



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

MCB PAKISTAN SOVEREIGN FUND

CONTENTS

1	Fund's Information	69
2	Report of the Directors of the Management Company	70
3	Trustee Report to the Unit Holders	76
4	Auditor's Report to the Unit Holders on Review of Condensed Interim Financial Statements	77
5	Condensed Interim Statement of Assets And Liabilities	78
6	Condensed Interim Income Statement (Un-audited)	79
7	Condensed Interim Statement of Other Comprehensive Income (Un-audited)	80
8	Condensed Interim Statement of Movement in Unit Holder's Funds (Un-audited)	81
9	Condensed Interim Cash Flow Statement (Un-audited)	82
10	Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	83

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 Bank Al-Habib Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited National Bank of Pakistan	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 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 Pakistan Sovereign 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 15.68% as against its benchmark return of 14.00%. At period-end, the fund decreased its exposure in cash to 50.9% from 58.1%.

The Net Assets of the Fund as at December 31, 2019 stood at Rs. 2,510 million as compared to Rs. 630 million as at June 30, 2019 registering increase of 298.41%.

The Net Asset Value (NAV) per unit as at December 31, 2019 was Rs. 57.33 as compared to opening NAV of Rs. 53.13 per unit as at June 30, 2019 registering an increase of Rs. 4.20 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%

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

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

ڈائریکٹر رپورٹ

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 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 سیکنڈری اور اسٹاک کا خورد نظر یہ 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۔ 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 صدائے 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۔ سکیورٹیز 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، سکیورٹیز 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

فیصد سے کم کر کے 50.9 فیصد کر دیا گیا۔

31 دسمبر 2019ء کو فنڈ کے net اثاثہ جات 2.510 ملین روپے تھے جو 30 جون 2019ء (630 ملین روپے) کے مقابلے میں 298.41 فیصد کمی ہے۔
31 دسمبر 2019ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 55.33 روپے تھی جو 30 جون 2019ء کی ابتدائی NAV (53.13 روپے) کے مقابلے میں 2.20 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 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 بی ایل فرض کیا ہے جو موجودہ طور پر 60 ڈالر فی بی 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 ملوثی 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 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 پذیر 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 بی ایل 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 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 کمی آئے گی۔ نصف اوّل میں عارضی ٹیکس وصولی کے نتیجے سے ہمارے نظریے کی توثیق ہوتی ہے کیونکہ دوران سہ ماہی 120 بلین ڈالر کم کی وصولی ہوئی جس کے نتیجے میں ترقیاتی اقدامات کے لیے بھی کم خرچ کیا جائے گا۔

ایم سی بی پاکستان Sovereign 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 ۲۰۲۰ء 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 زیر مبادلہ کے ذخائر میں 4.1 بلین ڈالر کا خطرہ اضافہ ہوا کیونکہ پاکستان کو آئی ایم ایف اور کثیر الجہتی اداروں سے رقم موصول ہوئی، جبکہ سی اے ڈی کے ذریعے رقم کے خروج کا سلسلہ محدود رہا۔ صارفین کی قیمت کے انڈیکس (کنزیومر پرائس انڈیکس: سی پی آئی) کو سال ۲۰۱۵ء اور ۲۰۱۶ء والی بنیاد پر دوبارہ مقرر کیا گیا اور مالی سال ۲۰۲۰ء 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 پنی کھپت کی طلب میں بتدریج کمی کے باعث ایل ایس ایم میں کمی کا سلسلہ جاری رہنے کا امکان ہے۔ مالی سال ۲۰۲۰ء 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 تر میعاد کے بانڈز کی خطر طلب کے باعث پیداواری خم 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 بیس پوائنٹس (بی پی ایس) جبکہ طویل تر میعاد 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 15.68 فیصد تھا جبکہ مقررہ معیار (بنچ مارک) منافع 14.00 فیصد تھا۔ اختتام مدت پر فنڈ کی نقد میں شمولیت کو 58.1

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326021 - 23
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Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN SOVEREIGN FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Sovereign Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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 18, 2020



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

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahr-e-Faisal
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INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS OF MCB PAKISTAN SOVEREIGN FUND

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Sovereign Fund** (the Fund) as at December 31, 2019, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the half year ended December 31, 2019. The Board of the Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matters

The figures of the condensed interim financial information for the quarters ended December 31, 2019 and 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

The engagement partner on the review resulting in this independent auditor's review report is Hena Sadiq.

Deloitte Yousuf Adil
Chartered Accountants

Dated: February 25, 2020

Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

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

		(Un-Audited) December 31, 2019	(Audited) June 30, 2019
	Note	----- (Rupees in '000) -----	
ASSETS			
Bank balances	5	2,439,713	663,697
Investments	6	2,316,628	472,627
Profit receivable		28,256	2,822
Advances, prepayments and other receivables		3,159	3,094
Total assets		4,787,756	1,142,240
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited – Management Company	7	4,674	816
Payable to the Central Depository Company of Pakistan Limited - Trustee		157	96
Payable to the Securities and Exchange Commission of Pakistan		186	491
Payable against purchase of investments		2,229,607	467,813
Dividend payable		-	3,965
Accrued expenses and other liabilities	8	42,749	39,415
Total liabilities		2,277,373	512,596
NET ASSETS		2,510,383	629,644
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		2,510,383	629,644
CONTINGENCIES AND COMMITMENTS	9		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		43,784,515	11,850,746
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT		57.33	53.13

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019

		Half year ended December 31,		Quarter ended December 31,	
		2019	2018	2019	2018
	Note	----- (Rupees in '000) -----			
Income					
Income from government securities		104,672	22,200	79,812	12,126
Capital gain / (loss) on sale of investments - net		29,362	(4,217)	(91)	(3,986)
Profit on bank deposits		21,113	4,479	8,716	2,245
Unrealised appreciation / (diminution) in fair value of investments classified 'at fair value through profit or loss' - net	6.3	762	(665)	(346)	69
Total income		155,909	21,797	88,091	10,454
Expenses					
Remuneration of the Management Company	7.1	16,213	2,526	9,671	1,318
Sindh Sales Tax on remuneration of the Management Company		2,108	328	1,258	171
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		605	459	434	229
Sindh Sales Tax on remuneration of Trustee		79	60	57	30
Securities and Exchange Commission of Pakistan - annual fee		186	229	134	114
Allocated expenses	7.2	930	346	668	173
Marketing and selling expenses	7.3	1,300	-	935	-
Provision for Sindh Workers' Welfare Fund	8.1	2,649	339	1,481	161
Brokerage expenses		1,130	67	420	(32)
Legal and professional expenses		91	91	45	55
Auditors' remuneration		311	359	185	231
Other expenses		514	270	248	138
Total expenses		26,116	5,074	15,536	2,588
Net income for the period before taxation		129,793	16,723	72,555	7,866
Taxation	10	-	-	-	-
Net income for the period		129,793	16,723	72,555	7,866
Allocation of net income for the period:					
Net income for the period		129,793	16,723	72,555	7,866
Income already paid on units redeemed		(40,317)	(1,265)	(30,581)	(705)
		89,476	15,458	41,974	7,161
Accounting income available for distribution:					
- Relating to capital gains		16,649	-	-	-
- Excluding capital gains		72,827	15,458	41,974	7,161
		89,476	15,458	41,974	7,161
Earnings per unit					

11

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2019**

	Half year ended December 31,		Quarter ended December 31,	
	2019	2018	2019	2018
	----- (Rupees in '000) -----			
Net income for the period after taxation	129,793	16,723	72,555	7,866
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	129,793	16,723	72,555	7,866

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Half year ended December 31,						
	2019			2018			
	(Rupees in '000)						
	Capital Value	Accumulated loss	Total	Capital Value	Accumulated loss	Unrealised (losses) / gains on available for sale	Total
Net assets at beginning of the period	1,382,425	(752,781)	629,644	1,310,356	(725,494)	119	584,981
Issue of 86,174,093 units (2018: 3,245,021 units):							
- Capital value (at net asset value per unit at the beginning of the year)	4,578,430	-	4,578,430	181,170	-	-	181,170
- Element of income	195,839	-	195,839	(8,091)	-	-	(8,091)
	4,774,269	-	4,774,269	173,079	-	-	173,079
Redemption of 54,240,324 units (2018: 2,886,289 units)							
- Capital value (at net asset value per unit at the beginning of the year)	(2,881,788)	-	(2,881,788)	(161,142)	-	-	(161,142)
- Amount paid out of element of Income relating to net income for the period after taxation	(101,218)	(40,317)	(141,535)	7,733	(1,265)	-	6,468
	(2,983,006)	(40,317)	(3,023,323)	(153,409)	(1,265)		(154,674)
Total comprehensive income for the period	-	129,793	129,793	-	16,723	(119)	16,604
Final Distribution for the period Rs: Nil (For the year ended June 30, 2018 Rs. 2.75 per unit including additional units declared on July 04, 2018),	-	-	-	(960)	(27,853)	-	(28,813)
Net income for the period less distribution	-	129,793	129,793	(960)	(11,130)	(119)	(12,209)
Net assets as at the end of the period	3,173,688	(663,305)	2,510,383	1,329,066	(737,889)	-	591,177
Undistributed loss brought forward							
- Realised		(752,018)			(725,088)		
- Unrealised		(763)			(406)		
		(752,781)			(725,494)		
Accounting income available for distribution							
- Relating to capital gains	16,649			-			
- Excluding capital gains	72,827			15,458			
	89,476			15,458			
Distributions during the period		-		(27,853)			
Undistributed loss carried forward		(663,305)			(737,889)		
Undistributed loss carried forward							
- Realised		(664,067)		(737,889)			
- Unrealised		762		(665)			
		(663,305)		(737,889)			
	---	(Rupees) ---		---	(Rupees) ---		
Net assets value per unit as at beginning of the period	53.13			55.83			
Net assets value per unit as at end of the period	57.33			54.56			

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

	Half year ended December 31,	
	2019	2018
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	129,793	16,723
Adjustments for:		
Unrealised diminution / (appreciation) in fair value of investments classified 'at fair value through profit or loss' - net	(762)	665
Provision for Sindh Workers' Welfare Fund	2,649	339
	131,680	17,727
(Increase) / decrease in assets		
Investments	(2,311,112)	537,163
Profit receivable	(25,434)	408
Advances and prepayments	(65)	(28)
	(2,336,611)	537,543
Increase / (decrease) in liabilities		
Payable to the Management Company	3,858	124
Payable to the Central Depository Company of Pakistan Limited - Trustee	61	(5)
Payable to the Securities and Exchange Commission of Pakistan	(305)	(510)
Payable against purchase of investments	1,761,794	(71,512)
Dividend payable	(3,965)	-
Accrued expenses and other liabilities	685	(240)
	1,762,128	(72,143)
Net cash (used in) / generated from operating activities	(442,803)	483,127
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	4,774,269	173,079
Payments on redemption of units	(3,023,323)	(154,674)
Dividend paid	-	(28,813)
Net cash generated from / (used in) financing activities	1,750,946	(10,408)
Net increase in cash and cash equivalents during the period		
	1,308,143	472,719
Cash and cash equivalents at beginning of the period	1,131,570	592,954
Cash and cash equivalents at end of the period	2,439,713	1,065,673

14

14

The annexed notes from 1 to 17 form an integral part of these condensed interim financial information.

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



Chief Executive Officer



Chief Financial Officer



Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 07, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules)].

The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated March 06, 2009.

During the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated 3 November 2009. Accordingly, the Trust Deed of the Scheme was revised through a Supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company was changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company has been changed from 24th Floor, Centre point, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi, Pakistan to Adamjee House, MCB-AH Savings, 2nd Floor, I.I Chundrigar Rd, Karachi, Pakistan.

MCB Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Fund can also invest in sub-scheme of the Fund.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ dated October 08, 2019 to the Management Company and has assigned stability rating of "AA-(f)" dated December 24, 2019 to the Fund. The Fund consists of a 'Perpetual' (the scheme). In addition, the Fund had also issued other sub-scheme which matured as follows:

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

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

2. STATEMENT OF COMPLIANCE

- 2.1 This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

- 2.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2019.
- 2.3** In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2019.
- 2.4** This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

- 3.1** The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year ended June 30, 2019.
- 3.2** The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2019.
- 3.3** Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not disclosed in this condensed interim financial information.

4. FINANCIAL RISK MANAGEMENT

The Fund's risk management policies are consistent with those disclosed in the financial statements of the Fund as at and for the year ended June 30, 2019.

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

- 5.1** These carry mark-up at rates ranging between 11.25% to 14.45% (June 30, 2019: 10.25% to 13%) per annum and include bank balance of Rs. 2.907 million (June 30, 2019: Rs.2,470 million) maintained with MCB Bank Limited (a related party) which carries profit rate 11.25% (June 30, 2019: 10.25%) per annum .
- 5.2** These include a balance of Rs. 1.223 million (June 30, 2019: Rs.2.889 million) held with MCB Bank Limited (a related party).

		Note	(Un-Audited)	(Audited)
			December 31, 2019	June 30, 2019
5. BANK BALANCES			----- (Rupees in '000) -----	
- In savings accounts		5.1	2,438,475	660,792
- In current accounts		5.2	1,238	2,905
			2,439,713	663,697

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

6. INVESTMENTS

Government securities - Pakistan Investment Bonds
Government securities - Treasury Bills

(Un-Audited) December 31, 2019	(Audited) June 30, 2019
----- (Rupees in '000) -----	-----
Note	
6.1	766,207
6.2	1,550,421
	472,627

6.1 Government securities - Pakistan Investment Bonds

Name of security	Date of issue	Face value			As at 31 December 2019			Market value		
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at December 31, 2019	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments	
----- (Rupees in '000) -----										
Pakistan Investment Bonds - 3 years	19-Sep-19	-	2,850,000	(2,500,000)	350,000	328,910	327,871	(1,039)	13.06	14.15
Pakistan Investment Bonds - 3 years	12-Jul-18	-	1,550,000	(1,550,000)	-	-	-	-	-	-
Pakistan Investment Bonds - 5 years	19-Sep-19	-	1,750,000	(1,400,000)	350,000	331,066	331,019	(47)	13.19	14.29
Pakistan Investment Bonds - 5 years	12-Jul-18	-	1,725,000	(1,725,000)	-	-	-	-	-	-
Pakistan Investment Bonds - 10 years	19-Sep-19	-	400,000	(400,000)	-	-	-	-	-	-
Pakistan Investment Bonds - 10 years	12-Jul-18	-	375,000	(375,000)	-	-	-	-	-	-
Pakistan Investment Bonds - 20 years	10-Jun-04	5,500	-	-	5,500	4,829	5,297	468	0.21	0.23
Pakistan Investment Bonds - 10 years	25-Jul-19	-	100,000	-	100,000	100,108	102,020	1,912	4.06	4.40
Total as at December 31, 2019		<div><div>764,913</div><div>766,207</div><div>1,294</div></div>								
Total as at June 30, 2019		<div><div>5,577</div><div>4,754</div><div>(823)</div></div>								

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

6.2 Government securities - Treasury Bills

Name of security	Date of issue	Face value			As at 31 December 2019			Market value		
		As at July 01, 2019	Purchased during the year	Sold / matured during the year	As at December 31, 2019	Carrying value	Market value	Unrealised gain / (loss)	As a percentage of net assets	As a percentage of total investments
		(Rupees in '000)								
Market treasury bills - 3 months	23-May-19	475,000	-	(475,000)	-	-	-	-	-	-
Market treasury bills - 3 months	18-Jul-19	-	4,520,000	(4,520,000)	-	-	-	-	-	-
Market treasury bills - 3 months	1-Aug-19	-	1,900,000	(1,900,000)	-	-	-	-	-	-
Market treasury bills - 3 months	16-Aug-19	-	1,800,000	(1,800,000)	-	-	-	-	-	-
Market treasury bills - 3 months	12-Sep-19	-	200,000	(200,000)	-	-	-	-	-	-
Market treasury bills - 3 months	10-Oct-19	-	250,000	(250,000)	-	-	-	-	-	-
Market treasury bills - 3 months	12-Oct-19	-	2,000,000	(2,000,000)	-	-	-	-	-	-
Market treasury bills - 3 months	7-Nov-19	-	1,475,000	(1,475,000)	-	-	-	-	-	-
Market treasury bills - 6 months	18-Jul-19	-	750,000	(700,000)	50,000	49,745	49,745	-	1.98	2.15
Market treasury bills - 6 months	10-Oct-19	-	600,000	(600,000)	-	-	-	-	-	-
Market treasury bills - 6 months	24-Oct-19	-	500,000	(500,000)	-	-	-	-	-	-
Market treasury bills - 6 months	7-Nov-19	-	1,825,000	(1,825,000)	-	-	-	-	-	-
Market treasury bills - 6 months	5-Dec-19	-	250,000	(250,000)	-	-	-	-	-	-
Market treasury bills - 6 months	19-Dec-19	-	2,000,000	(1,000,000)	1,000,000	942,409	942,029	(380)	37.53	40.66
Market treasury bills - 12 months	18-Jul-19	-	200,000	(200,000)	-	-	-	-	-	-
Market treasury bills - 12 months	16-Aug-19	-	600,000	(600,000)	-	-	-	-	-	-
Market treasury bills - 12 months	29-Aug-19	-	500,000	(500,000)	-	-	-	-	-	-
Market treasury bills - 12 months	12-Sep-19	-	500,000	(500,000)	-	-	-	-	-	-
Market treasury bills - 12 months	26-Sep-19	-	500,000	(500,000)	-	-	-	-	-	-
Market treasury bills - 12 months	10-Oct-19	-	1,121,000	(1,121,000)	-	-	-	-	-	-
Market treasury bills - 12 months	24-Oct-19	-	950,000	(725,000)	225,000	203,377	203,358	(19)	8.10	8.78
Market treasury bills - 12 months	7-Nov-19	-	925,000	(925,000)	-	-	-	-	-	-
Market treasury bills - 12 months	19-Dec-19	-	1,300,000	(900,000)	400,000	355,422	355,289	(133)	14.15	15.34
Total as at December 31, 2019					1,550,953	1,550,421	(532)			
Total as at June 30, 2019					467,813	467,873	60			

**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
	Note	----- (Rupees in '000) -----	
6.3 Net unrealised loss on revaluation of investments at fair value through profit or loss'			
Market value of investments	6.1 & 6.2	2,316,628	472,627
Carrying value of investments	6.1 & 6.2	(2,315,866)	(473,390)
		<u>762</u>	<u>(763)</u>

7. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED – MANAGEMENT COMPANY

Management remuneration payable	7.1	2,835	672
Sindh Sales Tax on management remuneration payable		369	87
Sales Load Payable		323	-
Payable against allocated expenses	7.2	213	57
Marketing and selling expenses payable	7.3	934	-
		<u>4,674</u>	<u>816</u>

- 7.1** As per amendment in the offering document, the management company with effect from August 08, 2019 charged management fee at the rate of up to 10% of the gross earnings of the scheme, calculated on a daily basis. Provided that fund is subject to a minimum fee of 0.5% of the average daily net assets of the scheme.
- 7.2** Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. SECP vide SRO 639(I)/2019 dated June 20, 2019 has removed the maximum cap of 0.1% and resultantly, during the current period, the Management Company has charged actual expenses.
- 7.3** SECP vide SRO 639(I)/2019 dated June 20, 2019 has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds). It has also removed maximum cap of selling and marketing expense of 0.4% per annum.

		(Un-Audited) December 31, 2019	(Audited) June 30, 2019
	Note	----- (Rupees in '000) -----	
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	8.1	8,161	5,511
Provision for Federal Excise Duty and related tax on	8.2		
- Management fee		29,028	29,028
- Sales load		4,170	4,170
Withholding tax payable		760	57
Auditors' remuneration payable		277	346
Brokerage payable		207	68
Others		146	235
		<u>42,749</u>	<u>39,415</u>

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

8.1 Provision for Sindh Workers' Welfare Fund

There is no change in the status of the SWWF as reported in the annual financial statements of the Fund for the year ended June 30, 2019. Had the provision for SWWF not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2019 would have been higher by Re.0.19 per unit (June 30, 2019 Re. 0.47 per unit).

8.2 Federal Excise Duty and related tax payable

There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in the annual financial statements of the Fund for the year ended June 30, 2019. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2019 would have been higher by Re. 0.66 per unit (June 30, 2019: Re. 2.45 per unit).

9. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2019 (June 30, 2019: Nil).

10. TAXATION

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

11. 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.

12. TOTAL EXPENSE RATIO

SECP, vide SRO no. 639 (I)/2019 dated June 20, 2019 enhanced the Total Expense Ratio from 2% to 2.5%. The total expense ratio (annualized) of the Fund from July 1, 2019 to December 31, 2019 is 2.80% and this includes 0.54% representing government levy, Sindh Worker's Welfare Fund, SECP fee etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a Collective Investment Scheme categorized as income scheme.

13. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

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

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

For the six months ended December 31, 2019							
Units				(Rupees in '000)			
As at July 01, 2019	Issued for cash	Bonus	Redeemed	As at December 31, 2019	As at July 01, 2019	Issued for cash	As at December 31, 2019
DG Khan Cement Company Limited	7	-	-	7	-	-	-
Mandate under discretionary portfolio services	1	8,587,062	8,587,062	1	25,246	471,081	474,429
Key management personnel	-	497,960	497,960	-	-	27,534	27,785
Security General Insurance Co. Ltd. Employees Provident Fund Trust	-	86,365	-	86,365	-	4,895	4,952
Mcb-Arif Habib Savings and Investments Limited	-	8,227,804	7,852,769	375,035	-	449,377	432,008
							21,503
Units				(Rupees in '000)			
As at July 01, 2018	Issued for cash	Bonus	Redeemed	As at December 31, 2018	As at July 01, 2018	Issued for cash	As at December 31, 2018
Mandate under discretionary portfolio services	452,191	23,427	-	122	25,246	1,243	25,294
Key management personnel	7	-	-	7	-	-	-
DG Khan Cement Company Limited	6	-	-	6	-	-	-

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

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

	(Unaudited) December 31, 2019 ----- (Rupees in '000) -----	(Unaudited) December 31, 2018
MCB-Arif Habib Savings and Investments Limited - 'Management Company		
Remuneration of the Management Company including indirect taxes	18,321	2,854
Expenses allocated by the Management Company	930	346
Marketing And Selling expenses	1,300	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes	684	519
MCB Bank Limited		
Mark-up on bank deposits	256	23
Bank charges	11	2
Purchase of securities - face value 550 M (2018: Nil)	505,452	-
Sale of securities - face value 700 M (2018: 450 M)	612,972	446,479
Arif Habib Limited		
Brokerage expense*	104	-

13.3 Balances outstanding at period / year end:

	(Unaudited) December 31, 2019 ----- (Rupees in '000) -----	(Audited) June 30, 2019
MCB-Arif Habib Savings and Investments Limited - 'Management Company		
Remuneration payable to Management Company	2,835	672
Sales tax payable on remuneration to Management Company	369	87
Sale load payable	323	-
Selling and marketing payable	934	-
Expenses allocated by Management Company	213	57
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable to Trustee	139	96
Sales tax payable on remuneration to Trustee	18	-
MCB Bank Limited		
Bank balance	4,130	5,359
Mark-up receivable	-	84
Sales load payable	8	72
Arif Habib Limited - Brokerage House		
Brokerage payable*	60	-

* 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**

		(Un-Audited) December 31, 2019	(Audited) June 30, 2019
	Note	----- (Rupees in '000) -----	
14. CASH AND CASH EQUIVALENTS			
Balance with banks	5	2,439,713	663,697
Treasury bills maturing within 3 months	6.2	-	467,873
		2,439,713	1,131,570

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as 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 (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the close of trading i.e. period end date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value as these are short term in nature.

The following table shows financial instruments recognized at fair value based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table show the carrying amount and fair values of financial assets and financial liabilities including the levels in the fair value hierarchy.

	December 31, 2019 (Un-audited)							
	Carrying amount				Fair value			
	Fair value through profit or loss	Fair value through other comprehensiv e income	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----							
Financial assets measured at fair value								
Market treasury bills	1,550,421	-	-	1,550,421	-	1,550,421	-	1,550,421
Pakistan investment bonds	766,207	-	-	766,207	-	766,207	-	766,207
	2,316,628	-	-	2,316,628	-	2,316,628	-	2,316,628
Financial assets not measured at fair value								
Bank balances	-	-	2,439,713	2,439,713				
Profit receivable	-	-	28,256	28,256				
Other receivables	-	-	3,146	3,146				
	-	-	2,471,115	2,471,115				
Financial liabilities not measured at fair value								
Payable to the Management Company	-	-	4,674	4,674				
Payable to the Trustee	-	-	157	157				
Payable against purchase of investments	-	-	2,229,607	2,229,607				
Accrued and other liabilities	-	-	630	630				
	-	-	2,235,068	2,235,068				

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

	June 30, 2019				Fair value			
	Carrying amount		Total					Total
	Fair value through profit or loss - held for trading	Available-for-sale			Level 1	Level 2	Level 3	
		Loans and receivables / Other financial liabilities						
(Rupees in '000)								
Financial assets measured at fair value								
Market treasury bills	467,873	-	467,873	-	467,873	-	-	467,873
Pakistan investment bonds	4,754	-	4,754	-	4,754	-	-	4,754
	472,627	-	472,627	-	472,627	-	-	472,627
Financial assets not measured at fair value								
Bank balances	-	-	663,697	663,697				
Profit receivable	-	-	2,822	2,822				
Other receivables	-	-	78	78				
	-	-	666,597	666,597				
Financial liabilities not measured at fair value								
Payable to the Management Company	-	-	816	816				
Payable to the Trustee	-	-	157	157				
Payable against purchase of investments	-	-	2,229,607	2,229,607				
Accrued and other liabilities	-	-	649	649				
	-	-	2,231,229	2,231,229				

During the period ended December 31, 2019, there were no transfers between levels of fair value measurements, and no transfer into and out of level 3 fair value measurements.

16 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison.

17. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information 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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