



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 ASSET ALLOCATION FUND

CONTENTS

1	Fund's Information	239
2	Report of the Directors of the Management Company	240
3	Trustee Report to the Unit Holders	247
4	Auditor's Report to the Unit Holders on Review of Condensed Interim Financial Statements	248
5	Condensed Interim Statement of Assets And Liabilities	249
6	Condensed Interim Income Statement (Un-audited)	250
7	Condensed Interim Statement of Other Comprehensive Income (Un-audited)	251
8	Condensed Interim Statement of Movement in Unit Holder's Funds (Un-audited)	252
9	Condensed Interim Cash Flow Statement (Un-audited)	253
10	Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	254

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 Depositary 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	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 Asset Allocation Fund** accounts review for the half year ended December 31, 2019.

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

EQUITIES MARKET OVERVIEW

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

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

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

FUND PERFORMANCE

The fund posted a return of 12.10% during the period under review against the benchmark return of 13.70%. The fund has gradually decreased exposure in equities which reached to 45.8% by the end of December, 2019 and at the same time it increased exposure in cash to 26.3% at the end of December, 2019.

On the equity side, the fund was mainly invested in Commercial Banks and Oil & Gas Exploration Companies. On the fixed income side, exposure in TFCs stood at 7.0% while exposure in T-Bills was at 13.5%.

The Net Assets of the Fund as at December 31, 2019 stood at Rs. 1,591 million as compared to Rs. 2,048 million as at June 30, 2019 registering a decrease of 22.31%. The Net Asset Value (NAV) per unit as at December 31, 2019 was Rs. 79.8472 as compared to opening NAV of Rs. 71.2294 per unit as at June 30, 2019 registering an increase of 8.6178 per unit.

FUTURE OUTLOOK

Policy adjustments by the central bank will result in macroeconomic consolidation thus restricting the economic growth in low single digits for the current year. IMF forecasts Pakistan GDP growth to slow down to 2.5% in FY20, in the wake of tightening policies pursued by the government. Industrial growth will remain muted particularly for the import-driven consumption based sectors. However, export driven industrial companies can provide some respite as the government has incentivized the above, while increased power supply also eliminates bottleneck for them.

Balance of Payment worries are over for now as current account deficit has adjusted to reasonable level since the policy actions taken by the central government. Our forecast at very conservative assumptions is that CAD will settle at 2.3% of GDP. We have assumed crude oil prices at USD 70/BBL for the remaining part of the year, which are currently hovering near USD 60/BBL. After signing up for an IMF program, Pakistan will be able to finance its gross finance requirements by tapping into international avenues. Saudi deferred oil facility will also provide a short term buffer to foreign exchange reserves. We expect foreign exchange reserves to increase to USD ~14 billion by the end of the current fiscal year. With PKR aligned to its equilibrium levels (Oct'19 REER at 95.9) and current account deficit in a sustainable range, PKR should now depreciate nominally based on its historical average.

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

On the fiscal side, the government is aiming to limit fiscal deficit at 7.3% of GDP for the year. While the final target for fiscal deficit can evolve, nevertheless, it has to meet the primary condition of IMF for limiting the primary deficit at 0.6% of GDP. For this purpose, FBR is targeting a revised tax collection of PKR 5.2 trillion (up 30% YoY). The budget presented in the parliament proposed PKR 600-700 billion of tax measures, while the remaining amount was kept contingent on FBR efforts and economic growth. On the expenditure side, the government is aiming for austerity measures on the current expenditure side, however, it is aiming for an expansionary Public Sector Development Program (PSDP) of PKR 1.6 trillion (up 40% YoY). We believe the tax collection target to be highly optimistic and expect a net shortfall of PKR ~300-400 billion. The result of provisional tax collection for 1H assert our view as there was a shortfall of PKR 120 billion during the period. Resultantly, the shortfall in tax collection will trickle down to a lower development spending.

From the capital market perspective, we believe investor confidence should renew towards risk assets as macroeconomic stability will be cherished after a bout of volatile years. Equity market has still a lot to offer despite the recent bull run (up 40%+ since the trough). Reversal in monetary policy will be a key theme to eye in CY20 as slowdown in inflation will provide much needed room to central bank to cut down the interest rates. We foresee interest rates easing of 150-200 bps in the next 12 months, albeit majority of them coming in the second half of the calendar year. Double digit earnings growth and cheap valuations will drive the total returns of equities. Generally, earnings rebound sharply after an economic downturn as equities tend to exhibit inflation hedging behavior. During the last few years earnings growth has not caught up with the nominal GDP growth, which generally tends to revert whenever the difference widens. Hence, we expect earnings growth to remain in double digits over the span of next few years, a key reason behind our optimism for equities.

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

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.

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

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 صد اے حبیب بورڈ سے ریٹائر ہو گئے ہیں اور جناب کاشف اے حبیب اور محترمہ ماوراء عادل خان کی کمپنی کے نئے ڈائریکٹرز کے طور پر تقرری ہوئی ہے۔ نئے بورڈ کی تفصیلات کمپنی کے تعارف میں دی گئی ہیں۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی منظوری ڈائریکٹرز رپورٹ کی تاریخ پر زیر التواء ہے۔

اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ

وائس چیئرمین / ڈائریکٹر

21 فروری، 2020ء



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

21 فروری، 2020ء

ادائیگی کے توازن کی پریشانیوں فی الوقت ختم ہو گئی ہیں کیونکہ سی اے ڈی مرکزی حکومت کے پالیسی اقدامات کے بعد معقول سطح تک آ گیا ہے۔ ہم بے حد محتاط مفروضوں کی بنیاد پر پیش گوئی کر سکتے ہیں کہ سی اے ڈی، جی ڈی پی کے 2.3 فیصد پر رک جائے گا۔ ہم نے خام تیل کی قیمتوں کو 70 ڈالر فی بی ایل فرض کیا ہے جو موجودہ طور پر 60 ڈالر فی بی ایل کے قریب منڈلا رہی ہیں۔ پاکستان ایک آئی ایم ایف پروگرام اختیار کرنے کے بعد بین الاقوامی ذرائع کو استعمال میں لا کر اپنی مجموعی مالیاتی ضروریات پوری کر سکے گا۔ سعودی تیل کی ملتی شدہ سہولت سے بھی زیر مبادلہ کے ذخائر کو مختصر المیعاد سہارا فراہم ہوگا۔ موجودہ مالی سال کے اختتام تک زیر مبادلہ کے ذخائر کے حوالے سے توقع ہے کہ وہ بڑھ کر 14 بلین ڈالر تک پہنچ جائیں گے۔ پاکستانی روپیہ اپنے توازن کی سطحوں سے ہم آہنگ ہے (اکتوبر ۲۰۱۹ء 95.9 REER فیصد پر) اور سی اے ڈی قابل بقاء حد میں ہے، چنانچہ پاکستانی روپے کی قدر میں اب اس کے تاریخی اوسط کی بنیاد پر معمولی کمی ہونی چاہیے۔

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

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

کمپیٹل مارکیٹ کے نظریے سے ہم سمجھتے ہیں کہ خطرات کے حامل اثاثہ جات میں سرمایہ کاروں کا اعتماد بحال ہونا چاہیے کیونکہ کئی برسوں کی عدم یقینی کے بعد حاصل ہونے والے کلاں معاشیاتی استحکام کا خیر مقدم کیا جائے گا۔ ایکوٹی مارکیٹ حالیہ bull run (40 فیصد اضافے) کے باوجود بہت استعداد کی حامل ہے۔ موجودہ سال ۲۰۲۰ء میں اہم ترین موضوع مالیاتی پالیسی کی تقلیب ہوگا کیونکہ افراط زر میں کمی سے مرکزی بینک کو انٹریسٹ کی شرحوں میں کمی کرنے کے لیے مطلوبہ محرک فراہم ہوگا۔ ہم اگلے بارہ ماہ میں انٹریسٹ کی شرحوں میں 150 سے 200 بی پی ایس کی دیکھ رہے ہیں، اگرچہ اس کا زیادہ تر حصہ کیلنڈر سال (جنوری تا دسمبر) کے نصف آخر میں ظاہر ہوگا۔ دواعداد 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 دواعداد 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 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

ایکویٹیز مارکیٹ کا مجموعی جائزہ

اگرچہ مالی سال 2020ء کا آغاز پہلی سہ ماہی کے دوران مایوس کن تھا لیکن دوسری سہ ماہی کے دوران اس نے تیزی سے رُخ بدلا اور 27 فیصد کا حیران کن منافع حاصل کیا جس سے نصف اوّل کا مجموعی منافع 20.2 فیصد تک پہنچ گیا۔ طویل مدّت بعد غرملکی افراد net خریدار ثابت ہوئے اور نصف اوّل کے دوران 8 ملین ڈالر کی معتدل مقدار جمع ہوئی۔ دورانِ مدّت افراد (بالمقابل ادارے) بڑے خریدار ثابت ہوئے اور ایکویٹیز میں 140 ملین ڈالر کی شمولیت ہوئی جبکہ کمرشل بینک اور میوچل فنڈز net فروخت کار ثابت ہوئے جن کی شمولیت کم ہو کر بالترتیب 91 ملین ڈالر اور 53 ملین ڈالر ہو گئی۔ دورانِ مدّت تجارت میں لگائے گئے حجم اور قدر تقریباً 180.49 ملین حصص / 6.54 روپے کی اوسط تک پہنچے۔

خارجی شعبے کے اعداد و شمار نے استحکام کی طرف اشارہ کیا جس کی بدولت خطرات پر مبنی اثاثہ جات میں اعتماد بحال ہوا جبکہ روپے کی قدر گزشتہ پست سطح سے اٹھ کر 6 فیصد تک پہنچ سکی۔ طویل المیعاد بانڈز کے منافعوں میں کمی بھی ایکویٹی مارکیٹس میں حصص کی قیمتوں میں اضافے (bull run) کے لیے بڑا محرک ثابت ہوئی۔

روپے میں استحکام کے باعث، اور شاید اس وجہ سے بھی کہ مرکزی بینک نے افراط زر کا مقابلہ کر کے اسے اگلے چوبیس ماہ میں 5 سے 7 فیصد تک لانے کے عہد کیا ہے، افراط زر کی صورتحال میں متوقع بہتری ہوئی اور اس کے نتیجے میں بانڈ مارکیٹس میں تیز رفتار ترقی ہوئی۔ نصف اوّل کے دوران اکثر گردش شعبوں کی کارکردگی شاندار رہی کیونکہ کم قیمت قدر کے تعین کے ساتھ ساتھ درمیانی مدّت کی متوقع ترقی نے محرک فراہم کیا۔ مزید برآں، متعدد برسوں بعد پہلی مرتبہ روپے کی قدر میں اضافے سے گردش شعبوں کو مطلوبہ افزودگی فراہم ہوئی۔ انجینیئرنگ اور فارماسیوٹیکلز شعبوں نے دورانِ مدّت قابل ذکر بہتر کارکردگی کا مظاہرہ کیا (بالترتیب 43 فیصد اور 36 فیصد) جبکہ دریافت اور پیداوار (ایکسپلوریشن اینڈ پروڈکشن: ای اینڈ پی)، کھاد اور بینکوں کے شعبوں نے بالترتیب 19 فیصد، 17 فیصد اور 12 فیصد منافع حاصل کر کے مارکیٹ کے مقابلے میں کم تر کارکردگی کا مظاہرہ کیا۔

فنڈ کی کارکردگی

زیر جائزہ مدّت کے دوران فنڈ نے 12.10 فیصد منافع حاصل کیا جبکہ مقررہ معیار (بنچ مارک) 13.70 فیصد تھا۔ فنڈ کی ایکویٹیز میں شمولیت بتدریج کم ہوتے ہوئے دسمبر 2019ء کے اختتام تک 45.8 فیصد تک پہنچ گئی، اور بیک وقت نقد میں شمولیت بڑھ کر دسمبر 2019ء کے اختتام پر 26.3 فیصد تک پہنچ گئی۔

ایکویٹی کی جہت میں فنڈ کی زیادہ تر سرمایہ کاری کمرشل بینکوں اور تیل اور گیس کی دریافت کی کمپنیوں میں تھی۔ مقررہ آمدنی کی جہت میں ٹرم فنانس سرٹیفکیٹس میں شمولیت 7.0 فیصد تھی جبکہ ٹریڈری بلز میں شمولیت 13.5 فیصد تھی۔

31 دسمبر 2019ء کو فنڈ کے net اثاثہ جات 1,591 ملین روپے تھے جو 30 جون 2019ء (2,048 ملین روپے) کے مقابلے میں 22.31 فیصد کمی ہے۔ 31 دسمبر 2019ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 79.8472 روپے تھی جو 30 جون 2019ء کی ابتدائی NAV (71.2294 روپے) کے مقابلے میں 8.6178 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۔

ایم سی بی پاکستان ایسیٹ ایلوکیشن 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 زرمبادلہ کے ذخائر میں 4.1 بلین ڈالر کا خطرہ 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 (کنزومر 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 دورانِ 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۔ دورانِ مدت ہونے والے تمام مالیاتی اجلاسوں میں انٹریسٹ کی شرحوں کو برقرار رکھا گیا اور مستقبل قریب میں متوقع افراط زر کو ایک بڑا مسئلہ قرار دیا گیا۔

جی ڈی پی میں متوقع ترقی مختلف اداروں کے مطابق 2.5 سے 3 فیصد تھی، تاہم حالیہ مدت میں اہم فصلوں (کپاس، گندم اور چینی) کی کمزور متوقع ترقی کے باعث جی ڈی پی میں ترقی بھی پست رہنے کا امکان ہے۔ علاوہ ازیں، بڑے پیمانے پر ہونے والی مینوفیکچرنگ (ایل ایس ایم) میں متوقع سے کم ترقی کے باعث کمزور صنعتی ترقی سے مجموعی ترقی کے متاثر ہونے کا امکان ہے۔ مزید برآں، درآمدات پر پابندی 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 خطیر 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 پیس 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۔

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
URL: www.cdcPakistan.com
Email: info@cdcpak.com



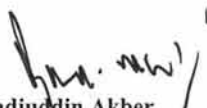
TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN ASSET ALLOCATION FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Asset Allocation Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2019 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 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, Shahrah-e-Faisal
Karachi-75350
Pakistan

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INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS OF MCB PAKISTAN ASSET ALLOCATION FUND

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Asset Allocation Fund** (the Fund) as at December 31, 2019, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim 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	556,286	416,769
Investments	6	1,545,291	1,569,805
Dividend and profit receivable		8,110	13,402
Receivable against sale of investments		-	130,769
Receivable from National Clearing Company of Pakistan Limited		3,737	3,737
Advances, deposits, prepayments and other receivables		3,251	3,133
Total assets		2,116,675	2,137,615
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	7	8,526	7,257
Payable to Central Depository Company of Pakistan Limited - Trustee		252	312
Payable to the Securities and Exchange Commission of Pakistan		167	2,765
Payable on redemption of units		31	32,370
Payable against purchase of investments		465,803	-
Accrued expenses and other liabilities	8	51,342	47,066
Total liabilities		526,121	89,770
NET ASSETS		1,590,554	2,047,845
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,590,554	2,047,845
CONTINGENCIES AND COMMITMENTS	9		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		19,919,977	28,749,977
		(Rupees)	
NET ASSET VALUE PER UNIT		79.8472	71.2294

The annexed notes 1 to 16 form an integral part of this 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,	
	Note	2019	2018	2019	2018
		----- (Rupees in '000) -----			
Income					
Income from government securities		12,856	30,419	9,930	18,020
Capital gain / (loss) on sale of investments - net		83,542	(11,751)	92,339	(34,401)
Income from term finance certificates		16,903	9,317	8,057	5,040
Income from commercial papers		1,589	-	-	-
Dividend income		32,308	41,973	15,676	19,522
Profit on bank deposits		15,596	22,794	5,882	9,906
Unrealised appreciation / (diminution) in fair value of investments 'classified as at fair value through profit or loss' - net	6.7	35,389	(239,508)	108,896	(186,739)
Other income		164	224	90	210
Total income / (loss)		198,347	(146,532)	240,870	(168,442)
Expenses					
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company		16,655	31,266	8,043	15,061
Sindh Sales Tax on remuneration of Management Company		2,165	4,065	1,045	1,958
Allocated expenses and related taxes	7.1	833	1,766	402	850
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,335	2,067	651	1,004
Sindh Sales Tax on remuneration of Trustee		174	269	85	131
Annual fee to Securities and Exchange Commission of Pakistan		167	1,485	81	715
Selling and marketing expenses	7.2	7,070	6,252	5,008	3,011
Provision against Sindh Workers' Welfare Fund	8.1	3,294	-	3,294	-
Brokerage and settlement charges		4,426	8,567	3,631	4,965
Legal and professional charges		92	91	92	-
Auditors' remuneration		413	447	221	248
Other expenses		309	247	125	148
Total expenses		36,933	56,522	22,678	28,091
Net income / (loss) for the period before taxation		161,414	(203,054)	218,192	(196,533)
Taxation	10	-	-	-	-
Net income/ (loss) for the period		161,414	(203,054)	218,192	(196,533)
Allocation of net income for the period					
Net income / (loss) for the period		161,414	(203,054)	218,192	(196,533)
Income already paid on units redeemed		(11,686)	-	(11,686)	-
		149,728	(203,054)	206,506	(196,533)
Accounting income available for distribution					
Relating to capital gains		107,452	-	92,339	-
Excluding capital gains		42,276	-	114,167	-
		149,728	-	206,506	-

Earnings per unit

11

The annexed notes 1 to 16 form an integral part of this 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 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 / (loss) for the period after taxation	161,414	(203,054)	218,192	(196,533)
Other comprehensive income	-	-	-	-
Total comprehensive income / (loss) for the period	161,414	(203,054)	218,192	(196,533)

The annexed notes 1 to 16 form an integral part of this 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

	For Half Year ended December 31,						
	2019			2018			
	(Rupees in '000)						
	Capital Value	Accumulated Losses	Total	Capital Value	Accumulated Losses	Unrealised appreciation on available-for-sale investments	Total
Net assets at beginning of the period	3,214,410	(1,166,565)	2,047,845	4,098,606	(886,757)	800	3,212,649
Adoption of IFRS 9	-	-	-	-	800	(800)	-
Issue of 325,204 units (2018: 4,176,174 units)							
- Capital value (at net asset value per unit at the beginning of the period)	23,164	-	23,164	319,118	-	-	319,118
- Element of income	2,036	-	2,036	8,302	-	-	8,302
	25,200	-	25,200	327,420	-	-	327,420
Redemption of 9,155,204 units (2018: 6,624,056 units)							
- Capital value (at net asset value per unit at the beginning of the period)	(652,120)	-	(652,120)	(512,401)	-	-	(512,401)
- Amount paid out of element of income relating to net income for the period after taxation	19,901	(11,686)	8,215	(8,476)	-	-	(8,476)
	(643,905)	(11,686)	(643,905)	(520,877)	-	-	(520,877)
Total comprehensive income / (loss) for the period	-	161,414	161,414	-	(203,054)	-	(203,054)
Net assets at end of the period	2,595,705	(1,016,837)	1,590,554	3,905,149	(1,089,011)	-	2,816,138
Undistributed loss brought forward							
- Realised		(853,369)			(668,329)		
- Unrealised		(313,196)			(218,428)		
		(1,166,565)			(886,757)		
Adoption of IFRS 9		-			800		
Accounting income available for distribution							
- Relating to capital gains	107,452				-		
- Excluding capital gains	42,276				-		
	149,728				-		
Net loss for the period	-				(203,054)		
Undistributed loss carried forward	(1,016,837)				(1,089,011)		
Undistributed loss carried forward							
- Realised	(1,052,226)				(849,503)		
- Unrealised	35,389				(239,508)		
	(1,016,837)				(1,089,011)		
	(Rupees)				(Rupees)		
Net assets value per unit at beginning of the period	71.2294				78.9595		
Net assets value per unit at end of the period	79.8472				73.6449		

The annexed notes 1 to 16 form an integral part of this 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 profit / (loss) for the period before taxation	161,414	(203,054)
Adjustments for non cash items:		
Unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss' - net	(35,389)	239,508
Provision against Sindh Workers' Welfare Fund	3,294	-
Dividend Income	(32,308)	(41,973)
	<u>97,011</u>	<u>(5,519)</u>
(Increase) / decrease in assets		
Investments	59,903	(351,871)
Dividend and profit receivable	2,444	1,382
Receivable against sale of investments	130,769	9,136
Advances, deposits, prepayments and other receivables	(118)	(366)
	<u>192,998</u>	<u>(341,719)</u>
Increase / (decrease) in liabilities		
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	1,269	(2,245)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(60)	(9)
Payable to the Securities and Exchange Commission of Pakistan	(2,598)	(1,580)
Payable on redemption of units	(32,339)	(10)
Payable against purchase of investments	465,803	-
Accrued expenses and other liabilities	982	(1,129)
	<u>433,057</u>	<u>(4,973)</u>
Dividend Received	35,156	39,707
Net cash generated from / (used in) operating activities	<u>758,222</u>	<u>(312,504)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	25,200	327,420
Payments against redemption of units	(643,905)	(520,877)
Net cash used in financing activities	<u>(618,705)</u>	<u>(193,457)</u>
Net increase / (decrease) in cash and cash equivalents during the period	<u>139,517</u>	<u>(505,961)</u>
Cash and cash equivalents at beginning of the period	416,769	1,375,000
Cash and cash equivalents at end of the period	<u>556,286</u>	<u>869,039</u>

The annexed notes 1 to 16 form an integral part of this 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 Asset Allocation Fund (the Fund) was established under a Trust Deed dated November 22, 2007 executed between MCB Asset Management Company Limited as the Management Company and the Central Depository Company of Pakistan Limited as the Trustee. Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investments Limited, the name of the Management has been changed from MCB Asset Management Company Limited to MCB-Arif Habib Savings and Investments Limited with effect from June 27, 2011. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company has been changed from 24th Floor, Centrepont, 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.

The Fund is an open-end collective investment scheme categorized as an "Asset Allocation" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The units of the Fund were initially offered for public subscription at a par value of Rs 100 per unit. Thereafter, the units are being offered for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the asset manager a rating of "AM2++" on October 08, 2019. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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.

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

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.

These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency and rounded to the nearest thousand rupees, unless otherwise specified.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year ended June 30, 2019.

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.

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.

		(Un-audited) December 31, 2019	(Audited) June 30, 2019
	Note	----- (Rupees in '000) -----	
5. BANK BALANCES			
In saving accounts	5.1	553,572	414,480
In current accounts	5.2	<u>2,714</u>	<u>2,289</u>
		<u>556,286</u>	<u>416,769</u>

5.1 These carry profit at the rates ranging between 11.25% to 14.45% (June 30, 2019: 10.25% to 13%) per annum. It includes bank balance of Rs 0.213 million (June 30, 2019: Rs 0.311 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 11.25% (June 30, 2019: 11.25%) per annum.

5.2 This represents bank balance maintained with MCB Bank Limited, (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) December 31, 2019	(Audited) June 30, 2019
6. INVESTMENTS	Note	----- (Rupees in '000) -----	
Financial assets 'at fair value through profit or loss'			
Listed equity securities	6.1	969,218	1,218,575
Listed debt securities - Term Finance Certificates	6.2	9,974	9,976
Unlisted debt securities - Term Finance Certificates	6.3	-	104,953
Listed debt securities - Sukuk Certificates	6.4	139,226	154,890
Government securities - Market Treasury Bills	6.5	285,252	-
Commercial Papers		-	81,411
Government securities - Pakistan Investment Bonds	6.6	141,621	-
		1,545,291	1,569,805

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

6.1 Listed equity securities

Ordinary shares have a face value of Rs. 10 each unless stated otherwise

Name of investee company	As at July 1, 2019	Purchased during the period	Bonus / right issue during the period	Sold during the period	As at December 31, 2019	As at December 31, 2019			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
						Carrying value	Market value	Unrealised appreciation / (diminution)			
(Rupees in '000)											
Automobile Assembler											
Millat Tractors Limited	-	11,500	-	-	11,500	8,108	8,101	(7)	0.51	0.52	0.02
Automobile Parts and Accessories											
Thal Limited ***	-	92,200	-	-	92,200	31,134	31,185	51	1.96	2.02	0.23
Cement											
Cherat Cement Company Limited	362,400	-	-	362,400	-	-	-	-	-	-	-
Lucky Cement Limited	50	497,200	-	306,250	191,000	79,403	81,824	2,421	5.14	5.30	0.06
Maple Leaf Cement Factory Limited	-	1,424,500	-	800,000	624,500	14,764	14,451	(313)	0.91	0.94	0.06
Dewan Cement Limited	1,043,500	-	-	1,043,500	-	-	-	-	-	-	-
						94,167	96,275	2,108			
Commercial Banks											
Askari Bank Limited	1,275,500	-	-	1,250,000	25,500	482	473	(9)	0.03	0.03	0.00
Allied Bank Limited	-	569,800	-	-	569,800	57,408	54,473	(2,935)	3.42	3.53	0.05
Bank Al-Falah Limited	2,456,450	-	-	2,241,500	214,950	9,370	9,823	453	0.62	0.64	0.01
Bank Al-Habib Limited	1,099,500	-	-	30,000	1,069,500	83,827	81,453	(2,374)	5.12	5.27	0.10
Bank Of Punjab Limited	886,500	-	-	886,500	-	-	-	-	-	-	-
Faysal Bank Limited	2,093,600	-	-	609,500	1,484,100	31,938	28,228	(3,710)	1.77	1.83	0.10
Habib Bank Limited	-	393,800	-	295,000	98,800	15,718	15,553	(165)	0.98	1.01	0.01
Habib Metropolitan Bank Limited	577,000	-	-	-	577,000	20,818	20,974	156	1.32	1.36	0.06
MCB Bank Limited*	479,300	-	-	479,300	-	-	-	-	-	-	-
United Bank Limited	-	1,087,900	-	720,000	367,900	61,642	60,520	(1,122)	3.80	3.92	0.03
						281,203	271,497	(9,706)			
Engineering											
Mughal Iron and Steel Industries Limited*	179,500	-	-	179,500	-	-	-	-	-	-	-
Crescent Steel & Allied Products Limited	50,800	-	-	50,800	-	-	-	-	-	-	-
International Industries Limited	214,200	-	21,420	209,500	26,120	1,830	2,895	1,065	0.18	0.19	0.02
						1,830	2,895	1,065			
Fertilizer											
Engro Fertilizers Limited	578,500	-	-	578,500	-	-	-	-	-	-	-
Engro Corporation Limited	175,890	106,200	-	175,890	106,200	35,584	36,666	1,082	2.31	2.37	0.02
Fauji Fertilizer Company Limited	247,500	665,000	-	330,500	582,000	58,209	59,056	847	3.71	3.82	0.05
						93,793	95,722	1,929			
Food & Personal Care Products											
National Foods Limited ***	149,400	-	29,880	91,700	87,580	13,441	19,444	6,003	1.22	1.26	0.12
Shezan International Limited	5,115	-	-	-	5,115	2,161	2,560	399	0.16	0.17	0.06
						15,602	22,004	6,402			

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

Name of investee company	As at July 1, 2019	Purchased during the period	Bonus / right issue during the period	Sold during the period	As at December 31, 2019	As at December 31, 2019			Market value as percentage of net assets	Market value as percentage of total investments (%)	Par value as percentage of issued capital of the investee company
						Carrying value	Market value	Unrealised appreciation / (diminution)			
(Rupees in '000)											
Glass & Ceramics											
Tariq Glass Industries Limited	260,400	-	-	148,500	111,900	8,575	11,973	3,398	0.75	0.77	0.15
						8,575	11,973	3,398			
Insurance											
Pakistan Reinsurance Company Limited	422,500	-	-	133,000	289,500	7,226	8,514	1,288	0.54	0.55	0.10
Adamjee Insurance Company Limited *	295,000	-	-	295,000	-	-	-	-	-	-	-
						7,226	8,514	1,288			
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	14	29,740	-	14	29,740	39,381	38,962	(419)	2.45	2.52	0.02
Oil and Gas Development Company Limited	926,200	95,000	-	456,600	564,600	75,113	80,354	5,241	5.05	5.20	0.01
Pakistan Oilfields Limited	225,530	-	-	131,200	94,330	38,288	42,139	3,851	2.65	2.73	0.03
Pakistan Petroleum Limited	553,255	427,500	104,651	688,000	397,406	50,529	54,500	3,971	3.43	3.53	0.01
						203,311	215,955	12,644			
Oil and Gas Marketing Companies											
Hi-Tech Lubricants Limited	525,900	-	-	104,500	421,400	11,656	13,122	1,466	0.82	0.85	0.36
Pakistan State Oil Company Limited	123,440	-	88	123,000	528	75	101	26	0.01	0.01	0.00
Sui Northern Gas Pipelines Limited	348,300	630,000	-	225,000	753,300	55,265	57,379	2,114	3.61	3.71	0.12
						66,996	70,602	3,606			
Pharmaceuticals											
The Searle Company Limited	2,058	-	-	-	2,058	302	388	86	0.02	0.03	0.00
AGP Limited	48	-	-	48	-	-	-	-	-	-	-
						302	388	86			
Power Generation and Distribution											
Hub Power Company Limited	726,789	-	-	725,000	1,789	141	167	26	0.01	0.01	0.00
						141	167	26			
Technology and Communication											
Hum Network Limited **	1,150,000	-	-	-	1,150,000	3,646	3,692	46	0.23	0.24	0.12
Systems Limited	107,250	-	-	107,000	250	24	31	7	0.00	0.00	0.00
						3,670	3,723	53			
Textile Composite											
Gul Ahmed Textile Mills Limited	1,781,000	-	276,200	555,500	1,501,700	58,967	64,738	5,771	4.07	4.19	0.35
Interloop Limited	277,313	-	-	273,500	3,813	169	221	52	0.01	0.01	0.00
Kohinoor Textile Mills Limited	652,280	-	-	651,500	780	20	30	10	0.00	0.00	0.00
Nishat Chunian Limited *	250,000	-	-	250,000	-	-	-	-	-	-	-
Nishat Mills Limited *	1,100	-	-	1,100	-	-	-	-	-	-	-
						59,156	64,989	5,833			
Leather & Tanneries											
Service Industries Limited	1,775	-	19	1,700	94	37	72	35	0.00	0.00	0.00
						37	72	35			
Chemicals											
Engro Polymer and Chemicals Limited	1,775,036	500,000	-	833,500	1,441,536	42,730	47,873	5,143	3.01	3.10	0.16
						42,730	47,873	5,143			

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

Name of investee company	As at July 1, 2019	Purchased during the period	Bonus / right issue during the period	Sold during the period	As at December 31, 2019	As at December 31, 2019 (Rupees in '000)			Market value as percentage of net assets	Market value as percentage of total investments (%)	Par value as percentage of issued capital of the investee company
						Carrying value	Market value	Unrealised appreciation / (diminution)			
Investment Banks / Investment Companies / Securities Companies											
Arif Habib Limited *	312,000	-	-	312,000	-	-	-	-	-	-	-
Transport											
Pakistan National Shipping Corporation Limited	75,700	-	-	75,700	-	-	-	-	-	-	-
Real Estate Investment Trust											
Dolmen City REIT *	-	1,092,500	-	-	1,092,500	13,332	13,645	313	0.86	0.88	0.05
						13,332	13,645	313			
Miscellaneous											
Synthetic Products Enterprises Limited	730,500	-	29,220	655,500	104,220	2,224	3,637	1,413	0.23	0.24	0.12
						2,224	3,637	1,413			
As at December 31, 2019						<u>933,533</u>	<u>969,218</u>	<u>35,685</u>			
As at June 30, 2019						1,530,495	1,218,575	(311,920)			

* These denote related parties / connected persons.

** These have a face value of Rs.1 per share

*** These have a face value of Rs.5 per share

6.1.1 Investments include shares with market value aggregating to Rs 35.58 million (June 2019: Rs 52.560 million) which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

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

6.2 Listed debt securities - Term Finance Certificates

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

Tenor	Face value						As at December 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2019	Purchased during the period	Sold / matured during the period	As at December 31, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)					
Commercial Banks												
Bank Alfalah Limited-V												
As at December 31, 2019												
	2,000	-	-	2,000	9,974	9,974	-	0.63	0.65	0.04		
As at June 30, 2019												
					10,032	9,976	(56)					

6.2.1 Significant terms and conditions of term finance certificates outstanding as at December 31, 2019 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Bank Alfalah Limited-V	6 months KIBOR + 1.25%	20-Feb-13	20-Feb-21	AA

6.3 Unlisted debt securities - Term Finance Certificates

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

Tenor	Face value			As at December 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2019	Purchased during the period	Sold / matured during the period	As at December 31, 2019	Carrying value	Market value			
Commercial Banks									
Bank Al Habib Limited-II	21,228	-	21,228	-	-	-	-	-	-
As at December 31, 2019									
				-	-	-			
As at June 30, 2019				105,858	104,953	(905)			

6.3.1 Significant terms and conditions of term finance certificates outstanding as at December 31, 2019 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Bank Al Habib Limited-II	6 months KIBOR + 0.75%	17-Mar-16	17-Mar-26	AA

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

6.4 Listed debt securities - Sukuk Certificates

Certificates having a face value of Rs. 100,000 each unless stated otherwise

Tenor	Face value			As at December 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2019	Purchased during the period	Sold / matured during the period	As at December 31, 2019	Carrying value	Unrealised appreciation / (diminution)			
									%
Dawood Hercules Corporation Limited	1,000	552	-	1,552	139,401	139,226	(175)	8.75	9.01
As at December 31, 2019					139,401	139,226	(175)		
As at June 30, 2019					155,205	154,890	(315)		

6.4.1 Significant terms and conditions of term finance certificates outstanding as at December 31, 2019 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Dawood Hercules Corporation Limited	3 months KIBOR + 1%	1-Mar-18	1-Mar-23	AA

6.5 Government securities - Market Treasury Bills

Tenor	Issue date	Face value				As at December 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2019	Purchased during the period	Sold / matured during the period	As at December 31, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)		
										%
Treasury bills - 3 months	18-Jul-19	-	1,320,000	1,320,000	-	-	-	-	-	-
Treasury bills - 3 months	12-Sep-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 3 months	26-Sep-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 3 months	24-Oct-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 3 months	16-Aug-19	-	475,000	475,000	-	-	-	-	-	-
Treasury bills - 3 months	7-Nov-19	-	900,000	900,000	-	-	-	-	-	-
Treasury bills - 3 months	29-Aug-19	-	160,000	160,000	-	-	-	-	-	-
Treasury bills - 3 months	10-Oct-19	-	375,000	375,000	-	-	-	-	-	-
Treasury bills - 3 months	19-Dec-19	-	250,000	250,000	-	-	-	-	-	-
Treasury bills - 6 months	23-May-19	-	50,000	50,000	-	-	-	-	-	-
Treasury bills - 6 months	18-Jul-19	-	450,000	400,000	50,000	49,745	49,745	-	3.13	3.22

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

Tenor	Issue date	Face value				As at December 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2019	Purchased during the period	Sold / matured during the period	As at December 31, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)		
(Rupees in 000)										
Treasury bills - 6 months	12-Sep-19	-	550,000	550,000	-	-	-	-	-	-
Treasury bills - 6 months	26-Sep-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 6 months	10-Oct-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 6 months	24-Oct-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 6 months	7-Nov-19	-	1,300,000	1,300,000	-	-	-	-	-	-
Treasury bills - 6 months	5-Dec-19	-	250,000	250,000	-	-	-	-	-	-
Treasury bills - 6 months	19-Dec-19	-	500,000	250,000	250,000	235,602	235,507	(95)	14.81	15.24
Treasury bills - 12 months	29-Aug-19	-	1,000,000	1,000,000	-	-	-	-	-	-
Treasury bills - 12 months	12-Sep-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 12 months	26-Sep-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 12 months	10-Oct-19	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 12 months	24-Oct-19	-	900,000	900,000	-	-	-	-	-	-
Treasury bills - 12 months	7-Nov-19	-	1,200,000	1,200,000	-	-	-	-	-	-
Treasury bills - 12 months	19-Dec-19	-	250,000	250,000	-	-	-	-	-	-

As at December 31, 2019

285,347 285,252 (95)

As at June 30, 2019

- - -

6.6 Government securities - Pakistan Investment Bonds

Particulars	Issue date	Face value				As at December 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	
		As at July 1, 2019	Purchased during the period	Sold / matured during the period	As at December 31, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)			
(Rupees in 000)											%
Pakistan Investment Bond - 3 years	12-Jul-18	-	375,000	375,000	-	-	-	-	-	-	
Pakistan Investment Bond - 3 years	19-Sep-19	-	450,000	450,000	-	-	-	-	-	-	
Pakistan Investment Bond - 5 years	12-Jul-18	-	525,000	525,000	-	-	-	-	-	-	
Pakistan Investment Bond - 5 years	19-Sep-19	-	375,000	275,000	100,000	94,590	94,577	(13)	5.95	6.12	

Particulars	Issue date	Face value				As at December 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2019	Purchased during the period	Sold / matured during the period	As at December 31, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)		
Pakistan Investment Bond - 10 years	12-Jul-18	-	37,500	37,500	-	-	-	-	-	
Pakistan Investment Bond - 10 years	19-Sep-19	-	150,000	100,000	50,000	47,044	(13)	2.96	3.04	
As at December 31, 2019						141,647	141,621	(26)		
As at June 30, 2019						-	-	-	-	

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						
Market value						
Carrying value						

	(Rupees in '000)					
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net						

**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) -----	
7. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY			
Management remuneration payable		2,760	3,868
Sindh sales tax payable on management remuneration		359	503
Sales load payable		257	164
Payable against allocated expenses	7.1	138	193
Marketing and selling payable	7.2	5,012	2,529
		8,526	7,257

7.1 Up till 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.

7.2 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 against Sindh Workers' Welfare Fund	8.1	12,367	9,073
Provision for Federal Excise Duty and related tax on	8.2		
- Management fee		19,027	19,027
- Sales load		16,173	16,173
Auditors' remuneration payable		422	508
Brokerage payable		3,085	2,222
Withholding tax on capital gains		27	2
Others		241	61
		51,342	47,066

8.1 Provision for Sindh Workers' Welfare Fund (SWWF)

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. 0.6208 per unit (June 30, 2019 Re. 0.3156 per unit).

8.2 Federal Excise Duty on remuneration to the Management Company

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

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

financial information of the Fund, the net asset value of the Fund as at December 31, 2019 would have been higher by Rs. 0.9552 per unit (June 30, 2019: Re.0.6618 per unit).

9. CONTINGENCIES AND COMMITMENTS

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

10. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly, no provision for taxation has been made in these condensed interim financial information.

11. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of the management, determination of cumulative weighted average number of outstanding units for calculating EPU is not practicable.

12. EXPENSE RATIO

SECP, vide SRO no. 639 (I)/2019 dated June 20, 2019 enhanced the Total Expense Ratio from 4.0% to 4.5%. The total expense ratio (annualized) of the Fund from July 1, 2019 to December 31, 2019 is 4.42% and this includes 0.69% representing government levy, Sindh Worker's Welfare Fund, SECP fee etc. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a Collective Investment Scheme categorized as Asset Allocation Scheme.

13. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

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

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 half year ended December 31, 2019										
	As at July 1, 2019	Issued for cash	Bonus	Redeemed	As at December 31, 2019	As at July 1, 2019	Issued for cash	Bonus	Redeemed	As at December 31, 2019
	Units					(Rupees in '000)				
MCB-Arif Habib Savings and Investments Limited Management Company	-	-	-	-	-	-	-	-	-	-
Associated companies / undertakings										
Adamjee Life Assurance Company Limited (NUIL Fund)	386,879	-	-	-	386,879	27,557	-	-	-	30,891
Adamjee Life Assurance Company Limited. Employees Gratuity Fund	28,189	-	-	-	28,189	2,008	-	-	-	2,251
Adamjee Life Assurance Company Limited.IMF	5,453,035	-	-	-	5,453,035	388,417	-	-	-	435,410
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	35,028	-	-	-	35,028	2,495	-	-	-	2,797
Mandate Under Discretionary Portfolio Services	74,401	4,675	-	60,889	18,187	5,300	319	-	4,722	1,452
Directors and Key management personnel	7	-	-	7	-	1	-	-	1	-

For the half year ended December 31, 2018										
	As at July 1, 2018	Issued for cash	Bonus	Redeemed	As at December 31, 2018	As at July 1, 2018	Issued for cash	Bonus	Redeemed	As at December 31, 2018
	Units					(Rupees in '000)				
MCB-Arif Habib Savings and Investments Limited Management Company	-	647,478	-	647,478	-	-	50,000	-	50,123	-
Associated companies / undertakings										
Adamjee Life Assurance Company Limited (NUIL Fund)	71,293	315,586	-	-	386,879	5,629	25,000	-	-	28,492
Adamjee Life Assurance Company Limited. Employees Gratuity Fund	28,189	-	-	-	28,189	2,226	-	-	-	2,076
Adamjee Life Assurance Company Limited.IMF	2,075,255	2,543,471	-	-	4,618,726	163,858	200,000	-	-	340,145
Adamjee Life Assurance Company Limited.ISF	450,785	-	-	-	450,785	35,593	-	-	-	33,198
Security General Insurance Company Ltd	3,745,546	-	-	3,745,546	-	295,746	-	-	296,713	-
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	35,028	-	-	-	35,028	2,766	-	-	-	2,580
Mandate Under Discretionary Portfolio Services	105,705	13,137	-	105,753	13,089	8,180	1,059	-	7,867	964
Directors and Key management personnel	-	21,359	-	21,359	-	-	1,680	-	1,685	-

**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:

	(Un-Audited) December 31, 2019	(Un-Audited) December 31, 2018
	-----	-----
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration of the Management Company (including indirect taxes)	18,820	35,331
Allocated expenses	833	1,766
Selling and marketing expenses	7,070	6,252
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee (including indirect taxes)	1,509	2,336
CDC settlement charges	72	217
MCB Bank Limited - holding company of the Management Company		
Purchase of shares 2019: Nil (2018: 593,500)	-	117,205
Sale of shares 2019: 479,300 (2018: 729,800)	81,918	148,778
Dividend income	14	3,542
Profit on bank balances	32	2
Bank charges	6	4
Sale of securities Face Value 2019: Nil (2018: 550M)	-	545,788
D. G. Khan Cement Company Limited		
Purchase of Shares 2019: Nil (2018: 140,000)	-	15,427
Sale of Shares 2019: Nil (2018: 572,500)	-	57,248
Adamjee Insurance Company Limited		
Sale of Shares 2019: 295,000 (2018: Nil)	12,046	-
Dividend income	295	295
Arif Habib Limited		
Sale of Shares 2019: 312,000 (2018: 45,000)	10,949	3,110
Dividend income	-	780
Brokerage expense *	272	629
Next Capital Limited		
Brokerage expense *	182	173
Nishat Mills Limited		
Purchase of Shares 2019: Nil (2018: 210,000)	-	28,310
Sale of Shares 2019: 1,100 (2018: 732,300)	71	103,851
Mughal Iron and Steel Industries Limited**		
Purchase of Shares 2019: Nil (2018: 350,000)	-	15,225

**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	(Un-Audited) December 31, 2018
	----- (Rupees in '000) -----	
Synthetic Products Enterprises Limited**		
Dividend income	-	731
Nishat Chunian Limited		
Sale of Shares 2019: 250,000 (2018: Nil)	9,403	-
Dolmen City Reit		
Purchase of Shares 2019: 1,092,500 (2018: Nil)	13,332	-
13.3 Amount outstanding as at period end / year end	(Un-Audited) December 31, 2019	(Audited) June 30, 2019
	----- (Rupees in '000) -----	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Management remuneration payable	2,760	3,868
Sindh sales tax payable on management remuneration	359	503
Sales load payable	257	164
Payable against allocated expenses	138	193
Payable against selling and marketing expenses	5,012	2,529
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration payable	223	276
Sindh Sales Tax payable on trustee remuneration	29	36
Security deposits	100	100
MCB Bank Limited - Parent of the Management Company		
Bank balances	2,927	2,600
Nil shares held by the Fund (2019: 479,300 shares)	-	83,614
Arif Habib Limited		
Nil shares held by the Fund (2018: 312,000 shares)	-	9,869
Brokerage payable *	235	43
Next Capital Private Limited		
Brokerage payable *	121	9
Nishat Mills Limited		
Nil shares held by the Fund (2019: 1,100 shares)	-	103
Nishat Chunian Limited		
Nil shares held by the Fund (2019: 250,000 shares)	-	8,755

**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	(Un-Audited) December 31, 2018
	----- (Rupees in '000) -----	
Mughal Iron & Steel Industries Limited**		
179,500 shares held by the Fund as at June 30, 2019	-	4,516
Adamjee Insurance Company Limited		
Nil shares held by the Fund (2019: 295,000 shares)	-	10,340
Synthetic Products Enterprises Limited**		
730,500 shares held by the Fund as at June 30, 2019	-	16,210
Dolmen City Reit		
1,092,500 shares held by the Fund (2019: Nil shares)	13,645	-

* The amount disclosed represents the amount of brokerage expense or brokerage payable to related parties / 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 related parties / connected persons.

** These are not related parties/connected persons as at December 31, 2019.

14. 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. 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.

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

Half Year Ended December 31, 2019 (Unaudited)								
Carrying amount				Fair Value				
Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive income'	Total	Level 1	Level 2	Level 3	Total	
<hr style="border-top: 1px dashed black;"/>								
(Rupees in '000)								
<hr style="border-top: 1px dashed black;"/>								
Financial assets measured at fair value								
Government securities	-	426,873	-	426,873	-	426,873	-	426,873
Listed equity securities	-	969,218	-	969,218	969,218	-	-	969,218
Term Finance Certificates	-	9,974	-	9,974	-	9,974	-	9,974
Sukuk Certificates	-	139,226	-	139,226	-	139,226	-	139,226
	-	1,545,291	-	1,545,291	969,218	576,073	-	1,545,291

Financial assets not measured at fair value

Bank balances	556,286	-	-	556,286
Profit receivable	8,110	-	-	8,110
Receivable from National Clearing Company of Pakistan Limited	3,737	-	-	3,737
Advances, desposit & other receivables	3,025	-	-	3,025
	571,158	-	-	571,158

Financial liabilities not measured at fair value

Payable to the Management Company	8,167	-	-	8,167
Payable to the Trustee	252	-	-	252
Payable against redemption of units	31	-	-	31
Payable against purchase of investments	465,803	-	-	465,803
Accrued expenses and other liabilities	3,748	-	-	3,748
	<u>478,001</u>	<u>-</u>	<u>-</u>	<u>478,001</u>

June 30, 2019 (Audited)								
Carrying amount					Fair Value			
Amortised Cost	Fair value through profit or loss	Fair value through other comprehensive income'	Total	Level 1	Level 2	Level 3	Total	
----- (Rupees in '000) -----								
Financial assets measured at fair value								
Commercial paper	-	81,411	-	81,411	-	-	81,411	81,411
Listed equity securities	-	1,218,575	-	1,218,575	1,218,575	-	-	1,218,575
Term Finance Certificates	-	114,929	-	114,929	-	114,929	-	114,929
Sukuk Certificates	-	154,890	-	154,890	-	154,890	-	154,890
	-	1,569,805	-	1,569,805	1,218,575	269,819	81,411	1,569,805

Financial assets not measured at fair value

Bank balances	416,769	-	-	416,769
Profit receivable	10,554	-	-	10,554
Receivable against sale of investments	130,769	-	-	130,769
Receivable from National Clearing Company of Pakistan Limited	3,737	-	-	3,737
Other receivables	50	-	-	50
	561,879	-	-	561,879

Financial liabilities not measured at fair value

Payable to the Management Company	6,754	-	-	6,754
Payable to the Trustee	276	-	-	276
Payable against redemption of units	32,370	-	-	32,370
Accrued expenses and other liabilities	2,791	-	-	2,791
	42,191	-	-	42,191

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

15 CORRESPONDING FIGURES

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

16. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial information were authorised for issue by the Board of Directors of the Management Company in the meeting held on February 21, 2020.

**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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