



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

PAKISTAN CAPITAL MARKET FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
Board of Directors	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
Human Resource & Remuneration Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating & Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Altaf Ahmad Faisal	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited Habib Bank Limited National Bank of Pakistan JS Bank Limited Standard Chartered Bank Limited Zarai Traqiati Bank Limited Bank Al Falah Limited	
Auditors	A.F. Ferguson & Co Chartered Accountants (Member Firm of PWC Network) State Life Building 1-C, I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **Pakistan Capital Market Fund's** 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 cyclicals had a stellar performance during the first half as cheap valuations along with a better medium term growth outlook provided the impetus. Along with that, appreciation in local currency for the first time after several years provided the much required boost to cyclicals. Engineering & Pharmaceutical sectors delivered significant outperformance (~43/36% respectively) during the period. While, E&Ps, Fertilizer, & Banks underperformed the market generating returns of 19%/17% and 12% respectively.

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

FUND PERFORMANCE

During the period under review, the fund posted a return of 12.96% compared to the return of 17.53% posted by the benchmark.

On the equities front, the overall allocation stood at 63.9%. The exposure was mainly held in Commercial Banks, Oil & Gas Exploration Companies, and Cement.

On the fixed income side, the fund maintained its exposure towards cash to benefit from attractive rates offered by banks. The Net Assets of the Fund as at December 31, 2019 stood at Rs. 515 million as compared to Rs. 504 million as at June 30, 2019 registering an increase of 2.18%.

The Net Asset Value (NAV) per unit as at December 31, 2019 was Rs. 11.42 as compared to opening NAV of Rs. 10.11 per unit as at June 30, 2019 showing an increase of Rs. 1.31 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

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

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

موجودہ مالی سال کے لیے سی پی آئی کا متوقع اوسط 11.9 فیصد ہوگا جس کا سبب روپے کی قدر کی سُست رفتار اثر پذیر ی اور اشیائے خورد و نوش کے افراط زر میں اضافہ ہے۔ تاہم مضکم 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 اشیائے قیمتوں میں کسی منفی اضافے کے ساتھ یوٹیلٹی کی محصولات وغیرہ میں متوقع سے زیادہ تر میمات 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 پرائمریسٹ 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 کرنے کی آئی ایم کی بنیادی شرط کو پورا کرنا لازمی ہے۔ اس مقصد کے لیے ایف بی آر 5.5 ٹریلین روپے (30 فیصد سال در سال زیادہ) ٹیکس جمع کرنے کے لیے مصروف عمل ہے۔ پارلیمنٹ میں پیش کردہ بجٹ میں 600 سے 700 بلین روپے ٹیکس کے اقدامات کی تجویز دی گئی جبکہ باقی مقدار کو ایف بی آر کی کوششوں اور معاشی ترقی سے مشروط کیا گیا۔ اخراجات کی جہت میں حکومت کرنٹ اخراجات کے حوالے سے سادگی کے اقدامات پر توجہ دے رہی ہے تاہم 1.5 ٹریلین روپے (40 فیصد سال در سال زیادہ) کا ایک توسیعی پبلک سیکٹر ڈویلپمنٹ پروگرام (پی ایس ڈی پی) کے لیے بھی کوشاں ہے۔ ہم ٹیکس وصولی کے ہدف کو بے حد رجائیت پسند سمجھتے ہیں لیکن ہمیں لگتا ہے کہ اس کے حصول میں 300 سے 400 بلین روپے کی کمی آئے گی۔ نصف اوّل میں عارضی ٹیکس وصولی کے نتیجے سے ہمارے نظریے کی توثیق ہوتی ہے کیونکہ دوران سہ ماہی 120 بلین ڈالر کم کی وصولی ہوئی جس کے نتیجے میں ترقیاتی اقدامات کے لیے بھی کم خرچ کیا جائے گا۔

کمپنیل مارکیٹ کے نظریے سے ہم سمجھتے ہیں کہ خطرات کے حامل اثاثہ جات میں سرمایہ کاروں کا اعتماد بحال ہونا چاہیے کیونکہ کئی برسوں کی عدم یقینی کے بعد حاصل ہونے والے کلاں معاشیاتی استحکام کا خیر مقدم کیا جائے گا۔ ایکوٹی مارکیٹ حالیہ bull run (40 فیصد اضافے) کے باوجود بہت استعداد کی حامل ہے۔ موجودہ سال ۲۰۲۰ء میں اہم ترین موضوع مالیاتی پالیسی کی تقلیب ہوگا کیونکہ افراط زر میں کمی سے مرکزی بینک کو انٹریسٹ کی شرحوں میں کمی کرنے کے لیے مطلوبہ محرک فراہم ہوگا۔ ہم اگلے بارہ ماہ میں انٹریسٹ کی شرحوں میں 150 سے 200 بی پی ایس کی دیکھ رہے ہیں، اگرچہ اس کا زیادہ تر حصہ کیلنڈر سال (جنوری تا دسمبر) کے نصف آخر میں ظاہر ہوگا۔ دو اعداد پر مشتمل آمدنیاں اور کم قیمت قدر کا تعین ایکوٹیز کے مجموعی منافعوں کے لیے محرک ثابت ہوں گے۔ کسی معاشی سُست روی کے دور کے بعد عموماً آمدنیاں تیزی سے بڑھتی ہیں کیونکہ ایکوٹیز 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 ایکوٹیز سے متعلق ہماری رجائیت پسندی کی ایک کلیدی وجہ ہے۔

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

Debt حاملین کے لیے ہم توقع کرتے ہیں کہ Money مارکیٹ فنڈز پالیسی شرحوں کی عکاسی بلا کاوٹ 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

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 غریبی کی 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 اُٹھ 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 افراطِ زر کا مقابلہ کر کے اسے اگلے چوبیس ماہ میں 5 سے 7 فیصد تک لانے کے عہد کیا ہے، افراطِ زر کی صورتحال میں متوقع بہتری ہوئی اور اس کے نتیجے میں بانڈ مارکیٹس میں تیز رفتاری 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 12.96 فیصد منافع حاصل کیا جبکہ مقررہ معیار (بنچ مارک) 17.53 فیصد تھا۔ ایکویٹیز کے شعبے میں مجموعی اختصاص 63.9 فیصد تھا۔ فنڈ کی زیادہ تر سرمایہ کاری کمرشل بینکوں، تیل اور گیس کی دریافت کی کمپنیوں سیمنٹ کے شعبوں میں تھی۔ مقررہ آمدنی کے شعبے پر نظر ڈالیں تو بینکوں کی طرف سے پیش کردہ پُرکشش شرحوں سے فائدہ اٹھانے کے لیے فنڈ کی نقد میں شمولیت کو برقرار رکھا گیا۔ 31 دسمبر 2019ء کو فنڈ کے net اثاثہ جات 515 ملین روپے تھے جو 30 جون 2019ء (504 ملین روپے) کے مقابلے میں 2.18 فیصد اضافہ ہے۔ 31 دسمبر 2019ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 11.42 روپے تھی جو 30 جون 2019ء کی ابتدائی NAV (10.11 روپے) کے مقابلے میں 1.31 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 آ جائے 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

پاکستان کپیٹل مارکیٹ 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 کثیر الجہتی اداروں سے رقوم موصول ہوئیں، جبکہ سی اے ڈی کے ذریعے رقوم کے خروج کا سلسلہ محدود رہا۔ صارفی قیمت کے انڈیکس (کنزیومر پرائس انڈیکس: سی پی آئی) کو سال 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 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 اسمٹل مینوفیکچرنگ میں طلب میں بالترتیب 37.7 فیصد اور 13.8 فیصد کمی ہوئی۔

نیکس 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 خطرہ 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 لقمہ کی آمد ہوئی جس کے باعث پیداوار میں کمی ہوئی۔ نصف اول کے دوران تین سالہ بانڈز میں 221 بیسیس 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

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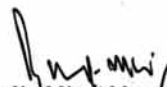
TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CAPITAL MARKET 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 Pakistan Capital Market Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2019 in accordance with the provisions of the following:

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


Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2020



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



A.F.FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS TO THE UNIT HOLDERS OF PAKISTAN CAPITAL MARKET FUND

Introduction

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

Scope of Review

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

Conclusion

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

A.F. Ferguson & Co.

Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

Dated: February 26, 2020

Karachi

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■ KARACHI ■ LAHORE ■ ISLAMABAD

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

		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	4	184,904	192,760
Investments	5	341,413	316,053
Dividend and profit receivables		1,555	1,157
Advances, deposits and prepayments		5,078	5,086
Receivable against sale of investments		-	4,655
Total assets		<u>532,950</u>	<u>519,711</u>
LIABILITIES			
Payable to MCB - Arif Habib Savings and Investments Limited - Management Company	6	2,728	1,521
Payable to Central Depository Company of Pakistan Limited - Trustee		98	95
Payable to the Securities and Exchange Commission of Pakistan	7	48	490
Payable against redemption of units		216	216
Accrued expenses and other liabilities	8	15,141	13,753
Total liabilities		<u>18,231</u>	<u>16,075</u>
NET ASSETS		<u>514,719</u>	<u>503,636</u>
Unit holders' fund (as per statement attached)		<u>514,719</u>	<u>503,636</u>
Contingencies and commitments	9		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		<u>45,074,726</u>	<u>49,824,042</u>
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT		<u>11.42</u>	<u>10.11</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

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


		Six months period ended		Quarter ended	
		December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
Note		----- (Rupees in '000) -----			
INCOME					
Capital gain / (loss) on sale of investments-net		17,355	(7,411)	17,935	(9,997)
Dividend income		11,598	9,898	5,805	5,222
Income from government securities		3,682	5,718	2,946	3,617
Income from term finance certificates		60	46	29	24
Profit on bank deposits		7,309	3,419	2,652	1,314
Income on deposit with NCCPL against exposure margin		60	2	43	-
Net unrealised gain / (loss) on re-measurement of investments classified as 'at fair value through profit or loss'	5.2 & 5.3	28,204	(37,999)	45,883	(34,650)
Total income / (loss)		68,268	(26,327)	75,293	(34,470)
EXPENSES					
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	6.1	4,779	6,089	2,455	2,973
Sindh Sales tax on remuneration of the Management Company	6.2	621	792	319	387
Allocated expenses	6.3	239	344	123	168
Remuneration of Central Depository Company of Pakistan Limited - Trustee		478	609	246	297
Sindh sales tax on remuneration of the trustee		62	79	32	38
Selling and marketing expenses	6.4	2,305	1,218	1,588	595
Annual fee to the Securities and Exchange Commission of Pakistan	7	48	259	25	127
Securities transaction cost		1,001	708	750	593
Settlement and bank charges		306	266	158	(163)
Fees and subscription		26	38	7	15
Auditors' remuneration		325	294	193	162
Printing and related cost		17	24	(8)	(1)
Legal and professional charges		91	91	45	46
Total expenses		10,298	10,811	5,933	5,237
Net income / (loss) from operating activities		57,970	(37,138)	69,360	(39,707)
(Provision) / Reversal for Sindh Workers' Welfare Fund (SWWF)		(1,160)	-	(1,160)	51
Net income / (loss) for the period before taxation		56,810	(37,138)	68,200	(39,656)
Taxation	10	-	-	-	-
Net income / (loss) for the period after taxation		56,810	(37,138)	68,200	(39,656)
Allocation of net income for the period:					
Net income for the period		56,810	-		
Income already paid on units redeemed		(1,393)	-		
		55,417	-		
Accounting income available for distribution:					
- Relating to capital gains		44,274	-		
- Excluding capital gains		11,143	-		
Accounting income available for distribution		55,417	-		
Earnings / Loss per unit	12				

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Six months period ended		Quarter ended	
	December 31, 2019	December 31, 2018	December 31, 2019	December 31, 2018
	----- (Rupees in '000) -----			
Net income / (loss) for the period after taxation	56,810	(37,138)	68,200	(39,656)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	<u>56,810</u>	<u>(37,138)</u>	<u>68,200</u>	<u>(39,656)</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	Six months period ended December 31, 2019			Six months period ended December 31, 2018			
	Capital Value	Undistri- buted income	Total	Capital Value	Undistri- buted income	Unrealised appreciation/ (diminution) on "Available for sale" investments	Total
	(Rupees in '000)						
Net assets at the beginning of the period	512,914	(9,278)	503,636	573,580	42,884	2,115	618,579
Effect of adoption of IFRS 9	-	-	-	-	2,115	(2,115)	-
Net assets at the beginning of the period	512,914	(9,278)	503,636	573,580	44,999	-	618,579
Issuance of 2,047,975 units (2018: 1,779,551 units)							
- Capital value (at net asset value per unit at the beginning of the period)	20,705	-	20,705	19,860	-	-	19,860
- Element of income	1,317	-	1,317	232	-	-	232
Total proceeds from issuance of units	22,022	-	22,022	20,092	-	-	20,092
Redemption of 6,797,291 units (2018: 5,012,220 units)							
- Capital value (at net asset value per unit at the beginning of the year)	68,718	-	68,718	55,936	-	-	55,936
- Amount paid out of element of income	(2,362)	1,393	(969)	(620)	-	-	(620)
Total payments on redemption of units	66,356	1,393	67,749	55,316	-	-	55,316
Total comprehensive income / (loss) for the period	-	56,810	56,810	-	(37,138)	-	(37,138)
Net assets at the end of the period	468,581	46,139	514,719	538,356	7,861	-	546,217
Undistributed income brought forward comprising of:							
- Realised		50,729			67,904		
- Unrealised loss		(60,007)			(25,020)		
		(9,278)			42,884		
Effect of adoption of IFRS 9		-			2,115		
Undistributed income brought forward		(9,278)			44,999		
Accounting income available for distribution							
- Relating to capital gains	44,274			-			
- Excluding capital gains	11,143			-			
	55,417			-			
Net loss for the period after taxation	-			(37,138)			
Undistributed income carried forward	46,139			7,861			
Undistributed income carried forward comprising of:							
- Realised	17,935			45,860			
- Unrealised	28,204			(37,999)			
	46,139			7,861			
	(Rupees)			(Rupees)			
Net asset value per unit at the beginning of the period	10.11			11.16			
Net asset value per unit at the end of the period	11.42			10.47			

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

Six months period ended
December 31, 2019 December 31, 2018
------(Rupees in '000)-----

CASH FLOWS FROM OPERATING ACTIVITIES

Net income / (loss) for the period before taxation	56,810	(37,138)
Adjustments for:		
Dividend Income	(11,598)	(9,898)
Net unrealised (gain) / loss on revaluation of investments 'at fair value through profit or loss	(28,204)	37,999
Provision for Sindh Workers' Welfare Fund (SWWF)	1,160	-
	18,168	(9,037)
Decrease / (increase) in assets		
Investments - net	2,844	25,370
Receivable against sale of investments	4,655	-
Dividend and profit receivables	(291)	61
Advances deposits and prepayments	8	(16)
	7,216	25,415
Increase / (decrease) in liabilities		
Payable to MCB Arif Habib Savings and Investments Limited - Management Company	1,207	374
Payable to the Central Depository Company of Pakistan Limited - Trustee	3	(9)
Payable to the Securities and Exchange Commission of Pakistan (SECP)	(442)	(277)
Payable against purchase of investments	-	(6,325)
Accrued expenses and other liabilities	229	(373)
	997	(6,610)
Dividend Received	11,490	10,741
Net cash generated from operating activities	37,871	20,509

CASH FLOWS FROM FINANCING ACTIVITIES

Receipts from issuance and conversion of units	22,022	20,092
Payments against redemption and conversion of units	(67,749)	(55,316)
Net cash used in financing activities	(45,727)	(35,224)
Net decrease in cash and cash equivalents during the period	(7,856)	(14,715)
Cash and cash equivalents at the beginning of the period	192,760	210,758
Cash and cash equivalents at the end of the period	184,904	196,043


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

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



Chief Executive Officer



Chief Financial Officer



Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Capital Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB - Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC). The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter dated September 30, 2003 consequent to which the Trust Deed was executed on October 27, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3** Pakistan Capital Market Fund as a closed-end scheme was authorized by the SECP on November 5, 2003. During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund has been categorised as "Balanced Scheme" and offers units for public subscription on continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on Pakistan Stock Exchange Limited.
- 1.4** The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse purchase transactions.
- 1.5** Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated October 08, 2019 to the Management Company.
- 1.6** Title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ with the requirements of IAS 34, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

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

These condensed interim financial statements are unaudited. However, a limited scope review has been performed by the statutory auditors. In compliance with Schedule V of the NBFC Regulations, the directors of the Management

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

Company declare that these condensed interim financial statements give a true and fair view of the state of affairs of the Fund as at December 31, 2019.

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

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

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

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

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

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

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

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

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

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

4 BALANCES WITH BANKS	Note	December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
		------(Rupees in '000)-----	
In current accounts	4.1	7,319	6,193
In saving accounts	4.2	177,585	186,567
		<u>184,904</u>	<u>192,760</u>

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

- 4.1** This includes balance of Rs.5.36 million (June 30, 2019: Rs.3.414 million) maintained with MCB Bank Limited (a related party).
- 4.2** This includes balances of Rs.0.613 million (June 30, 2019: Rs.0.603 million) maintained with MCB Bank Limited (a related party) that carry profit at the rate of 11.25% (June 30, 2019: 4.5%) per annum. Other profit and loss saving accounts of the Fund carries profit at the rates ranging from 10.25% to 14.45% (June 30, 2019: 3.75% to 13%) per annum.

		December 31, 2019 (Un-audited)	June 30, 2019 (Audited)
	Note	------(Rupees in '000)-----	
5 INVESTMENTS			
At fair value through profit or loss			
Government securities	5.1	-	-
Listed equity securities	5.2	340,675	315,145
Unlisted debt security	5.3	738	908
		<u>341,413</u>	<u>316,053</u>

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

Name of security	Date of issue	----- Face value -----				Balance as at December 31, 2019			Market value as a percentage of	
		As at July 01, 2019	Purchased during the period	Disposed/ matured during the period	As at December 31, 2019	Carrying value	Market value	Unrealised gain / (loss)	net assets	total invest- ments
		(Rupees in '000)							%	
Treasury Bills - 3 months										
Treasury Bills	18-Jul-2019	-	550,000,000	550,000,000	-	-	-	-	-	-
Treasury Bills	16-Aug-2019	-	160,000,000	160,000,000	-	-	-	-	-	-
Treasury Bills	29-Aug-2019	-	100,000,000	100,000,000	-	-	-	-	-	-
Treasury Bills	10-Oct-2019	-	170,000,000	170,000,000	-	-	-	-	-	-
Treasury Bills	24-Oct-2019	-	500,000,000	500,000,000	-	-	-	-	-	-
Treasury Bills	07-Nov-2019	-	630,000,000	630,000,000	-	-	-	-	-	-
Treasury Bills - 6 months										
Treasury Bills	10-Oct-2019	-	170,000,000	170,000,000	-	-	-	-	-	-
Treasury Bills	24-Oct-2019	-	160,000,000	160,000,000	-	-	-	-	-	-
Treasury Bills	07-Nov-2019	-	500,000,000	500,000,000	-	-	-	-	-	-
Treasury Bills	05-Dec-2019	-	250,000,000	250,000,000	-	-	-	-	-	-
Treasury Bills - 12 months										
Treasury Bills	26-Sep-2019	-	500,000,000	500,000,000	-	-	-	-	-	-
Treasury Bills	10-Oct-2019	-	500,000,000	500,000,000	-	-	-	-	-	-
Treasury Bills	24-Oct-2019	-	650,000,000	650,000,000	-	-	-	-	-	-
Treasury Bills	07-Nov-2019	-	550,000,000	550,000,000	-	-	-	-	-	-
Treasury Bills	19-Dec-2019	-	250,000,000	250,000,000	-	-	-	-	-	-
Pakistan Investment Bonds										
Pakistan Investment	12-Jul-2018	-	125,000,000	125,000,000	-	-	-	-	-	-
Bonds - 03 years	19-Sep-2019	-	275,000,000	275,000,000	-	-	-	-	-	-
Pakistan Investment	12-Jul-2018	-	275,000,000	275,000,000	-	-	-	-	-	-
Bonds - 05 years	19-Sep-2019	-	125,000,000	125,000,000	-	-	-	-	-	-
Pakistan Investment										
Bonds - 10 years	12-Jul-2018	-	37,500,000	37,500,000	-	-	-	-	-	-
Total as at December 31, 2019						-	-	-		
Total as at June 30, 2019						-	-	-		

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

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

Name of the Investee Company	As at July 1, 2019	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at December 31, 2019	As at December 31, 2019			Market value as a percentage of		
						Carrying Value	Market value	Apprecia- tion / (diminu- tion)	net assets	total invest- ments	total paid up capital of the investee company
						-----Rupees in '000'-----			----- % -----		
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
AUTOMOBILE ASSEMBLER											
Atlas Honda Limited	23,160		-	23,160	-	-	-	-	-	-	-
Millat Tractors Limited	-	7,200	-		7,200	4,883	5,072	189	0.99%	1.49%	0.02%
						4,883	5,072	189	0.99%	1.49%	0.02%
AUTOMOBILE PARTS AND ACCESSORIES											
Thal Limited	-	30,000	-		30,000	10,188	10,147	(41)	1.97%	2.97%	0.07%
						10,188	10,147	(41)	1.97%	2.97%	0.07%
CABLE AND ELECTRICAL GOODS											
Pakistan Elektron Limited	90,000	200,000	-	90,000	200,000	5,158	5,414	256	1.05%	1.59%	0.04%
						5,158	5,414	256	1.05%	1.59%	0.04%
CEMENT											
Kohat Cement Limited	110,500	-	-	-	110,500	5,805	8,553	2,748	1.66%	2.51%	0.06%
Lucky Cement Limited	-	50,600	-	-	50,600	19,449	21,677	2,228	4.21%	6.35%	0.02%
Maple Leaf Cement Factory Limited	-	225,000	-	-	225,000	5,120	5,207	87	1.01%	1.53%	0.04%
						30,374	35,437	5,063	6.88%	10.39%	0.12%
CHEMICALS											
Engro Polymer and Chemicals Limited	336,187	220,000	-	155,000	401,187	11,040	13,323	2,283	2.59%	3.90%	0.04%
Lotte Chemical Pakistan Limited	182,500	552,000	-	734,500	-	-	-	-	-	-	-
						11,040	13,323	2,283	2.59%	3.90%	0.04%
COMMERCIAL BANKS											
Allied Bank Limited	49,000	74,900	-		123,900	12,352	11,845	(507)	2.30%	3.47%	0.01%
Askari Bank Limited	484,500		-	484,500	-	-	-	-	-	-	-
Bank Alfalah Limited (note 5.2.1)	807,950		-	460,000	347,950	15,167	15,901	734	3.09%	4.66%	0.02%
Bank Al Habib Limited	151,500	263,500	-		415,000	31,367	31,606	239	6.14%	9.26%	0.04%
Faysal Bank Limited* (note 5.2.2)	8,500		-	250	8,250	178	157	(21)	0.03%	0.05%	-
Habib Bank Limited*	-	105,100	-	70,000	35,100	5,634	5,525	(109)	1.07%	1.62%	-
Habib Metropolitan Bank	200,000	249,000	-		449,000	16,429	16,321	(108)	3.17%	4.78%	0.04%
MCB Bank Limited**	109,600		-	109,600	-	-	-	-	-	-	-
National Bank of Pakistan	15,500		-	15,500	-	-	-	-	-	-	-
United Bank Limited	67,000	142,500	-	60,000	149,500	22,700	24,593	1,893	4.78%	7.20%	0.01%
						103,827	105,948	2,121	20.58%	31.04%	0.12%
ENGINEERING											
International Industries Limited	900		-	900	-	-	-	-	-	-	-
						-	-	-	-	-	-

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

Name of the Investee Company	As at July 1, 2019	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at December 31, 2019	As at December 31, 2019			Market value as a percentage of		
						Carrying Value	Market value	Apprecia- tion / (diminution)	net assets	total invest- ments	total paid up capital of the investee company
						-----Rupees in '000'-----			----- % -----		
FERTILIZER											
Engro Corporation Limited	-	77,000	-	-	77,000	25,474	26,584	1,110	5.16%	7.79%	0.01%
Engro Fertilizer Limited	279,000	135,000	-	414,000	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited**	216,000	-	-	-	216,000	6,448	5,743	(705)	1.12%	1.68%	0.10%
Fauji Fertilizer Company Limited*	262,000	46,000	-	301,000	7,000	638	710	72	0.14%	0.21%	-
						32,560	33,037	477	6.42%	9.68%	0.11%
FOOD & PERSONAL CARE PRODUCTS											
Al Shaheer Corps* (note 5.2.2)	805	-	-	-	805	10	11	1	-	-	-
National Foods Limited*	13,200	-	2,640	13,200	2,640	405	586	181	0.11%	0.17%	-
Shezan International Limited	2,860	-	-	-	2,860	1,208	1,431	223	0.28%	0.42%	0.03%
						1,623	2,028	405	0.39%	0.59%	0.03%
GLASS & CERAMICS											
Tariq Glass Industries Limited	26,000	-	-	26,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
LEATHER & TANNERIES											
Bata (Pakistan) Limited	3,750	-	-	3,750	-	-	-	-	-	-	-
Service Industries Limited	9,750	-	2,437	-	12,187	4,810	9,467	4,657	1.84%	2.77%	0.08%
						4,810	9,467	4,657	1.84%	2.77%	0.08%
OIL & GAS EXPLORATION COMPANIES											
Mari Petroleum Limited*	-	11,460	526	-	11,986	12,711	15,703	2,992	3.05%	4.60%	-
Oil And Gas Development Company* (note 5.2.1)	242,500	-	-	60,000	182,500	23,997	25,973	1,976	5.05%	7.61%	-
Pakistan Oil Fields Limited	21,660	40,000	-	-	61,660	24,032	27,545	3,513	5.35%	8.07%	0.02%
Pakistan Petroleum Limited	175,879	120,000	35,175	213,000	118,054	14,804	16,190	1,386	3.15%	4.74%	0.01%
						75,544	85,411	9,867	16.60%	25.02%	0.03%
OIL AND GAS MARKETING COMPANIES											
Pakistan State Oil Company Limited	23,500	-	-	23,500	-	-	-	-	-	-	-
Attock Petroleum Limited	-	15,500	-	15,500	-	-	-	-	-	-	-
Hi-Tech Lubricants Limited	-	171,500	-	171,500	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	68,000	127,000	-	-	195,000	14,107	14,853	746	2.89%	4.35%	0.03%
						14,107	14,853	746	2.89%	4.35%	0.03%
PHARMACEUTICALS											
Abbot Laboratories	-	25,500	-	-	25,500	10,076	11,393	1,317	2.21%	3.34%	0.03%
AGP Limited	15	-	-	15	-	-	-	-	-	-	-
The Searle Company Limited* (note 5.2.2)	596	-	-	385	211	31	40	9	0.01%	0.01%	-
						10,107	11,433	1,326	2.22%	3.35%	0.03%
Balance carried forward						304,221	331,570	27,349			

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

Name of the Investee Company	As at July 1, 2019	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at December 31, 2019	As at December 31, 2019			Market value as a percentage of		
						Carrying Value	Market value	Apprecia- tion / (diminution)	net assets	total invest- ments	total paid up capital of the investee company
						-----Rupees in '000'-----			----- % -----		
Balance brought forward						304,221	331,570	27,349			
POWER GENERATION & DISTRIBUTION											
The Hub Power Company Limited	285,851	130,000	-	415,851	-	-	-	-	-	-	-
						-	-	-	-	-	-
REAL ESTATE INVESTMENT AND SERVICES											
Dolmen City REIT	249,500	174,000	-	-	423,500	4,639	5,290	651	1.03%	1.55%	0.02%
						4,639	5,290	651	1.03%	1.55%	0.02%
TECHNOLOGY & COMMUNICATIONS											
Hum Network	700,000	-	-	-	700,000	2,219	2,247	28	0.44%	0.66%	0.74%
						2,219	2,247	28	0.44%	0.66%	0.74%
TEXTILE COMPOSITE											
Gul Ahmed Textile Mills Limited	320,500	7,000	65,500	360,000	33,000	1,294	1,423	129	0.28%	0.42%	0.01%
Interloop Limited	134,005	-	-	134,005	-	-	-	-	-	-	-
Kohinoor Textile Mills Limited*	153,700	-	-	150,000	3,700	93	145	52	0.03%	0.04%	-
Nishat Mills Limited**	600	-	-	600	-	-	-	-	-	-	-
						1,387	1,568	181	0.31%	0.46%	0.01%
Total at December 31, 2019						312,466	340,675	28,209	1.78%	2.67%	
Total at June 30, 2019						375,145	315,145	(60,000)			

* Nil figures due to rounding off

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

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

Name of security	December 31, 2019	June 30, 2019	December 31, 2019	June 30, 2019
	--- (Number of shares) ---		----- (Rupees in '000) -----	
Bank Alfalah Limited	300,000	400,000	13,710	20,916
Oil & Gas Development Company Limited	105,000	105,000	14,944	16,340
	<u>405,000</u>	<u>505,000</u>	<u>28,654</u>	<u>37,256</u>

5.2.2 The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001 as a result of which companies are liable to withhold five percent of the bonus shares to be issued. The shares so withheld shall only be released if the Fund deposits tax equivalent to five percent of the value of the bonus shares issued to the Fund including bonus shares withheld, determined on the basis of day-end price on the first day of closure of books of the issuing company.

In this regard, a constitutional petition had been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs. The petition was based on the fact that because CISs are exempt from deduction of income tax under Clause

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

99 Part I to the Second Schedule of the Income Tax Ordinance 2001, the withholding tax provision should also not be applicable on bonus shares received by CISs. A stay order had been granted by the Honourable High Court of Sindh in favour of CISs.

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

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

As at December 31, 2019, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs. 0.203 million (June 30, 2019: Rs. 0.218 million).

5.3 Unlisted debt security - 'at fair value through profit or loss'

Certificates have a face value of Rs 100,000 each

Name of investee company	Number of certificates					As at December 31, 2019			Market value as a percentage of	
	As at July 1, 2019	Purchased during the period	Matured during the period	Disposed during the period	As at December 31, 2019	Carrying value	Market Value	Appreciation / (diminution)	net assets	total investments
----- (Rupees in '000) -----										
Byco Petroleum Pakistan Limited (January 1, 2018 issue)	10	-	-	-	10	743	738	(5)	0.14%	0.22%
Total as at December 31, 2019						743	738	(5)	0.14%	0.22%
Total as at June 30, 2019						915	908	(7)		

5.4 Significant terms and conditions of term finance certificates and other securities outstanding at the year end are as follows:

Name of security	Number of certificates	Face value per certificate	Face value / redemption value in total	Interest rate per annum	Maturity	Secured / unsecured	Rating
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Listed debt securities

Byco Petroleum Pakistan Limited - Sukuk	10	100,000	75,000	3M KIBOR + 1.05%	January 18, 2022	Unsecured	AAA
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
6	PAYABLE TO MCB ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY	Note	------(Rupees in '000)-----
	Remuneration payable	6.1	867
	Sindh sales tax payable on management fee	6.2	113
	Sales load payable		1
	Allocated expenses payable	6.3	159
	Selling and marketing expenses payable	6.4	1,588
			<u>2,728</u>
			<u>1,521</u>

6.1 The management fees is being calculated at the rate 2% (June 30, 2019: 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

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

6.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

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

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

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

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

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

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

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

Effective from July 1, 2019, the SECP vide SRO No. 685(I)/2019 dated June 28, 2019, revised the rate of annual fee to 0.02% of net assets, applicable on all categories of CISs. Accordingly, the Fund has charged SECP Fee at the rate of 0.02% of net assets during the period. Previously, the rate of annual fee applicable to balanced scheme was 0.085%.

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

		December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
8 ACCRUED EXPENSES AND OTHER LIABILITIES	Note	------(Rupees in '000)-----	
Provision for Sindh Workers' Welfare Fund (SWWF)	8.1	5,060	3,900
Federal Excise Duty payable on management fee	8.2	5,872	5,872
Federal Excise Duty on sales load	8.2	393	393
Legal and professional charges		99	67
Withholding tax		12	-
Dividend		2,784	2,784
Auditors' remuneration		290	368
Brokerage		602	328
Others		29	41
		<u>15,141</u>	<u>13,753</u>

8.1 Provision for Sindh Workers' Welfare Fund

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

Had the provision for SWWF not been recorded in the condensed interim financial statements of the Fund, the net assets value of the Fund as at December 31, 2019 would have been higher by Re.0.11 (June 30, 2019: Re.0.08) per unit.

8.2 Federal Excise Duty on remuneration of the management company and sales load

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

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for

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

FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 6.265 million is being retained in these condensed interim financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Assets Value of the Fund as at December 31, 2019 would have been higher by Re 0.14 (June 30, 2019: Re 0.13) per unit.

9 CONTINGENCIES AND COMMITMENTS

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

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 Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income earned by the Fund during the year ending June 30, 2020 to the unit holders atleast 90% of the income therefore, no provision for taxation has been made in these condensed interim financial statements.

	December 31, 2019	December 31, 2018
	----- (Unaudited) -----	
	----- Rupees in '000 -----	
11 CASH AND CASH EQUIVALENTS		
Balances with banks	<u>184,904</u>	<u>196,043</u>

12 EARNINGS / LOSS PER UNIT

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

13 TOTAL EXPENSE RATIO

The total expense ratio (TER) of the Fund during the current period is 4.78%, (December 31, 2018: 1.78%) which includes 0.80% (December 31, 2018: 0.19%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 4% (excluding government levies) of average net assets as prescribed under the NBFC Regulations for a collective investment scheme categorised as a balanced scheme.

14 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the Holding Company of the Management Company, the Trustee, directors, key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

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

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

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

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

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

(Un-Audited)
December 31, 2019 December 31, 2018
----- (Rupees in '000) -----

14.1 Details of transactions with connected persons are as follows:

MCB-Arif Habib Savings and Investments Limited - Management Company

Remuneration for the period including indirect taxes	5,400	6,881
Allocated expense	239	344

Arif Habib Limited - Brokerage house

Brokerage expense*	20	40
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Next Capital Private Limited - Brokerage House

Brokerage expense *	23	14
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MCB Bank Limited

Purchase of Nil shares (2018: 100 shares)	-	20
Sales of 109,600 shares (2018: 100 shares)	18,998	20
Sale of securities - having a Face Value of Rs. Nil (2018: Rs. 200,000,000)	-	198,468
Bank charges	4	1
Profit on bank deposit	47	26
Dividend income	561	1,147

Silk Bank Limited**

Sale of securities - having a Face Value of Rs Nil (2018: Rs 50,000,000)	-	48,891
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Nishat Chunian Limited

Purchase of Nil shares (2018: 100,000 shares)	-	5,726
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Nishat Mills Limited

Sales of 600 shares (2018: 140,000 shares)	45	18,427
Dividend income	-	3

Mughal Iron and Steel Industries Limited**

Sales of Nil shares (2018: 86,000 shares)	-	4,737
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Central Depository Company of Pakistan Limited - Trustee

Remuneration for the period	540	688
CDS charges	22	26

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

** No longer related party.

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

	December 31, 2019 (Unaudited)	June 30, 2019 (Audited)
	------(Rupees in '000)-----	
14.2 Balances outstanding as at period / year end:		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable	867	844
Sales tax payable on management fee	113	110
Sales load payable	1	2
Allocated expenses payable	159	42
Marketing and selling expense	1,588	524
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	87	84
Sales tax payable on trustee fee	11	11
Security deposit	300	300
MCB Bank Limited		
Bank balance	5,973	4,017
Profit receivable on bank deposits	35	35
Nil shares held (June 30, 2019: 109,600)	-	19,119
Arif Habib Limited - Brokerage House		
Brokerage payable*	18	9
Next Capital Private Limited - Brokerage House		
Brokerage payable*	7	48
Fatima Fertilizer Company Limited		
216,000 (June 30, 2019: 216,000) shares held	5,743	6,448
Dolmen City REIT		
423,500 (June 30, 2019: 249,500) shares held	5,290	2,537
Nishat Mills Limited		
Nil (June 30, 2019: 600) shares held	-	56

* 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.

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

December 31, 2019 (Un-Audited)							
As at July 01, 2019	Issued for cash / conversion in / transferred in	Redeemed / conversion out / transfer out	As at December 31, 2019	As at July 01, 2019	Issued for cash / conversion in / transferred in	Redeemed / conversion out / transfer out	Amount outstanding as at December 31, 2019
------(Units)-----				------(Rupees in '000)-----			
Asghari Beg Memorial Trust	26,988	-	26,988	317	-	-	308
Directors and executives of the Management Company	4,155	-	4,155	42	-	-	47

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

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

December 31, 2018 (Un-Audited)							
As at July 01, 2018	Issued for cash / conversion in / transferred in	Redeemed / conversion out / transfer out	As at December 31, 2018	As at July 01, 2018	Issued for cash / conversion in / transferred in	Redeemed / conversion out / transfer out	Amount outstanding as at December 31, 2018
(Units)				(Rupees in '000)			

Directors and executives
of the Management
Company*

85,019	-	84,934	85	949	-	945	1
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*This reflects position of related party / connected persons status as at December 31, 2018

15 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

15.1 FAIR VALUE HIERARCHY

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

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

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

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

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

-----Unaudited-----			
-----December 31, 2019-----			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000') -----			

**Investment classified at fair value through
profit or loss**

Listed equity securities	340,675	-	-	340,675
Unlisted debt security - Term Finance Certificate	-	738	-	738
	340,675	738	-	341,413

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

-----Audited-----			
-----June 30, 2019-----			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000') -----			

**Investment classified at fair value through
profit or loss**

Listed equity securities	315,145	-	-	315,145
Unlisted debt security - Term Finance Certificate	-	908	-	908
	<u>315,145</u>	<u>908</u>	<u>-</u>	<u>316,053</u>

16 GENERAL

Figures have been rounded off to the nearest thousand rupees.

17 DATE OF AUTHORISATION FOR ISSUE

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

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



Chief Executive Officer



Chief Financial Officer



Director



MCB-Arif Habib Savings and Investments Limited

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