Private) Limited Sukuk (July 27, 2007) (refer note 5.4.1)	112,000	-	-	112,000	35,001			
Less: Provision for impairment					(35,001)			
					-			
As at December 31, 2019								
					563,779	561,594	(2,185)	
As at June 30, 2019								
					570,343	559,978	(10,365)	

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

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

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

5.4.2 Significant terms and conditions of term finance certificates and other securities outstanding at December 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
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------(Rupees)-----

Listed debt securities

Bank Alfalah Limited V - TFC (February 20, 2013)	65,581	5,000	4,987	6M KIBOR + 1.25%	February 20, 2021	Unsecured	AA
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017)	2,500	100,000	80,000	3M KIBOR + 1%	November 16, 2022	Secured	AA
Dawood Hercules Corporation Limited - Sukuk (March 01, 2018)	1,000	100,000	90,000	3M KIBOR + 1%	March 1, 2023	Unsecured	AA

Unlisted debt securities

Askari Bank Limited IV - TFC (September 30, 2014)	39,000	5,000	4,990	6M KIBOR + 1.20%	September 30, 2024	Unsecured	AA-
Bank ALHabib Limited - TFC II (March 17, 2016)	10,480	5,000	4,993	6M KIBOR + 0.75%	March 17, 2026	Unsecured	AA
The Bank of Punjab Limited - TFC (December 23, 2016)	1,095	100,000	99,900	6M KIBOR + 1.00%	December 23, 2026	Unsecured	AA-
The Bank of Punjab (April 23, 2018)	850	100,000	99,940	6M KIBOR + 1.25%	April 23, 2028	Unsecured	AA-
Ghani Chemical Industries Limited - Sukuk (February 02, 2017)	500	100,000	54,167	3M KIBOR + 1%	February 2, 2023	Unsecured	A-
Jahangir Siddiqui and Company Limited - TFC (July 18, 2017)	10,000	5,000	3,750	6M KIBOR + 1.4%	July 18, 2022	Secured	AA+
Jahangir Siddiqui and Company Limited - TFC (March 06, 2018)	14,000	5,000	5,000	6M KIBOR + 1.4%	March 6, 2023	Secured	AA+

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

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

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at December 31, 2019, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of total investments
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------(Rupees in "000)---

Listed debt securities

Saudi Pak Leasing Company Limited	TFC	27,548	27,548	-	-	-
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Unlisted debt securities

New Allied Electronics Industries (Private) Limited	TFC	21,983	21,983	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	35,001	35,001	-	-	-

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

		December 31, 2019 (Un-audited) ------(Rupees in '000)-----	June 30, 2019 (Audited)
5.4.4 Net unrealised loss on re-measurement of investments classified as 'at fair value through profit or loss	Note		
Market value of investments	5.1, 5.2, 5.3 & 5.4	3,798,878	1,244,532
Less: Carrying value of investments	5.1, 5.2, 5.3 & 5.4	3,800,622	1,258,158
		<u>(1,744)</u>	<u>(13,626)</u>

		December 31, 2019 (Un-audited) ------(Rupees in '000)-----	June 30, 2019 (Audited)
6 PAYABLE TO MCB ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY	Note		
Remuneration payable	6.1	5,567	4,779
Sindh sales tax on management fee	6.2	724	621
Sale load Payable		507	399
Allocated expenses payable	6.3	371	319
Back end load payable		5	-
Selling and marketing expenses payable	6.4	4,028	-
		<u>11,202</u>	<u>6,118</u>

6.1 The Management Company has charged remuneration at the rate upto 1.5% (June 30, 2019: 1.5%) of average daily net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

6.2 Sindh sales tax on management remuneration has been charged at the rate of 13% (June 30, 2019: 13%).

6.3 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%.

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.

6.4 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.

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

7 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. During the period, Trustee has revised its tariff as follows:

Existing Tariff		Revised Tariff
Net Assets (Rs.)	Fee	(Flat Rate)
-Up to Rs.1 billion	Rs.0.6 million or 0.17% per annum of net assets, whichever is higher	0.075% p.a. of net assets
- Rs.1 billion to Rs.5 billion	Rs.1.7 million plus 0.085% per annum of net assets exceeding Rs.1 billion	
- Over Rs.5 billion	Rs.5.1 million plus 0.07% per annum of net assets exceeding Rs.5 billion	

Accordingly the Fund has charged Trustee Fee at the rate 0.075% per annum of net assets during the period.

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 income scheme was 0.075%.

9 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		----- (Rupees in '000) -----	
Provision for Sindh Workers' Welfare Fund (SWWF)	9.1	32,559	27,711
Federal Excise Duty on remuneration to the Management Company	9.2	99,060	99,060
Federal Excise Duty on sales load	9.2	27,933	27,933
Sale load payable to MCB Bank Limited (a related party)		238	512
Auditors' remuneration		382	486
Withholding tax payable		600	316
Brokerage payable		1,249	1,181
Dividend payable		-	34,851
Others		139	336
		<u>162,160</u>	<u>192,386</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 these 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.0.86 (June 30, 2019: Re.0.75) 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 126.993 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 Assets Value of the Fund as at December 31, 2019 would have been higher by Rs 3.36 (June 30, 2019: Rs 3.44) per unit.

10 CONTINGENCIES AND COMMITMENTS

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

10.1 Commitments

Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at period end

December 31, 2019 (Un-audited) ----- (Rupees in '000) -----	June 30, 2019 (Audited) -----
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38,380	22,840
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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.

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

	December 31, 2019	December 31, 2018
	----- (Un-audited) -----	
12 CASH AND CASH EQUIVALENTS		
Balances with banks	<u>3,082,184</u>	<u>2,008,724</u>

13 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.

14 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund for the current period is 2.53% (December 31, 2018: 1.26%) which includes 0.45% (December 31, 2018: 0.22%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 2% (excluding government levies) prescribed under the NBFC Regulations for a collective investment scheme categorised as a "income scheme".

15 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, 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		
Remuneration (including indirect taxes)	35,967	34,042
Allocated expenses	2,122	2,269
Selling and marketing expenses	4,948	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration (including indirect taxes)	1,799	2,415
Settlement charges	47	298

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

Group / associated companies	(Un-Audited)	
	December 31, 2019	December 31, 2018
	----- (Rupees in '000) -----	
MCB Bank Limited		
Mark-up on deposit accounts	386	4
Sale of Securities having face value of Rs.146,900,000 (2018: Nil)	127,956	-
Bank charges	15	9
Silk Bank Limited**		
Mark-up on deposit accounts	-	36,741
Bank charges	-	80
Sale of Government Securities having face value of Nil (2018: Rs. 1,075,000,000)	-	1,057,126
Next Capital Limited - Brokerage House		
Brokerage and settlement charges *	25	280
Arif Habib Limited - Brokerage House		
Brokerage expense *	15	-
Adamjee Insurance Company Limited		
Purchase of Nil (2018: 42,000) shares	-	2,018
Sale of Nil (2018: 49,000) shares	-	2,041
Nishat (Chunian) Limited		
Purchase of 312,500 (2018: 434,000) shares	11,611	22,933
Sale of 317,000 (2018: 468,000) shares	11,550	23,138
Dividend income	378	-
D.G. Khan Cement Company Limited		
Purchase of 757,000 (2018: 4,166,000) shares	58,011	372,736
Sale of 757,000 (2018: 4,191,000) shares	58,460	372,662
Nishat Mills Limited		
Purchase of 310,000 (2018: 143,000) shares	28,512	19,729
Sale of 310,500 (2018: 156,500) shares	28,113	19,892
Dividend income	740	-

* 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.

** No longer a related party

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

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

15.2 Balances outstanding at period end:

MCB-Arif Habib Savings and Investments Limited

Remuneration payable	5,567	4,779
Sindh sales tax payable on remuneration payable	724	621
Sales load payable	449	353
Sindh sales tax payable on sales load	58	46
Back end load payable	5	-
Allocated expenses	371	319
Selling and marketing expenses payable	4,028	-

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable (including indirect taxes)	314	385
Security deposit	200	200

Group / associated companies

MCB Bank Limited

Balances with bank	5,986	5,718
Sales load payable	238	512

MCB Islamic Bank Limited

Balances with bank	10	-
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Next Capital Limited - Brokerage House

Brokerage and settlement charges payable*	11	73
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Nishat (Chunian) Limited

Nil (June 30, 2019: 4,500) shares held	-	158
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Nishat Mills Limited

Nil (June 30, 2019: 500) shares held	-	47
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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.

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

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

	For the half year ended December 31, 2019 (Un-Audited)							
	As at July 01, 2019	Issuance (including additional units)	Redeemed	As at December 31, 2019	As at July 01, 2019	Issuance	Redeemed	As at December 31, 2019
	Units				(Rupees in '000)			
Group / associated companies								
MCB-Arif Habib Savings and Investments limited	-	725,299	277,121	448,178	-	80,128	30,176	50,489
MCB Employees' Provident Fund	1,414,434	-	-	1,414,434	150,714	-	-	159,340
MCB Employees' Pension Fund	1,414,434	-	-	1,414,434	150,714	-	-	159,340
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	4,255	-	-	4,255	453	-	-	479
Mandate under discretionary portfolio services*	-	9,926,856	9,926,856	-	-	1,093,273	1,095,323	-
Key management personnel*	-	24,859	24,859	-	-	2,659	2,671	-

* This reflects position of related party / connected persons status as at December 31, 2019

	For the half year ended December 31, 2018 (Un-Audited)							
	As at July 01, 2018	Issuance (including additional units)	Redeemed	As at December 31, 2018	As at July 01, 2018	Issuance	Redeemed	As at December 31, 2018
	Units				(Rupees in '000)			
Group / associated companies								
MCB Employees' Provident Fund	1,255,728	57,539	-	1,313,267	139,814	6,126	-	144,367
MCB Employees' Pension Fund	1,255,728	57,539	-	1,313,267	139,814	6,126	-	144,367
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	173	-	3,950	421	18	-	434
Adamjee Life Assurance Company Limited - Employees' Gratuity Fund	-	-	-	-	2,932	-	3,067	-
Adamjee Insurance Company Limited - Employees' Gratuity Fund	166,862	7,645	174,507	-	18,579	4,405	18,591	-
Nishat Power Limited Employees Provident Fund Trust	86,109	3,946	90,055	-	9,587	2,273	9,607	-
Adamjee Insurance Company Limited - Employees Provident Fund	335,292	15,363	350,655	-	37,332	8,851	37,388	-
Mandate under discretionary portfolio services*	1,682,691	163,732	1,824,893	21,530	232,242	9,382	194,676	2,367

* This reflects 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.

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

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 held the following financial instruments measured at fair value:

-----Unaudited-----				
-----December 31, 2019-----				
Level 1	Level 2	Level 3	Total	
----- (Rupees in '000') -----				
Investment classified at fair value through profit or loss				
Government securities	-	2,582,005	-	2,582,005
Listed equity securities	39,040	-	-	39,040
Listed debt securities	-	616,239	-	616,239
Unlisted debt securities	-	561,594	-	561,594
Future stock contracts	-	(660)	-	(660)
	39,040	3,759,178	-	3,798,218

-----Audited-----				
-----June 30, 2019-----				
Level 1	Level 2	Level 3	Total	
----- (Rupees in '000') -----				
Investment classified at fair value through profit or loss				
Government securities	-	29,540	-	29,540
Listed equity securities	3,965	-	-	3,965
Listed debt securities	-	651,178	-	651,178
Unlisted debt securities	-	559,978	-	559,978
Future stock contracts	-	(129)	-	(129)
	3,965	1,240,567	-	1,244,532

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

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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