



Bachat ka Doosra Naam

Bachat Nama

Fund Manager's Report (Feb-2014)



MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)



Dear Investors

Greetings from your preferred investment manager.

February was an eventful month for capital markets globally. Emerging equity markets recovered from a low in January, while barring Pakistan and Sri Lanka, other Frontier markets including Ukraine experienced positive returns in last month. Pakistan's share in MSCI Frontier markets is likely to increase after moving UAE and Qatar to Emerging Markets index in May'14, which can result in enhanced foreign capital inflows into our equity market.

This month we would like to comment upon the importance of Asset allocation vs. Market Timing in investments.

Investing Is About Allocation, Not Market Timing

One of the most important contributors to your long-term investment performance is asset allocation. Not market timing, not stock selection, but asset allocation. Allocation among Equity, Fixed Income and Cash/Money Market asset classes determines the risk and return trade-off of portfolio over the investment horizon. Globally Mutual Funds pertaining to these asset classes provide the most convenient solution to retail and institutional investors. Numerous studies by academics and market pros alike have lauded the importance of asset allocation. This principle has stood the test of time. And a core tenet of this principle is that you hold asset classes in good times and bad, in pursuit of long-term returns. In other words: Don't over-focus on short-term market moves, including the performance of an asset class over the span of a year or two. Think about the long-term i.e. 15 or 20 years.

Individualised Asset Allocation is the key for long-term investing:

For corporate employees in Pakistan, provident Fund used to be the omnibus investment vehicle, where Trustees generally chose the most conservative asset class of Fixed Income and that too in NSS and Bank TDRs. This left no choice to the members of PF to choose their own individualized asset allocation. With the advent of Voluntary Pension Schemes, employees could transfer their balances from PF to VPS for asset allocation plan of their choice, but most of the employees of corporate sector are unaware of their right to shift to VPS to manage their own retirement savings to maximize returns over a longer horizon of say 15 to 30 years. VPS is also more tax efficient as compared to Provident Funds for the employees.

In USA, the 401(k) plans and Roth IRAs are similar to VPS structures, where an employee chooses a Fund Manager and his own allocation plan and employer is bound to make contributions towards the Fund Manager. In our neighbour country, corporates have started moving to VPS type structure from traditional PF structure due to individualized asset allocation options and tax efficiency. Probably it's just the matter of time that employees of our corporate sector become aware of their rights and shift to VPS, a more efficient and flexible structure for retirement saving.

Recent draft changes in Provident Funds Rules is more of old school way of thinking without realizing the fact that omnibus structure does not allow flexibility and long-term benefit to members of PF in the absence of individualized asset allocation strategy.

Call us at **Toll Free Bachat Ghar 0800-622-24 (0800-MCBAH)** from Monday to Saturday where our friendly staff will assist you or please feel free to email us at info@mcbah.com. We assure you of our best services at all times.

Yours Sincerely,

Tanweer Ahmad Haral
SVP - Head of Sales & Marketing

MCB Islamic Income Fund

February 28, 2014

NAV - PKR 101.4472



General Information

Fund Type	An Open End Scheme
Category	Shariah Compliant (Islamic) Income Scheme
Asset Manager Rating	AM2 (AM Two) by PACRA
Stability Rating	AA-(f) by PACRA
Risk Profile	Low
Launch Date	20-June-2011
Fund Manager	Uzma Khan, CFA, FRM
Trustee	Central Depository Company of Pakistan Limited
Auditor	KPMG Taseer Hadi & Co., Chartered Accountants
Management Fee	10% of Gross Earnings subject to minimum fee of 0.25% of average daily Net Assets
Front end load*	Class "A" 1.5%, Class "B" 0%
Back end Load*	Class "A" 0%, Class "B" Units: 1.5% on redemption in the 1st year from the date of investment. 1.0% on redemption in the 2nd year from the date of investment. 0.0% on redemption after completion of 2 years from the date of Investment.
Min. Subscription	Growth Units PKR 500 Income Units PKR 100,000 Cash Dividend Units PKR 500
Listing	Lahore Stock Exchange
Benchmark	Average of the most recently published three-month profit rates of three Islamic Banks rated A and above.
Pricing Mechanism	Forward
Dealing Days	Monday - Friday
Cut off Timing	Mon-Fri (9:00 AM to 4:30 PM)
Leverage	Nil

*Subject to government levies

Fund Facts / Technical Information

NAV per Unit (PKR)	101.4472
Net Assets (PKR M)	2,259
Weighted average time to maturity (Days)	186
Sharpe Measure	0.23
Correlation	14.0%
Standard Deviation	0.04
Alpha	0.009%

Members of the Investment Committee

Yasir Qadri	Chief Executive Officer
Kashif Rafi	SVP- Head of Fixed Income Investments
Muhammad Asim, CFA	SVP - Head of Equities
Mohsin Pervaiz	VP - Investments
Uzma Khan, CFA , FRM	SAVP - Head of Research

Investment Objective

To generate superior risk adjusted returns by investing in short, medium and long-term Shariah Compliant Fixed Income instruments.

Manager's Comment

During the month the fund generated an annualized return of 9.52% as against its benchmark return of 6.21%. The fund decreased its exposure in GoP Ijara Sukuk from 66% to 50.7% at the month end. Moreover, around 47.2% of the fund was kept as cash in bank deposits.

We believe that well-timed accumulation of GoP Ijara Sukuk should contribute towards healthy returns going forward, while the fund would remain cognizant of the changes in the macroeconomic environment in order to deploy assets efficiently in Shariah compliant instruments.

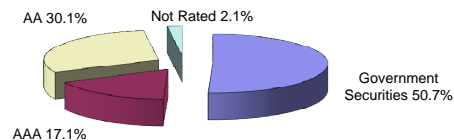
Provision against WWF liability

MCB-IIF has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs 9.16 million, if the same were not made the NAV per unit of MCB-IIF would be higher by Rs. 0.4113 and YTD return would be higher by 0.43%. For details investors are advised to read Note 7 of the latest Half Yearly Financial Statements for the period ended December 31, 2013 of MCB-IIF.

Asset Allocation (%age of Total Assets)	Feb-14	Jan-14
Cash	47.2%	31.9%
GoP Ijara Sukuk	50.7%	66.0%
Others including receivables	2.1%	2.1%

Performance Information (%)	MCB IIF	Benchmark
Year to Date Return (Annualized)	8.61	5.88
Month to Date Return (Annualized)	9.52	6.21
180 Days Return (Annualized)	8.84	5.92
365 Days Return (Annualized)	8.07	6.10
Since inception (CAGR)	9.39	6.41

Asset Quality (%age of Total Assets)



MUFAP's Recommended Format.

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Pakistan International Element Islamic Asset Allocation Fund

February 28, 2014

NAV - PKR 50.3637



General Information

Fund Type	An Open End Scheme
Category	Shariah Compliant Islamic Asset Allocation Scheme
Asset Manager Rating	AM2 (AM Two) by PACRA
Stability Rating	Not Applicable
Risk Profile	Moderate to High
Launch Date	2-May-2006
Fund Manager	Uzma Khan, CFA, FRM
Trustee	Central Depository Company of Pakistan Limited
Auditor	KPMG Taseer Hadi & Co., Chartered Accountants
Management Fee	Type A & B: 2% Type C & D: 1.33%
Front end Load *	Type A: 2% Type B,C & D: None
Back end Load*	Type A: None
Min. Subscription	Type B,C& D: Yr 1:3%, Yr 2:2%, Yr 3:1%
	A & B PKR 5,000
	C & D PKR 10,000,000
Listing	Karachi Stock Exchange, Lahore Stock Exchange, Islamabad Stock Exchange.
Benchmark	70% KMI-30 Index + 30% DJIM-World Index
Pricing Mechanism	Forward
Dealing Days	Monday - Friday
Cut off Timing	Mon-Fri (9:00 AM to 5:00 PM)
Leverage	Nil

*Subject to government levies

Investment Objective

The objective of the fund is to provide medium to long term capital appreciation through investing in Shariah compliant investments in Pakistan and Internationally .

Manager's Comment

The fund generated a negative return of 2.74% as against its benchmark negative return of 1.69% during the month. Major sector level changes include increase in exposure of the Construction & Material and Personal Goods sectors and decrease in exposure of Electricity , Oil & Gas and General Industries sectors.

On the fixed income side, allocation to GoP Ijara Sukuk was increased from 17.7% to 18.4% at month end.

Provision against WWF liability

PIEIF has maintained provisions against Workers' Welfare Fund's liability to the tune of Rs 4.87 million, if the same were not made the NAV per unit of PIEIF would be higher by Rs. 0.9933 and YTD return would be higher by 2.17%. For details investors are advised to read Note 8 of the latest Half Yearly Financial Statements for the period ended December 31, 2013 of PIEIF.

Fund Facts / Technical Information	PIEIF	Benchmark
NAV per Unit (PKR)	50.3637	
Net Assets (PKR M)	247	
Price to Earning (x)	7.64	8.39
Dividend Yield (%)	6.63	6.08
No. of Holdings - Equity	23	30*
Wt. Avg Mkt Cap (PKR Bn)	100.23	240
Sharpe Measure	0.03	0.06
Beta	0.64	1.00
Correlation	80.9%	
Max draw up	193.3%	454.6%
Max draw Down	-28.9%	-39.6%
Standard Deviation	0.78	0.99
Alpha	-0.002%	
* KMI 30 Index		

Performance Information (%)	PIEIF	Benchmark
Year to Date Return	10.14	17.95
Month to Date Return	(2.74)	(1.69)
180 Days Return	6.50	13.25
365 Days Return	19.82	34.63
Since inception	106.33	-

Asset Allocation (%age of Total Assets)	Feb-14	Jan-14
Cash	20.6%	19.7%
Stock /Equities	58.7%	60.1%
Sukuk	0.0%	0.0%
GOP Ijara Sukuk	18.4%	17.7%
Others including receivables	2.3%	2.5%
Foreign Investments	0.0%	0.0%

Top 10 Holdings (%age of Total Assets)

Pakistan Petroleum Limited	Equity	7.6%
Hub Power Company Limited	Equity	6.6%
Meezan Bank Limited	Equity	4.7%
Nishat Mills Limited	Equity	4.7%
Maple Leaf Cement Factory Limited	Equity	4.4%
Attock Petroleum Limited	Equity	3.8%
Pakistan State Oil Company Limited	Equity	3.8%
D. G. Khan Cement Company Limited	Equity	3.6%
Kohat Cement Company Limited	Equity	3.4%
Packages Limited	Equity	2.9%

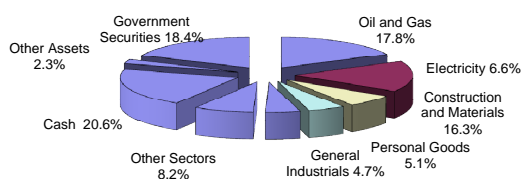
Details of non-compliant investments with the investment criteria of assigned category (Rs. in millions)

Name & Type of Non-Compliant Investment	Outstanding face value	Value of investment before provision	Provision held, if any	Value of investment after provision	% of Net Assets	% of Gross Assets
Pak Elektron Limited- Sukuk	3.21	2.98	2.98	-	0.00%	0.00%

Members of the Investment Committee

Yasir Qadri	Chief Executive Officer
Kashif Rafi	SVP - Head of Fixed Income Investments
Muhammad Asim, CFA	SVP - Head of Equities
Mohsin Pervaiz	VP - Investments
Uzma Khan, CFA , FRM	SAVP - Head of Research

Sector Allocation (%age of Total Assets)



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MUFAP's Recommended Format.

Pakistan Islamic Pension Fund

February 28, 2014



General Information

Fund Type	An Open End Scheme
Category	Islamic Voluntary Pension Scheme
Asset Manager Rating	AM2 (AM Two) by PACRA
Stability Rating	Not Applicable
Launch Date	15-Nov-07
Fund Manager	Uzma Khan, CFA, FRM
Trustee	Habib Metropolitan Bank Limited
Auditor	Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants
Management Fee	1.5% p.a.
Front / Back end Load*	3% / 0%
Min. Subscription	PKR 1,000
Pricing Mechanism	Forward
Dealing Days	Monday - Friday
Cut off Timing	Mon-Fri (9:00AM to 5:00 PM)
Leverage	Nil

*Subject to government levies

Investment Objective

The investment objective of the fund is to seek steady returns with a moderate risk for investors by investing in a portfolio of equity, short medium term debt and money market instruments

Manager's Comment

Equity sub-fund generated a negative return of 3.06% against KSE-100 index decline of 3.69%. Many changes in sector and company allocations were made in response to changing sector and company fundamentals. Allocation to Oil & Gas and Chemicals sectors were increased while exposure towards Commercial Banks, Construction & Material, and Electricity sectors was decreased.

Debt sub-fund generated an annualized return of 10.64% during the month. The fund broadly maintained its exposure towards GoP Ijarah Sukuk to 87.0% at month end.

Money Market sub-fund generated an annualized return of 6.85% during the month. Exposure to GoP Ijarah Sukuk was broadly maintained at 70.6% with a cash exposure of nearly 26.7% at month end.

Provision against WWF liability

PIPF-EQ has not made provisions amounting to Rs 0.70 million against Workers' Welfare Fund liability, if the same were made the NAV per unit of PIPF-EQ would be lower by Rs 1.5788 and YTD return would be lower by 0.82%. For details investors are advised to read Note 9 of the latest Half Yearly Financial Statements for the period ended December 31, 2013 of PIPF.

PIPF-DT has not made provisions amounting to Rs 0.35 million against Workers' Welfare Fund liability, if the same were made the NAV per unit of PIPF-DT would be lower by Rs 0.6124 and YTD return would be lower by 0.39%. For details investors are advised to read Note 9 of the latest Half Yearly Financial Statements for the period ended December 31, 2013 of PIPF.

PIPF-MM has not made provisions amounting to Rs 0.24 million against Workers' Welfare Fund liability, if the same were made the NAV per unit of PIPF-MM would be lower by Rs 0.6114 and YTD return would be lower by 0.42%. For details investors are advised to read Note 9 of the latest Half Yearly Financial Statements for the period ended December 31, 2013 of PIPF.

Top 10 Equity Holdings (%age of Total Assets)

Pakistan Petroleum Limited	9.8%
Pakistan Oil Fields Limited	9.7%
Meezan Bank Limited	9.0%
Hub Power Company Limited	8.2%
Pakistan State Oil Company Limited	6.4%
Fauji Fertilizer Company Limited	5.5%
Maple Leaf Cement Factory Limited	5.3%
Kohat Cement Company Limited	5.3%
Packages Limited	5.2%
Bata Pakistan Limited	5.0%

PIPF -Money Market (%age of Total Assets)	Feb-14	Jan-14
Cash	26.7%	26.9%
GoP Ijarah Sukuk	70.6%	71.0%
Others including receivables	2.7%	2.1%

PIPF-Debt (%age of Total Assets)	Feb-14	Jan-14
Cash	10.0%	10.0%
GoP Ijarah Sukuk	87.0%	87.6%
Sukuk	0.0%	0.0%
Others including receivables	3.0%	2.4%

Performance Information & Net Assets	PIPF-EQ*	PIPF-DT**	PIPF-MM**
Year to Date Return (%)	22.27	8.01	6.89
Month to Date Return (%)	-3.06	10.64	6.85
Since inception (%)	135.23	10.30	8.32
Net Assets (PKR M)	103.99	95.07	60.99
NAV (Rs. Per unit)	235.70	165.53	152.98
* Total Return ** Annualized return			

PIPF-Equity (%age of Total Assets)	Feb-14	Jan-14
Oil and Gas	29.3%	28.9%
Construction and Materials	16.2%	17.1%
Commercial Banks	9.0%	12.7%
Electricity	8.2%	8.6%
Chemicals	9.3%	8.2%
Other equity sectors	21.1%	19.6%
Cash	3.8%	2.1%
Others including receivables	3.1%	2.8%

Members of the Investment Committee

Yasir Qadri	Chief Executive Officer
Kashif Rafi	SVP - Head of Fixed Income Investments
Muhammad Asim, CFA	SVP - Head of Equities
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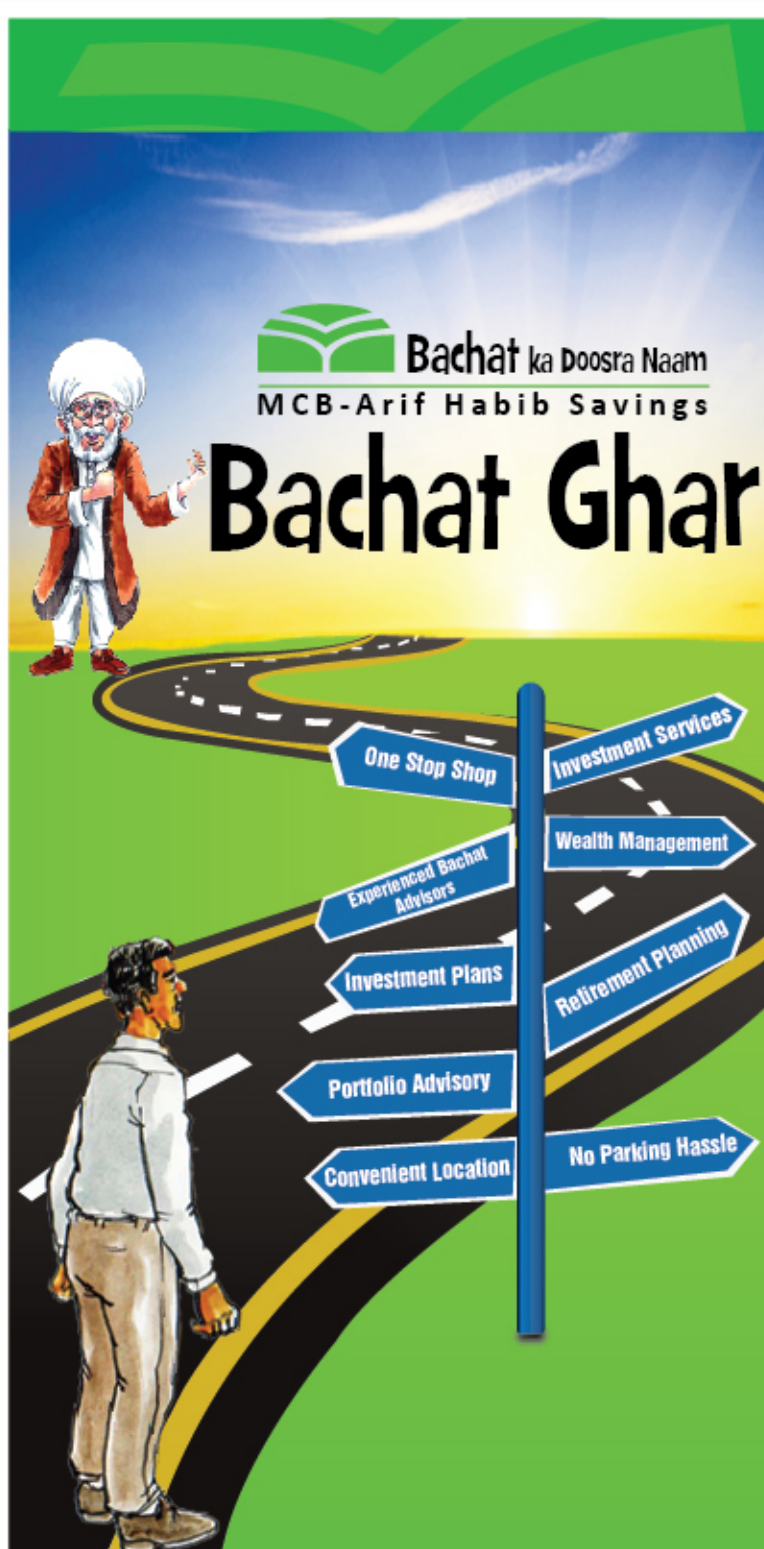
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