



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 Income Fund**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	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
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating &amp; Financial Officer</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Company Secretary</b>	Mr. Altaf Ahmad Faisal	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> 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	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Allied Bank Limited Faysal Bank Limited Bank Al-Habib Limited Silk Bank Limited Habib Bank Limited National Bank of Pakistan Bank Al Falah Limited NRSP Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited First Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Telenor Micro Finance Bank Limited	
<b>Auditors</b>	<b>Deloitte Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
<b>Rating</b>	<b>AM2++</b> 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 Income Fund** accounts review for the half year ended December 31, 2019.

## ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 13.12% as against its benchmark return of 14.18%.

At period end, the fund was 26.0% in TFCs and 56.5% in Cash. Weighted average maturity of the fund stood at 1.8 years.

The Net Assets of the Fund as at December 31, 2019 stood at Rs. 1,554 million as compared to Rs. 1,392 million as at June 30, 2019 registering an increase of 11.65%.

The Net Asset Value (NAV) per unit as at December 31, 2019 was Rs. 57.3834 as compared to opening NAV of Rs. 53.8234 per unit as at June 30, 2018 registering an increase of Rs. 3.56 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.

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

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

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

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

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

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

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. On the other hand, government bonds have already priced in some of the expected monetary easing during the course of year. Further capital gains are contingent on earlier than expected reversal in monetary cycle along with quantum of interest rate cuts. Liquidity in the monetary system will also define yield on bonds since the government has liberalized its sources of financing, particularly opening avenues from external sources.

### ELECTION OF THE BOARD OF DIRECTORS

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

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

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### 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,



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**Muhammad Saqib Saleem**  
Chief Executive Officer  
February 21, 2020



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**Nasim Beg**  
Vice Chairman / Director  
February 21, 2020

## ڈائریکٹرز رپورٹ

کمپنیل مارکیٹ کے نظریے سے ہم سمجھتے ہیں کہ خطرات کے حامل اثاثہ جات میں سرمایہ کاروں کا اعتماد بحال ہونا چاہیے کیونکہ کئی برسوں کی عدم یقینی کے بعد حاصل ہونے والے کلاں معاشیاتی استحکام کا خیر مقدم کیا جائے گا۔ ایکوٹی مارکیٹ حالیہ bull run (40 فیصد اضافے) کے باوجود بہت استعداد کی حامل ہے۔ موجودہ سال 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 سُست 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 نظریہ زیادہ اہمیت کا حامل رہے گا اور سرمایہ کاری کے انتخاب کے لیے ایسی کمپنیوں پر توجہ مرکوز ہونی چاہیے جو اپنی اندرونی قدر میں گہری رعایت پر تجارت کرتی ہیں۔ اسی طرح، اُن کمپنیوں کی جانب بھی توجہ مبذول ہونی چاہیے جن کی درمیانی میعاد کی آمدنی میں زبردست ترقی متوقع ہے۔ Debt حاملین کے لیے ہم توقع کرتے ہیں کہ Money مارکیٹ فنڈز پالیسی شرحوں کی عکاسی بلا رکاوٹ سال بھر جاری رکھیں گے۔ دوسری جانب حکومتی بانڈز دوران سال پہلے ہی کچھ حد تک متوقع مالیاتی تسہیل میں کردار ادا کر چکے ہیں۔ 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۔ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی منظوری ڈائریکٹرز رپورٹ کی تاریخ پر زیر التواء ہے۔

## اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ

وائس چیئرمین / ڈائریکٹر

21 فروری، 2020ء



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

21 فروری، 2020ء



## ڈائریکٹر رپورٹ

اختتامِ مدت پر فنڈ کی سرمایہ کاری 26.0 فیصد ٹرم فنانس سرٹیفکیٹس میں اور 56.5 فیصد نقد میں تھی۔ فنڈ کی WAM (ویبڈ ایوریج میچورٹی) 1.8 سال تھی۔ 31 دسمبر 2019ء کو فنڈ کے net اثاثہ جات 1,554 ملین روپے تھے جو 30 جون 2019ء (1,392 ملین روپے) کے مقابلے میں 11.64 فیصد اضافہ ہے۔ 31 دسمبر 2019ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 57.3834 روپے تھی جو 30 جون 2019ء کی ابتدائی NAV (53.8234 روپے) کے مقابلے میں 3.56 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 پزنی پالیسیوں کے تناظر میں پاکستان کی مجموعی ملکی پیداوار (جی ڈی پی) کی ترقی مالی سال 20-2019ء میں سست روی کا شکار ہو کر 2.5 فیصد پر آجائے گی۔ صنعتی ترقی غیر فعال رہے گی، خاص طور پر درآمدات سے چلنے والے صرف پزنی 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 ہوگئی ہیں کیونکہ سی اے ڈی مرکزی حکومت کے پالیسی اقدامات کے بعد معقول سطح تک آگیا ہے۔ ہم بے حد محتاط مفروضوں کی بنیاد پر پیش گوئی کر سکتے ہیں کسی اے ڈی، جی ڈی پی کے 2.3 فیصد پر رک جائے گا۔ ہم نے خام تیل کی قیمتوں کو 70 ڈالر فی بی بی ایل فرض کیا ہے جو موجودہ طور پر 60 ڈالر فی بی بی ایل کے قریب 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 ملٹری شدہ سہولت سے بھی زرمبادلہ کے ذخائر کو مختصر المیعاد سہارا فراہم ہوگا۔ موجودہ مالی سال کے اختتام تک زرمبادلہ کے ذخائر کے حوالے سے توقع ہے کہ وہ بڑھ کر 14 بلین ڈالر تک پہنچ جائیں گے۔ پاکستانی روپیہ اپنے توازن کی سطحوں سے ہم آہنگ ہے (اکتوبر 2019ء 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 ٹیلیٹی کی محصولات وغیرہ میں متوقع سے زیادہ ترمیمات سے ہماری توقعات کو خطرہ لاحق ہو سکتا ہے۔ ہم سمجھتے ہیں کہ انٹریسٹ کی موجودہ حقیقی شرح قریب المیعاد افراط زر سے نمٹنے کے لیے کافی ہے۔ تاہم حقیقی شرح میں اضافے کی گنجائش کو دیکھتے ہوئے اگلے مالی سال کے آغاز میں مالیاتی تسہیل کا امکان بعید نہیں ہے۔ افراط زر سے متعلق ہمارے پیش بینی کی بنیاد پر انٹریسٹ کی شرحوں میں اگلے بارہ ماہ میں 150 سے 200 بی پی ایس تک کمی کی اُمید ہے۔

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

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

### معیشت اور بازار زر کا مجموعی جائزہ

استحکام کے حکومتی اقدامات کے ثمرات ظاہر ہونا شروع ہو گئے ہیں کیونکہ ادائیگی کے توازن کی صورتحال میں بہتری جاری ہے۔ مالی سال ۲۰۲۰ء کے نصف اول میں کرنٹ اکاؤنٹ خسارہ (سی اے ڈی) سال در سال (YoY) بنیاد پر 75 فیصد کم ہو کر 2.1 بلین ڈالر ہو گیا۔ اشیاء اور مصنوعات کی درآمدات میں کمی کا سلسلہ جاری رہا اور 18.5 فیصد کمی ہوئی جبکہ اشیاء اور مصنوعات کی برآمدات میں 4.8 فیصد اضافہ ہوا۔ ترسیلات زر 3.3 فیصد بڑھ کر 11.4 بلین ڈالر ہو گئیں جس سے معتدل رکاوٹ فراہم ہوئی۔ غیر ملکی زیر مبادلہ کے ذخائر میں 4.1 بلین ڈالر کا خطیر 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۔ اشیائے خورد و نوش کے افراط زر میں دوران مدت 14.9 فیصد اضافہ ہوا اور اس نے مجموعی سی پی آئی کو متاثر کیا۔ اشیائے خورد و نوش کے افراط زر کی سب سے بڑی وجہ بھارت سے درآمدات پر پابندی کے بعد جلد خراب ہو جانے والی اشیائے خورد و نوش کی قیمتوں میں اضافہ ہے۔ بہر حال اشیائے 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 کی 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 ز 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 ختم میں جھکاؤ آیا کیونکہ مارکیٹ کے فریق استحکام کے اقدامات سے مطمئن ہوئے اور افراط زر میں کمی کا امکان پیدا ہوا۔ ساتھ ساتھ مقامی بانڈ مارکیٹ میں پہلی مرتبہ غیر ملکی سرمایہ کاروں کی اتنی بڑے پیمانے پر شرکت کی بدولت کثیر نقد کی آمد ہوئی جس کے باعث پیداوار میں کمی ہوئی۔ نصف اول کے دوران تین سالہ بانڈز میں 221 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۔

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 13.12 فیصد تھا جبکہ مقررہ معیار (بنچ مارک) منافع 14.18 فیصد تھا۔

## 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 Shakra-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

#### PAKISTAN INCOME FUND

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

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

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

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 18, 2020



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

# Deloitte.

**Deloitte Yousuf Adil**  
Chartered Accountants  
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## INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS OF PAKISTAN INCOME FUND

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan Income 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) -----	
<b>ASSETS</b>			
Bank balances	5	1,054,031	899,104
Investments	6	768,722	492,339
Profit receivable		28,572	19,976
Advances, deposit and prepayments		7,230	7,269
Receivable from National Clearing Company of Pakistan Limited		8,664	8,664
<b>Total assets</b>		<b>1,867,219</b>	<b>1,427,352</b>
<b>LIABILITIES</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	7	2,897	1,767
Payable to the Central Depository Company of Pakistan Limited - Trustee		113	191
Payable to the Securities and Exchange Commission of Pakistan		155	1,121
Payable against redemption of units		47	47
Dividend payable		-	14,367
Payable against purchase of investment		290,851	-
Accrued expenses and other liabilities	8	19,464	18,328
<b>Total liabilities</b>		<b>313,527</b>	<b>35,821</b>
<b>NET ASSETS</b>		<b>1,553,692</b>	<b>1,391,531</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,553,692</b>	<b>1,391,531</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	9		
		(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>27,075,612</b>	<b>25,853,633</b>
		(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>		<b>57.3834</b>	<b>53.8234</b>

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,	
		2019	2018	2019	2018
Note		(Rupees in '000)			
<b>INCOME</b>					
		39,830	2,465	27,929	1,403
		17,998	164	5,221	(432)
		32,093	26,790	18,281	14,634
		33,033	37,820	9,625	19,958
		-	7,225	-	2,956
	6.6	(2,549)	(3,122)	(2,796)	(1,283)
		360	8	304	-
		120,765	71,350	58,564	37,236
<b>EXPENSES</b>					
	7.1	12,005	7,225	5,885	3,771
		1,560	939	765	490
		580	1,123	301	544
		75	146	39	71
		155	613	81	292
	7.2	777	923	404	439
	7.3	1,007	-	530	-
	8.1	2,060	1,159	996	614
		311	441	170	210
		498	12	182	3
		91	90	45	51
		-	770	-	302
		347	353	208	208
		347	341	160	146
		19,813	14,135	9,766	7,141
<b>Net income for the period before taxation</b>		<b>100,952</b>	<b>57,215</b>	<b>48,798</b>	<b>30,095</b>
Taxation		-	-	-	-
<b>Net income for the period</b>		<b>100,952</b>	<b>57,215</b>	<b>48,798</b>	<b>30,095</b>
<b>Allocation of net income for the period:</b>					
Net income for the period		100,952	57,215	48,798	30,095
Income already paid on units redeemed		(15,387)	(17,156)	(11,094)	(14,742)
		85,565	40,059	37,704	15,353
<b>Accounting income available for distribution</b>					
- Relating to capital gains		12,416	-	302	-
- Excluding capital gains		73,150	40,059	37,402	15,353
		85,565	40,059	37,704	15,353
<b>Earnings per unit</b>					

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

	<b>Half year ended December 31,</b>		<b>Quarter ended December 31,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	----- (Rupees in '000) -----			
<b>Net income for the period after taxation</b>	<b>100,952</b>	57,215	<b>48,798</b>	30,095
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>100,952</b>	57,215	<b>48,798</b>	30,095

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	Undistributed income	Total	Capital Value	Undistributed income	Unrealised (diminution) / appreciation on available-for-sale investments	Total
Net assets at beginning of the period	1,266,750	124,781	1,391,531	1,354,270	164,570	38	1,518,878
Issue of 13,661,237 units (2018: 29,486,860 units)							
- Capital value (at net asset value per unit at the beginning of the period)	735,294	-	735,294	1,583,990	-	-	1,583,990
- Element of income	20,800	-	20,800	27,393	-	-	27,393
	756,094	-	756,094	1,611,383	-	-	1,611,383
Redemption of 12,439,258 units (2018: 29,503,601 units)							
- Capital value (at net asset value per unit at the beginning of the period)	(669,523)	-	(669,523)	(1,584,889)	-	-	(1,584,889)
- Amount paid out of element of Income relating to net income for the period after taxation	(9,975)	(15,387)	(25,362)	(15,140)	(17,156)	-	(32,296)
	(679,498)	(15,387)	(694,885)	(1,600,029)	(17,156)	-	(1,617,185)
Total comprehensive income for the period	-	100,952	100,952	-	57,215	(38)	57,177
Final distributions for the period Rs. Nil (for the period ended June 30, 2018 (including additional units) at the rate of Rs. 2.5511 per unit declared on July 04, 2018)	-	-	-	(25,134)	(43,654)	-	(68,788)
Net income/ (loss) for the period less distribution	-	100,952	100,952	(25,134)	13,561	(38)	(11,611)
Net assets at end of the period	1,343,346	210,346	1,553,692	1,340,490	160,975	-	1,501,465
Undistributed income brought forward							
- Realised		133,163			166,783		
- Unrealised		(8,382)			(2,213)		
		124,781			164,570		
Accounting income available for distribution							
- Relating to capital gains	12,416				-		
- Excluding capital gains	73,150				40,059		
	85,565				40,059		
Distributions during the period		-			(43,654)		
Undistributed income carried forward		210,346			160,975		
Undistributed income carried forward							
- Realised		212,895			164,097		
- Unrealised		(2,549)			(3,122)		
		210,346			160,975		
	(Rupees)			(Rupees)			
Net assets value per unit at beginning of the period		53.8234			56.3297		
Net assets value per unit at end of the period		57.3834			55.7185		

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
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	100,952	57,215
<b>Adjustments for non cash and other items:</b>		
Unrealised diminution in value of investments classified as 'at fair value through profit or loss' - net	2,549	3,122
Provision for Sindh Workers' Welfare Fund	2,060	1,159
	<u>105,561</u>	<u>61,496</u>
<b>(Increase) / decrease in assets</b>		
Investments	(278,932)	(38,668)
Profit receivable	(8,596)	(4,375)
Advances, deposit and prepayments	39	71,895
Receivable against margin trading system	-	187,340
Receivable from National Clearing Company of Pakistan Limited	-	(7,060)
	<u>(287,489)</u>	<u>209,132</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	1,130	608
Payable to the Central Depository Company of Pakistan Limited - Trustee	(78)	2
Payable to the Securities and Exchange Commission of Pakistan	(966)	(511)
Payable against purchase of investment	290,851	-
Dividend payable	(14,367)	-
Accrued expenses and other liabilities	(924)	4
	<u>275,646</u>	<u>103</u>
<b>Net cash generated from operating activities</b>	<u>93,718</u>	<u>270,731</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	756,094	1,611,383
Payments on redemption of units	(694,885)	(1,617,185)
Distribution during the period	-	(68,788)
<b>Net cash generated from / (used in) financing activities</b>	<u>61,209</u>	<u>(74,590)</u>
<b>Net increase in cash and cash equivalents during the period</b>	<u>154,927</u>	<u>196,141</u>
Cash and cash equivalents at beginning of the period	899,104	616,193
<b>Cash and cash equivalents at end of the period</b>	<u>1,054,031</u>	<u>812,334</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 THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

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### 1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now, MCB - Arif Habib Savings and Investments Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the 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, Centrepoint, 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-ended mutual fund and has been categorised as "Income Scheme". The Fund offers units 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 units are listed on the Pakistan Stock Exchange.

The Fund primarily invests in money market and other short-term instruments which include short-term corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated October 08, 2019 to the Management Company and "A+(f)" as stability rating dated December 24, 2019 to the Fund.

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

### 2. STATEMENT OF COMPLIANCE

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

- 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.

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.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

### 3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

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 ---- (Rupees in '000) ----	(Audited) June 30, 2019
<b>5. BANK BALANCES</b>	<b>Note</b>		
In saving accounts	5.1	1,051,226	885,953
In current accounts	5.2	2,805	13,151
		<u>1,054,031</u>	<u>899,104</u>

**5.1** These carry profit at the rates ranging between 11.25% to 14.25% (June 30, 2019: 10% to 13%) per annum and include Rs 0.176 million (June 30, 2019: Rs 3.022 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 11.25% (June 19: 10.25%) per annum.

**5.2** These are maintained with MCB Bank Limited, a connected person / related party.

		(Un-audited) December 31, 2019 ---- (Rupees in '000) ----	(Audited) June 30, 2019
<b>6. INVESTMENTS</b>	<b>Note</b>		
<b>Financial assets at fair value through profit or loss</b>			
Listed debt securities - Term Finance Certificates	6.1	34,600	34,607
Unlisted debt securities - Term Finance Certificates	6.2	283,155	263,125
Listed debt securities - Sukuks Certificates	6.3	102,219	114,654
Unlisted debt securities - Sukuks Certificates	6.4	66,367	79,953
Government securities - Pakistan Investment Bonds	6.5	282,381	-
		<u>768,722</u>	<u>492,339</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

		(Un-audited) December 31, 2019 ---- (Rupees in '000) ----	(Audited) June 30, 2019
<b>6.1</b>	<b>Listed debt securities - Term Finance Certificates</b>	<b>Note</b>	
	Carrying value as at period / year end	134,371	134,378
	Less: Provision as at July 1		
	- Pace Pakistan Limited	(49,940)	(49,940)
	- Telecard Limited	(31,088)	(31,088)
	- Trust Investment Bank Limited	(18,743)	(18,743)
		6.1.2 (99,771)	(99,771)
		6.1.1 34,600	34,607

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

## 6.1.1 Listed debt securities - Term Finance Certificates

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

Name of investee company	Number of certificates					As at December 31, 2019				Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2019	Purchased during the period	Matured during the period	Disposed off during the period	As at December 31, 2019	Carrying value*	Market value	Appreciation / (diminution)			
<b>Commercial banks</b>											
Bank Alfalah Limited (20-02-13 issue)	6,938	-	-	-	6,938	34,600	34,600	-	2.23		4.50
<b>As at December 31, 2019</b>						<b>34,600</b>	<b>34,600</b>	<b>-</b>			
As at June 30, 2019						34,801	34,607	(194)			

## 6.1.2 Status of non compliance as per Circular 16 of 2010 issued by the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan (SECP), vide its circular no. 16 dated July 7, 2010 has prescribed certain disclosures for non-compliances, either with the minimum investment criteria specified for the category assigned to the collective investment schemes or with the investment requirements of their constitutive documents.

Name of non-compliant investments	Note	Type of Instrument	Value of Investment before provision	Provision held if any	Value of Investment after provision	% of net assets	% of gross assets
Trust Investment Bank Limited	6.1.1	TFC	18,743	(18,743)	-	1.2064	1.0038
Telecard Limited	6.1.1	TFC	31,088	(31,088)	-	2.001	1.6649
Pace Pakistan Limited	6.1.1	TFC	49,940	(49,940)	-	3.2143	2.6746
<b>Total as at December 31, 2019</b>			<b>99,771</b>	<b>(99,771)</b>	<b>-</b>		
Total as at June 30, 2019			99,771	(99,771)	-		

Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing. The Fund has recognised full provision against outstanding principal in accordance with applicable provisioning circular issued by the Securities and Exchange Commission of Pakistan and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. The Fund has suspended further accrual of mark-up there against.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

**6.2 Unlisted debt securities - Term Finance Certificates**

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

Name of investee company	Number of certificates					As at December 31, 2019			Market value as a percentage of total investment
	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)	
									(Rupees in '000) %
<b>Commercial banks</b>									
Askari Bank Limited (30-9-14 issue)	19,000	-	-	-	19,000	92,350	92,673	323	12.06
Bank AL Habib Limited (17-03-16 issue)	-	15,028	-	-	15,028	73,722	73,722	-	9.59
Bank of Punjab (23-04-18 issue)	650	-	-	570	80	7,564	7,638	74	0.99
<b>Investment Company</b>									
Jahangir Siddiqui & Company Limited (06-03-2018 issue)	22,000	-	-	-	22,000	109,285	109,122	(163)	14.20
<b>Total as at December 31, 2019</b>						<b>282,921</b>	<b>283,155</b>	<b>234</b>	
Total as at June 30, 2019						269,836	263,125	(6,710)	

**6.3 Listed debt securities - Sukuks Certificates**

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

Name of investee company	Number of certificates					As at December 31, 2019			Market value as a percentage of total investment
	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)	
									(Rupees in '000) %
<b>Investment Banks / Investment Companies / Securities Companies</b>									
Dawood Hercules Corporation Limited (16-11-17 issue)	1,000	-	-	-	1,000	79,737	79,792	55	10.38
Dawood Hercules Corporation Limited (01-03-18 issue)	250	-	-	-	250	22,455	22,427	(28)	2.92
<b>Total as at December 31, 2019</b>						<b>102,192</b>	<b>102,219</b>	<b>27</b>	
Total as at June 30, 2019						115,196	114,654	(542)	

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

**6.4 Unlisted debt securities - Sukuks Certificates**

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

Name of investee company	Number of certificates					As at December 31, 2019			Market value as a percentage of net assets	Market value as a percentage of total investment
	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)		
										(Rupees in '000) %
<b>Oil and Gas</b>										
Byco Petroleum Pakistan Limited (18-01-2017 issue)	10	-	-	-	10	743	738	(5)	0.05	0.10
<b>Chemical</b>										
Ghani Chemical Industries Limited (Formerly: Ghani Gases Limited)	480	-	-	-	480	26,061	23,400	(2,661)	1.51	3.04
<b>Miscellaneous</b>										
International Brands Limited	500	-	-	-	500	41,908	42,229	321	2.72	5.49
<b>Total as at December 31, 2019</b>						<b>68,712</b>	<b>66,367</b>	<b>(2,345)</b>		
Total as at June 30, 2019						80,888	79,953	(935)		

**6.5 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 year	Sold / matured during the year	As at December 31, 2019	Carrying value	Market value	Unrealised appreciation / (diminution)		
										(Rupees in 000) %
Pakistan Investment Bond - 3 years	12-Jul-18	-	-	-	200,000	200,000	-	-	-	-
Pakistan Investment Bond - 3 years	19-Sep-19	-	-	-	600,000	450,000	150,000	140,961	140,516	9.04
Pakistan Investment Bond - 5 years	12-Jul-18	-	-	-	150,000	150,000	-	-	-	-
Pakistan Investment Bond - 5 years	19-Sep-19	-	-	-	350,000	200,000	150,000	141,885	141,865	9.13
Pakistan Investment Bond - 10 years	12-Jul-18	-	-	-	137,500	137,500	-	-	-	-
Pakistan Investment Bond - 10 years	19-Sep-19	-	-	-	50,000	50,000	-	-	-	-
<b>Total as at December 31, 2019</b>									<b>282,846</b>	<b>282,381</b>
Total as at June 30, 2019									-	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

		(Un-audited) December 31, 2019 (Rupees in '000)	(Audited) 30 June 2019
<b>6.6 Net unrealised diminution in value of investments at fair value through profit or loss</b>	<b>Note</b>		
Market value of investments	6.1 to 6.5	<b>768,722</b>	492,339
Carrying value of investments	6.1 to 6.5	<b>(771,271)</b>	(500,721)
		<b>(2,549)</b>	(8,382)
<b>7. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY</b>			
Management remuneration payable	7.1	<b>1,864</b>	1,410
Sindh sales tax payable on management remuneration		<b>242</b>	184
Sales load payable		<b>133</b>	58
Payable against allocated expenses	7.2	<b>134</b>	115
Marketing and selling payable	7.3	<b>524</b>	-
		<b>2,897</b>	1,767
<b>7.1</b>	As per amendment in the offering document, the management company wef August 08, 2019 charged management fee at the rate of up to 10% of the gross earnings of the scheme, calculated on a daily basis. Provided that fund is subject to a minimum fee of 0.25% of the average daily net assets of the scheme.		
<b>7.2</b>	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.		
<b>7.3</b>	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.		
<b>8. ACCRUED EXPENSES AND OTHER LIABILITIES</b>		(Un-audited) December 31, 2019 (Rupees in '000)	(Audited) 30 June 2019
Provision for Sindh Workers' Welfare Fund	8.1	<b>8,694</b>	6,633
Provision for federal excise duty and related tax on	8.2		
- Management fee		<b>9,210</b>	9,210
- Sales load		<b>239</b>	239
Brokerage		<b>101</b>	70
Capital gain tax		<b>332</b>	146
Auditors' remuneration		<b>280</b>	372
Printing and related expenditure		<b>109</b>	75
Other		<b>499</b>	1,583
		<b>19,464</b>	18,328



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

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### 8.1 Provision for Sindh Workers' Welfare Fund

There is no change in the status of the SWWF as reported in the annual financial statements of the Fund for the year ended June 30, 2019. Had the provision for SWWF not been recorded in the condensed half year financial information of the Fund, the net asset value of the Fund as at December 31, 2019 would have been higher by Re. 0.3211 per unit (June 30, 2019 Re. 0.2566 per unit).

### 8.2 Federal Excise Duty and related tax payable

There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in the annual financial statements of the Fund for the year ended June 30, 2019. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2019 would have been higher by Re. 0.3402 per unit (June 30, 2019: Re. 0.3490 per unit).

## 9. CONTINGENCIES AND COMMITMENTS

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

## 10. TAXATION

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of 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. 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 capital gains to the unit holders. The management intends to distribute at least 90% of income to be earned during current year to the unit holders, therefore, no provision for taxation has been recorded in this condensed interim financial information.

## 11. EARNINGS PER UNIT

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

## 12. EXPENSE RATIO

SECP, vide SRO no. 639 (I)/2019 dated June 20, 2019 enhanced the Total Expense Ratio from 2.0% to 2.5%. The total expense ratio of the Fund from July 1, 2019 to December 31, 2019 is 2.56% and this includes 0.5% representing government levy, Sindh Worker's Welfare Fund, SECP fee etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a Collective Investment Scheme categorized as income scheme.

## 13. TRANSACTIONS WITH CONNECTED PERSONS

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

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
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 01, 2019	Issued for cash	Redeemed	As at December 31, 2019	As at July 01, 2019
	(Rupees in '000)				
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	85,750	-	-	85,750	4,924
Directors and key management personnel of the Management Company	-	208,357	208,356	1	11,652
Mandate under discretionary portfolio services	258,403	59,216	66,192	251,427	3,351
					14,798
					3,749
					14,428
For the half year ended December 31, 2018					
	As at July 01, 2018	Issued for cash	Redeemed	As at December 31, 2018	As at July 01, 2018
	(Rupees in '000)				
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	-	79,367	-	79,367	-
Nishat Mills Limited	-	6,283,645	6,283,645	-	-
Directors and key management personnel of the Management Company	4,294	7,636	11,930	-	242
Mandate under discretionary portfolio services	307,168	646,479	542,961	410,686	17,303
					34,989
					29,635
					22,806

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

13.2	Details of transactions with related parties / connected persons during the period	(Un-Audited) December 31, 2019 ----- (Rupees in '000) -----	(Un-Audited) December 31, 2018
	<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
	Remuneration of the Management Company (including indirect taxes)	13,565	7,225
	Allocated expenses	777	923
	Selling and marketing expense	1,007	-
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Remuneration of the Trustee (including indirect taxes)	655	1,269
	CDS charges	9	164
	<b>MCB Bank Limited - Parent of the Management Company</b>		
	Profit on Bank deposits	251	113
	Bank charges	14	9
	<b>Next Capital Limited - Joint Venture of MCB Bank Limited &amp; Arif Habib Corporation Limited</b>		
	Brokerage expense *	83	-
	<b>Arif Habib Limited - Subsidiary of Associated Company</b>		
	Brokerage expense *	62	3
13.3	Details of balances with related parties / connected persons as at period / year end	(Un-Audited) December 31, 2019 ----- (Rupees in '000) -----	(Audited) June 30, 2019
	<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
	Management remuneration payable	1,864	1,410
	Sindh sales tax payable on management remuneration	242	184
	Sales load payable	133	58
	Selling and marketing payable	524	-
	Back office payable	134	115
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	Trustee remuneration payable	100	169
	Sindh sales tax payable on Trustee remuneration	13	22
	Security deposit	200	200
	<b>MCB Bank Limited - Parent of the Management Company</b>		
	Bank balance	2,981	16,173
	Profit receivable on bank deposits	2	167
	Sales load payable	-	1,068
	<b>Next Capital Limited - Joint Venture of MCB &amp; Arif Habib</b>		
	Brokerage payable *	38	5
	<b>Arif Habib Limited - Subsidiary of Associated Company</b>		
	Brokerage payable *	1	-

\* The amount disclosed represents the amount of brokerage expense or brokerage payable to connected persons and not the purchase or sale value of securities transacted through them as the ultimate counter parties are not connected persons.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2019

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### 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 date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value as these are short term in nature.

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

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

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

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

The following table shows the carrying amounts of fair values of financial assets and financial liabilities including the levels in the fair value hierarchy:

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

	December 31, 2019 (Un-audited)						
	Carrying amount		Fair Value				
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)						
Financial assets measured at fair value							
Government securities	282,381	-	282,381	-	282,381	-	282,381
Term Finance Certificates	317,755	-	317,755	34,600	283,155	-	317,755
Sukuks Certificates	168,586	-	168,586	102,219	66,367	-	168,586
	768,722	-	768,722	136,819	631,903	-	768,722
Financial assets not measured at fair value							
Bank balances	-	1,054,031	1,054,031				
Profit receivable	-	28,572	28,572				
Receivable from National Clearing Company of Pakistan Limited	-	8,664	8,664				
Advances and deposit	-	6,983	6,983				
	-	1,098,250	1,098,250				
Financial liabilities not measured at fair value							
Payable to the Management Company	-	2,897	2,897				
Payable to the Trustee	-	113	113				
Payable against redemption of units	-	47	47				
Payable against purchase of investment	-	290,851	290,851				
Accrued expenses and other liabilities	-	989	989				
	-	294,897	294,897				
	June 30, 2019 (Audited)						
	Carrying amount		Fair Value				
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)						
Financial assets measured at fair value							
Government securities	-	-	-	-	-	-	-
Term Finance Certificates	297,732	-	297,732	-	297,732	-	297,732
Sukuks Certificates	194,607	-	194,607	-	194,607	-	194,607
	492,339	-	492,339	-	492,339	-	492,339
Financial assets not measured at fair value							
Bank balances	-	899,104	899,104				
Profit receivable	-	19,976	19,976				
Other receivables	-	8,670	8,670				
	-	927,750	927,750				
Financial liabilities not measured at fair value							
Payable to the Management Company	-	1,583	1,583				
Payable to the Trustee	-	169	169				
Payable against redemption of units	-	47	47				
Accrued expenses and other liabilities	-	2,100	2,100				
	-	3,899	3,899				

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2019**

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**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 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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