

# Quarterly Report

March 31, 2012  
(Unaudited)



Funds Under Management



Arif Habib  
Investments Limited  
A subsidiary of  
**MCB Bank Limited**

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## **Vision**

- To become Synonymous with Savings.

## **Mission**

To become a Preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

## **Core Values**

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

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**MCB**  
**DYNAMIC CASH FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
<b>Company Secretary &amp; Chief Financial Officer of the Management Company</b>	Mr. Muhammad Saqib Saleem	
<b>Audit Committee</b>	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Bank Alfalah Limited Habib Metropolitan Bank Limited Bank Al-Habib Limited Faysal Bank Limited NIB Bank Limited Allied Bank Limited	
<b>Auditors</b>	M. Yousuf Adil Saleem & Co. Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.	
<b>Rating</b>	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

Dear Investor,

On behalf of the Board of Directors, I am pleased to present the financial results of **MCB Dynamic Cash Fund** for the nine months ended March 31, 2012.

## ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflationary pressures have remained largely on the lower side during the period with YoY CPI inflation averaging 10.8% amid change in CPI methodology as well as high base-effect of last year. External account, however, has started deteriorating significantly with 8M FY12 current account balance posting a sizeable deficit of US\$ 3.0 billion amid higher trade deficit despite record remittances flows. Financial flows have remained weak during the period thereby posing serious risks towards balance of payment position as well as exchange rate. On the fiscal side, the government posted a budget deficit of 2.5% of GDP during 1H FY12 with about 94% funding coming from the domestic sources (including one-off circular debt adjustment, 1H FY12 deficit is around 4.4%). Significant deterioration in key macroeconomic indicators has compelled the SBP to keep its earlier adopted monetary easing stance at a halt during the latter part of the period under review.

In the money market, short term market rates remained on the higher side due to relatively tight liquidity scenario in the system amid continued NFA attrition. Due to sizeable depletion in net foreign assets (NFA) of the banking system, market liquidity remained largely tight almost throughout the period - compelling the SBP to constantly inject significant amount of money in the system through OMOs in order to calm down the market.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 11.1% as against its benchmark return of 12.3%, an under performance of 1.2% due to provisions taken against some of the term finance certificates in the portfolio.

The fund has kept its exposure towards GoP Ijarah Sukuk largely unchanged to around 22% while keeping a decent exposure in good quality TFCs especially of banking sector to the tune of around 27%. The fund, however, has actively managed its exposure and duration in Treasury bills throughout the period to capitalize on the fluctuating liquidity and interest rates in the market.

## FUTURE OUTLOOK

Despite relatively lower inflation, fragile external and fiscal accounts would continue to keep a check on the SBP's future monetary direction. We continue to flag realization of foreign flows as the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. However, re-emergence of talks over US flows under coalition support fund (CSF) and Kerry-Lugar bill would hold the key for the economic outlook in the near term.

In a fast changing interest rate environment, the fund would continue to maintain its focus on the credit quality of the portfolio while exploiting attractive opportunities in the market.

## 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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Yasir Qadri  
Chief Executive Officer  
Dated: April 27, 2012

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2012

	Note	Unaudited March 31, 2012 ------(Rupees in '000)-----	Audited June 30, 2011 ------(Rupees in '000)-----
<b>Assets</b>			
Balances with banks		1,834,021	2,124,800
Investments	5	4,550,961	3,149,605
Profit, deposit and other receivables	6	137,104	85,586
Security deposits and prepayments		3,209	3,488
Preliminary expenses and floatation costs		-	1,526
<b>Total assets</b>		<b>6,525,295</b>	<b>5,365,005</b>
<b>Liabilities</b>			
Payable to Management Company		9,269	5,780
Payable to Trustee		508	397
Annual fee payable to the Securities and Exchange Commission of Pakistan		3,116	3,913
Accrued expenses and other liabilities	7	66,934	335,215
<b>Total liabilities</b>		<b>79,827</b>	<b>345,305</b>
<b>NET ASSETS</b>		<b>6,445,468</b>	<b>5,019,700</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>6,445,468</b>	<b>5,019,700</b>
<b>(Number of units)</b>			
Number of units in issue		<b>63,767,018</b>	<b>49,540,717</b>
<b>------(Rupees)-----</b>			
Net assets value per unit (Face value per unit Rs. 100/- each)		<b>101.08</b>	<b>101.32</b>

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman



# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

Note	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
----- (Rupees in '000) -----				
<b>Income</b>				
Capital gain / (loss) on sale of investments	797	82,690	(9,092)	5,671
Profit on bank deposits and term deposit receipts	94,757	55,240	32,153	31,596
Income from money market placements	4,194	2,631	4,121	134
Income from term finance certificates	174,967	202,262	68,857	60,717
Income from government securities	278,006	189,937	93,325	49,899
	552,721	532,760	189,364	148,017
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	13,819	(48,293)	7,152	(25,686)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.1.4	22,484	(34,107)	24,705
				(6,294)
<b>Total income</b>	589,024	450,360	221,221	116,037
<b>Operating expenses</b>				
Remuneration of the Management Company	62,306	61,756	22,615	17,379
Sales tax on remuneration of the Management Company	9,969	-	3,618	-
Remuneration of the Trustee	4,109	4,656	1,453	1,193
Annual fee - Securities and Exchange Commission of Pakistan	3,116	3,088	1,130	869
Securities transaction cost	971	1,613	281	512
Amortisation of preliminary expenses and floatation costs	1,526	1,728	366	568
Auditors' remuneration	779	761	260	264
Provision / (Reversal) against debt securities	47,097	(71,425)	26,833	(16,677)
Other expenses	885	840	249	340
<b>Total operating expenses</b>	130,758	3,017	56,805	4,448
<b>Net income for the period</b>	458,266	447,343	164,416	111,589
Provision for Workers' Welfare Fund	8	(1,756)	(8,940)	-
				(2,225)
<b>Net income for the period before taxation</b>	456,510	438,403	164,416	109,364
Taxation	9	-	-	-
Net income for the period after taxation	456,510	438,403	164,416	109,364
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	456,510	438,403	164,416	109,364
Earnings per unit	10			

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
<b>Undistributed income brought forward</b>	65,630	197,396	196,247	220,371
Final distribution for the year ended June 30, 2010 at Rs 2.4194 per unit (Date of distribution July 02, 2010)				
- Cash	-	(26,850)	-	-
- Bonus	-	(112,820)	-	-
Interim distribution for the year ended June 30, 2011 at Rs 2.7051 per unit (Date of distribution June 22, 2011)				
- Cash	-	(18,293)	-	-
- Bonus	-	(139,560)	-	-
Interim distribution for the half year ended December 31, 2011 at Rs 3 per unit (Date of distribution January 27, 2011)				
- Cash	-	(17,555)	-	(17,555)
- Bonus	-	(123,855)	-	(123,855)
Interim distribution for the quarter ended September 30, 2011 at Rs 3.3774 per unit (Date of distribution September 29, 2011)				
- Cash	(13,793)	-	-	-
- Bonus	(156,301)	-	-	-
Interim distribution for the half year ended December 31, 2011 at Rs 3.4026 per unit (Date of distribution January 27, 2012)				
- Cash	(23,698)	-	(23,698)	-
- Bonus	(173,811)	-	(173,811)	-
Interim distribution for the nine months ended March 31, 2012 at Rs 1.6677 per unit (Date of distribution March 29, 2012)				
- Cash	(11,623)	-	(11,623)	-
- Bonus	(92,963)	-	(92,963)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount that forms part of the unit holders' fund	18,846	(18,924)	10,229	(10,383)
Net income for the period after taxation	456,510	438,403	164,416	109,364
<b>Undistributed income carried forward</b>	<u>68,797</u>	<u>177,942</u>	<u>68,797</u>	<u>177,942</u>

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
	(Rupees in '000)			
<b>Net assets at beginning of the period</b>	5,019,700	5,970,309	5,800,841	5,139,150
Issue of 48,015,136 units (2011: 29,238,821 units) and 14,527,827 units (2011: 3,693,460 units) for the nine months and quarter respectively	4,926,058	2,995,630	1,492,351	381,688
Redemption of 37,977,702 units (2011: 51,874,533 units) and 9,311,526 units (2011: 15,295,848 units) for the nine months and quarter respectively	(3,893,867)	(5,331,511)	(969,667)	(1,579,907)
Issue of Nil bonus units in respect of final distribution for the year ended June 30, 2011 (2010: 1,117,032 bonus units)	-	112,820	-	-
Issue of 1,547,538 bonus units in respect of interim distribution for the quarter ended September 30, 2011	156,301	-	-	-
Issue of 1,720,904 bonus units in respect of interim distribution for the half year ended December 31, 2011 (December 31, 2010 : 1,374,977 units)	173,811	139,560	173,811	-
Issue of 920,429 bonus units in respect of interim distribution for the nine months ended March 31, 2012 (March 31, 2010 : 1,219,453 units)	92,963	123,855	92,963	123,855
	1,455,266	(1,959,646)	789,458	(1,074,364)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(13,819)	48,293	(7,152)	25,686
- amount representing (income) / loss that forms part of unit holders' fund transferred to distribution statement	(18,846)	18,924	(10,229)	10,383
	(32,665)	67,217	(17,381)	36,069
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to the income statement	18,846	(18,924)	10,229	(10,383)
Net income for the period	456,510	438,403	164,416	109,364
Final distribution for the period ended June 30, 2010 at Rs 2.4194 per unit				
- Cash	-	(26,850)	-	-
- Bonus	-	(112,820)	-	-
Interim distribution for the quarter ended September 30, 2011 at Rs 3.3774 (2010: Rs 2.7051) per unit				
- Cash	(13,793)	-	-	-
- Bonus	(156,301)	-	-	-
Interim distribution for the half year ended December 31, 2011 at Rs 3.4026 (2010: Rs 2.7051) per unit				
- Cash	(23,698)	(18,293)	(23,698)	-
- Bonus	(173,811)	(139,560)	(173,811)	-
Interim distribution for the nine months ended March 31, 2012 at Rs 1.6677 (2011: Rs 2.7051) per unit				
- Cash	(11,623)	(17,555)	(11,623)	(17,555)
- Bonus	(92,963)	(123,855)	(92,963)	(123,855)
<b>Net assets as at end of the period</b>	<b>6,445,468</b>	<b>4,058,426</b>	<b>6,445,468</b>	<b>4,058,426</b>

The annexed notes form an integral part of this condensed interim financial information.

**For Arif Habib Investments Limited  
(Management Company)**

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

	Nine months ended March 31,		Quarter ended March 31,	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income before taxation	456,510	438,403	164,416	109,364
<b>Adjustments</b>				
Profit on bank deposits and term deposit receipts	(94,757)	(55,240)	(32,153)	(31,596)
Net unrealised diminution in the fair value of investments classified 'as financial assets at fair value through profit or loss'	(22,484)	34,107	(24,705)	6,294
Provision / (Reversal) against debt securities				
Amortisation of preliminary expenses and floatation costs	1,526	1,728	366	568
Element of income / (losses) and capital gains / (losses) included in prices of units issued less those in units redeemed	(13,819)	48,293	(7,152)	25,686
Net cash flows from operations before working capital changes	326,976	467,291	100,772	110,316
<b>Working capital changes</b>				
<i>(Increase)/decrease in assets</i>				
Investments - net	(333,402)	1,800,254	27,530	(260,981)
Security deposits and prepayments	279	(276)	165	(1,388)
Other receivables	(46,518)	22,794	5,823	41,167
	(379,641)	1,822,772	33,518	(221,202)
<i>Increase/(decrease) in liabilities</i>				
Payable to the Management Company	3,489	(1,578)	2,076	(1,457)
Payable to the Trustee	111	(170)	88	(165)
Payable to Securities and Exchange Commission of Pakistan	(797)	(3,141)	2,147	869
Accrued expenses and other liabilities	1,179	8,775	272,382	2,564
	3,982	3,886	276,693	1,811
Profit received on bank deposit and term deposit receipts	89,757	55,717	55,206	34,790
<b>Net cash (used in) / generated from operating activities</b>	41,074	2,349,666	466,189	(74,285)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net receipt against issue of units	4,656,598	2,995,630	3,421,274	381,688
Net payments on redemption of units	(3,893,867)	(5,346,859)	(2,742,792)	(1,581,382)
Cash distributions during the period	(49,114)	(62,698)	(35,321)	(17,555)
		-		
<b>Net cash from / (used in) financing activities</b>	713,617	(2,413,927)	643,161	(1,217,249)
Net (decrease) / increase in cash and cash equivalents during the period	754,691	(64,261)	1,109,350	(1,291,534)
Cash and cash equivalents at beginning of the period	2,250,955	1,450,900	1,896,296	2,678,173
Cash and cash equivalents as at end of the period	11 3,005,646	1,386,639	3,005,646	1,386,639

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited  
(Management Company)

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2012

## 1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Cash Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 on December 12, 2006.

1.1. Based on shareholder's resolution of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of June 27, 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However, subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHIL/348/2011 dated June 27, 2011). Since the merger had already taken place and subsequent order of the SECP could not be complied with, the company has sought a ruling by the honorable Sindh High Court (SHC). The honorable Sindh High Court (SHC) has held the SECP's subsequent order in abeyance and instruct the SECP to treat the companies as merged pending the final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

1.2. The Management Company of the fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

"The Fund has been categorized as an open ended fixed income mutual fund and offers units for public subscription on a continuous basis. The units of the fund are transferable and can also be redeemed by surrendering to the fund. The units are listed on the Lahore Stock Exchange. The Fund primarily invests in money market and other short-term instruments which includes short-term corporate debt and government securities, repurchase agreements, spread transactions and transactions under marginal trading system. The fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders."

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

1.4. The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 to the Management Company dated February 9, 2011 and a rating of "A+(f)" to the Fund dated March 3, 2011.

## 2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial information have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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 directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

2.2 This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof. 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'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2011.

2.3 This condensed interim financial information is unaudited.

2.4 The directors of the management company declare that this condensed interim financial information give a true and fair view of the Fund.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2011.

### 4. STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE CONDENSED INTERIM FINANCIAL INFORMATION

#### 4.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 1, 2011:

- IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.
- IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

#### 4.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in this condensed interim financial information.

### 5. INVESTMENTS

	Note	March 31, 2012	June 30, 2011
		Rupees in '000	
Financial assets at fair value through profit or loss	5.1	3,825,961	3,149,605
Loans and receivables	5.2	725,000	-
		<u>4,550,961</u>	<u>3,149,605</u>
<b>5.1 Financial assets at fair value through profit or loss</b>			
Listed debt securities	5.1.1	1,051,990	737,485
Unlisted debt securities	5.1.2	678,381	664,481
Government securities	5.1.3	2,095,590	1,747,639
		<u>3,825,961</u>	<u>3,149,605</u>

### 5.1.1 Listed debt securities - term finance certificates

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

Name of investee company	Date of Issue	As at July 1, 2011	Purchased during the period	Matured during the period	Disposed during the period	As at Mar 31, 2012	Balance as at March 31, 2012				Market value as a percentage of total investment %
							Cost	Market value	Appreciat on / (diminutio n)	Market value as a percentage of net assets	
Number of Certificates-----Rupees in '000-----%											
Banks											
Allied Bank Limited Allied Bank Limited Askari Bank Limited Askari Bank Limited Faysal Bank Limited NIB Bank Limited Faysal Bank Ltd. (formerly Royal Bank of Scotland) Soneri Bank Limited United Bank Limited United Bank Limited	December 6, 2006	11,800	-	-	-	11,800	60,169	59,451	(718)	0.92	1.31
	August 28, 2009	-	10,000	-	-	10,000	49,575	49,875	300	0.77	1.10
	February 4, 2005	12,530	-	-	-	12,530	62,662	63,255	593	0.98	1.39
	November 18, 2009	23,000	-	-	-	23,000	118,854	122,861	4,007	1.91	2.70
	November 12, 2007	7,515	-	-	-	7,515	37,904	37,557	(347)	0.58	0.83
	March 5, 2008	14,176	29,632	-	-	43,808	214,058	218,143	4,085	3.38	4.79
	February 10, 2005	300	-	-	-	300	382	377	(5)	0.01	0.01
	May 5, 2005	4,000	50	-	-	4,050	14,832	15,172	340	0.24	0.33
	September 8, 2006	15,000	-	-	-	15,000	63,307	62,199	(1,108)	0.97	1.37
	August 10, 2004	3,100	-	-	-	3,100	4,342	4,933	591	0.08	0.11
February 14, 2008	51,761	30,247	-	3,000	79,008	391,043	397,188	6,145	6.16	8.73	
Chemicals											
Engro Chemical Pakistan Limited	November 30, 2007	162	-	-	-	162	779	784	5	0.01	0.02
Financial Services											
Saudi Pak Leasing Company Limited	March 13, 2008	10,000	-	-	-	10,000	21,845	23,318	1,473	0.36	0.51
Total - March 31, 2012											
		153,344	69,929	-	3,000	220,273	1,039,752	1,055,113	15,361	16.37	23.20
Less: Provision against listed debt securities(refer note 5.1.1.1)								3,123			
								1,051,990			
Total - June 30, 2011											
		282,504	102,660	-	231,820	153,344	715,337	737,485	22,148	14.70	23.40

5.1.1.1 This represents provision against term finance certificates of Saudi Pak Leasing Company Limited due to non receipt of the principal redemptions and profits from October to March 2012. The management has recognized this provision based on the provisioning policy approved by the Board of Directors (Board) in addition to the discretionary valuation rate approved by the Board on the recommendation of the Investment Committee on September 29, 2011. The income suspended on these term finance certificates amounted to Rs. 1.96 million during the period ended March 31, 2012.

5.1.2 Unlisted debt securities - term finance certificates

Name of investee company	Date of Issue	As at July 1, 2011	Purchased during the period	Matured during the period	Disposed during the period	As at Mar 31, 2012	Balance as at March 31, 2012				Market value as a percentage of total investment
							Cost	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	
Number of Certificates-----Rupees in '000-----% of net assets-----											
Bank Alfalah Limited	December 2, 2009	11,500	-	-	-	11,500	58,259	58,259	-	0.90	1.28
Bank Alfalah Limited	November 23, 2004	22,079	-	-	10,000	12,079	40,578	40,584	6	0.63	0.89
Engro Chemical Pakistan Limited	March 18, 2008	2,419	-	-	-	2,419	11,369	11,369	-	0.18	0.25
Jahangir Siddiqui Company Limited	July 4, 2007	24,000	-	-	-	24,000	119,899	119,385	(514)	1.85	2.62
JDW Sugar Mills Limited	June 23, 2008	15,000	-	-	-	15,000	34,657	36,559	1,902	0.57	0.80
Standard chartered Bank (Pak) Ltd.	February 1, 2006	10,000	-	-	10,000	-	-	-	-	-	-
Maple Leaf Cement Factory Limited - Sukuk	December 3, 2007	71,000	-	-	-	71,000	216,583	216,843	260	3.36	4.76
Maple Leaf Cement Factory Limited - Sukuk	March 31, 2010	2,662	-	2,662	-	-	-	-	-	-	-
New Allied Electronics Industries (Pvt.) Limited	May 15, 2007	10,400	-	-	-	10,400	21,980	21,980	-	0.34	0.48
New Allied Electronics Industries											
(Pvt.) Limited - Sukuk	July 25, 2007	112,000	-	-	-	112,000	35,233	35,233	-	0.55	0.77
Security Leasing Corporation Limited - Sukuk	March 18, 2010	5,000	-	-	-	5,000	3,376	5,476	2,100	0.08	0.12
Security Leasing Corporation Limited	March 28, 2006	10,000	-	-	-	10,000	5,445	6,536	1,091	0.10	0.14
Askari Bank Ltd	October 31, 2005	6,980	-	-	-	6,980	35,234	34,900	(334)	0.54	0.77
Askari Bank Ltd	December 23, 2011	-	20,000	-	-	20,000	100,000	101,400	1,400	1.57	2.23
Bank Alfalah Limited - Fixed	December 3, 2009	-	18,700	-	-	18,700	95,695	97,349	1,654	1.51	2.14
Total - March 31, 2012							778,308	785,873	7,565	12	17
Total - June 30, 2011							770,885	728,357	(42,528)	14.51	23.13

	Note	Unaudited March 31, 2012	Audited June 30, 2011
		----- (Rupees in '000) -----	
5.1.2.1	Market value of unlisted debt securities	785,873	728,357
	Less: Provision against unlisted debt securities	107,492	63,876
		<u>678,381</u>	<u>664,481</u>



**FOR THE NINE MONTHS AND  
QUARTER ENDED MARCH 31, 2012**

Unaudited March 31, 2012	Note	(Rupees in '0000)
21,980		
35,233		
57,213	5.1.2.2.1	
6,305		
(6,305)		
-		
-		
50,279	5.1.2.2.2	
50,279		
107,492		

#### 5.1.1.2.2 Particulars of provision against unlisted debt securities

New Allied Electronics Industries (Private) Limited - term finance certificates -Opening

Security Leasing Corporation Limited - sukuk bond - Opening

**Less: Reversals during the period due to reclassification as 'performing securities'**

Maple Leaf Cement Factory Limited - Opening

Add: Provision during the period due to classification as 'non-performing securities'

Total provision against unlisted debt securities

These represent investments in privately placed Term Finance Certificates (TFCs) and Sukuk bonds of the investee company. These investments were fully provided. The management has recognized impairment loss amounting to Rs 57.57 million till March 31, 2012 which represents the full amount of the Fund's investment in TFCs and Sukuk bonds, in accordance with the comprehensive provisioning policy approved by the Board of Directors. In addition, the income accrued on these TFCs and Sukuk bonds has also been suspended by the management.

### 5.1.2.2.1

#### 5.1.2.2.2

This represents provision against Sukuk bonds of Maple Leaf Cement Factory Limited due to non receipt of the profits for September 2011, December 2011 and March 2012 quarters. The management has recognized this provision based on the provisioning policy approved by the Board of Directors (Board) in addition to the discretionary valuation rate on the decision of the Investment Committee. The income suspended on these term finance certificates amounted to Rs. 3.625 million during the period ended March 31, 2012.

### 5.1.3 Investment in government securities - 'At fair value through profit or loss'

Name of investee company	Face Value				Balance as at March 31, 2012					
	As at July 1, 2011	Purchased during the period	Disposed during the period	Matured during the year	As at March 31, 2012	Cost	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investment
	</									

### 5.1.3.1

The above sukuk have been carried at amortised cost by the Fund as in the opinion of the management, there is no external source available for their accurate valuation. Financial Markets Association of Pakistan (FMAP) is currently developing a mechanism for revaluation of these sukuk. Once developed, this mechanism will be forwarded to the Securities and Exchange Commission of Pakistan (SECP) and State Bank of Pakistan (SBP) for their consideration. Mutual Funds Association of Pakistan (MUFAP) has also informed the SECP that the mechanism of pricing of these sukuk is currently being studied by MUFAP and has requested SECP to allow status quo to the Funds in valuation of these securities.

	Note	Unaudited March 31 2012	Audited June 30, 2011
		(Rupees in '000)	
<b>5.1.4 Net unrealized diminution on re-measurement of investments classified as financial assets at fair value through profit or loss'</b>			
Market value investments	5.1.1, 5.1.2, 5.1.3	3,936,576	3,213,481
Carrying value investments	5.1.1, 5.1.2, 5.1.3	3,914,092	3,233,144
		<b>22,484</b>	<b>(19,663)</b>

**5.2 Loans and receivables**

Particulars	Profit / mark-up rate %	Maturity date	Closing balance as at March 31, 2012	Value as a percentage of net assets	Value as a percentage of investment
			(Rupees in '000)	----- % -----	
Term deposit receipts	12.10 - 12.75	At various dates by April 2012	725,000	11.25	15.93
<b>Total - March 31, 2012</b>			<b>725,000</b>		
<b>Total - June 30, 2011</b>			<b>-</b>	<b>-</b>	<b>-</b>

**5.3 COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorization criteria laid down in the circular. Arif Habib Investments Limited (Management Company) classified MCB Dynamic Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at December 31, 2011, the Fund is compliant with all the requirements of the said circular except for:

- i) Rating of securities in the portfolio in the following cases are lower than investment grade, which is against clause 9(v):

Category of non-compliant investment	Type of Investment / Name of Company	Outstanding face value	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		-----Rupees in '000'-----					
Investment in Debt securities							
	a) Maple Leaf Cement Factory Limited	354,323	216,583	50,279	166,304	2.58%	2.55%
	b) New Allied Electronics Industries (Pvt.) Limited	21,980	21,980	21,980	-	0.00%	0.00%
	c) New Allied Electronics Industries (Pvt.) Limited - Sukuk	35,233	35,233	35,233	-	0.00%	0.00%
	d) Security Leasing Corporation Limited Sukuk	7,813	5,476	-	5,476	0.08%	0.08%
	e) Security Leasing Corporation Limited	9,376	6,536	-	6,536	0.10%	0.10%
	f) Saudi Pak Leasing Company Limited	34,353	23,318	3,123	20,195	0.31%	0.31%

The rating of the above investment were not lower than the investment grade at the time of making investment.

**6. PROFIT, DEPOSIT AND OTHER RECEIVABLES**

	Note	Unaudited March 31, 2012	Audited June 30, 2011
		(Rupees in '000)	
Income accrued on term finance certificates		41,834	69,919
Profit receivable on government securities		65,809	8,036
Profit on savings deposits		8,625	4,349
Profit on term deposits		724	-
Deposit		8,868	2,534
Others		11,244	748
		<b>137,104</b>	<b>85,586</b>

	Note	Unaudited March 31, 2012	Audited June 30, 2011
(Rupees in '000)			
<b>7. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	8	47,799	46,042
Sales load payable		6,419	6,378
Auditors' remuneration		426	470
Withholding tax payable		50	18
Capital gain tax payable		189	
Dividend payable		11,623	12,315
Advance received for issuance of units		-	269,460
Others		428	532
		<b>66,934</b>	<b>335,215</b>

**8. CONTINGENCY**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2011.

Subsequently, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the period, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Honourable High Court of Sindh. On the basis of recent development, the Management Company, as a matter of abundant caution, has not reversed the existing provision of Rs.47.799 million for WWF, however the management has suspended making further provision effective from August 25, 2011. The aggregate unrecognised amount of WWF as at March 31, 2012 amounted to Rs. 7.409 million.

**9. TAXATION**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realized or unrealized, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realized or unrealized) to its unit holders.

**10. EARNINGS PER UNIT**

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

	Unaudited March 31, 2012	Audited June 30, 2011
(Rupees in '000)		
<b>11. CASH AND CASH EQUIVALENTS</b>		
Bank balances	1,834,021	2,124,800
Term Deposit Receipts	725,000	-
Treasury bills	446,625	126,155
	<b>3,005,646</b>	<b>2,250,955</b>

**12. SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY**

During the current period, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

**13. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES**

- 13.1** 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 and other associated undertaking.
- 13.2** Remuneration to the Management Company and Trustee are determined in accordance with the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008 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.
- 13.3** Detail of transactions with connected persons during the period and balances with them at period end are as follows:
- 13.4** Details of transactions with connected persons are as follows:

	Unaudited			
	Nine months ended		Quarter ended	
	March 31, 2012	March 31, 2011	March 31, 2012	March 31, 2011
	(Rupees '000)			
<b>Management Company</b>				
Remuneration	72,275	61,756	26,233	17,379
Issue of 2,364,874 units (2011: Nil units)	245,630	-	75,110	-
Redemption of 1,613,249 units (2011: Nil units)	165,000	-	33,000	-
Distribution of 224,839 Bonus units (2011: 208,609 units)	22,709	21,149	13,514	7,995
Sale load	43,551	21,031	22,975	3,957
<b>Trustee</b>				
Remuneration and settlement charges for the period	4,118	4,661	1,456	1,195
<b>MCB Bank Limited</b>				
Profit received on deposit accounts	31,040	2,457	11,779	380
Redemption of Nil units (2011: 3,412,052 units)	-	346,553	-	-
Distribution of Nil Bonus units (2011: 79,822 units)	-	8,062	-	-
Bank charges	11	13	2	2
<b>MCB Employees Provident Fund</b>				
Distribution of 65,938 Bonus units (2011: 54,845 units)	6,660	5,560	4,067	2,102
<b>MCB Employees Pension Fund</b>				
Distribution of 65,938 Bonus units (2011: 54,845 units)	6,660	5,560	4,067	2,102
<b>Adamjee Insurance Company Limited</b>				
Issue of 3,871,318 units (2011: Nil units)	406,000	-	-	-
Redemption of 2,776,438 units (2011: 972,873 units)	286,746	100,000	-	-
Distribution of 656,412 Bonus units (2011: 547,954 units)	66,298	55,546	42,673	19,182
<b>Adamjee Insurance Company Limited - Employees Provident Fund</b>				
Redemption of Nil units (2011: 178,077 units)	-	18,086	-	-
Distribution of Nil Bonus units (2011: 4,166 units)	-	421	-	-
<b>D.G Khan Cement Company Limited Employees Provident Fund Trust</b>				
Distribution of 198 Bonus units (2011: 165 units)	20	17	12	7
<b>Staff Provident Fund of Management Company</b>				
Distribution of 1,155 Bonus units (2011: 961 units)	117	97	117	36
<b>Adamjee Life Assurance Company Limited</b>				
Issue of 147,384 units (2011: 425,881 units)	15,225	44,000	15,225	-
Redemption of 145,903 units (2011: 1,493,306 units)	15,000	153,000	15,000	54,000
Distribution of 3,558 Bonus units (2011: 70,915 units)	360	7,186	360	1,472
<b>Key management personnel</b>				
Issue of 12,768 units (2011: 31,038 units)	1,342	3,175	-	445
Redemption of 14,247 units (2011: 15,011 units)	1,460	1,550	428	708
Distribution of 5,570 Bonus units (2011: 3,819 units)	563	388	330	165

	<b>Unaudited March 31, 2012</b>	<b>Audited June 30, 2011</b>
	<b>(Rupees in '000)</b>	
<b>13.5 Amount outstanding as at period end</b>		
<b>Management Company</b>		
Remuneration	9,269	5,780
2,897,192 units held as at March 31, 2012 (June 30, 2011: 1,920,728 units)	292,848	194,617
Sale load	6,419	6,378
<b>Trustee</b>		
Security deposit	200	200
Remuneration and settlement charges payable	508	397
<b>MCB Bank Limited</b>		
Bank balance	249,695	571,205
Profit receivable on deposit accounts	4,963	1,535
<b>MCB Employees Provident Fund</b>		
833,601 units held as at March 31, 2012 (June 30, 2011: 767,663 units)	84,260	77,783
<b>MCB Employees Pension Fund</b>		
833,601 units held as at March 31, 2012 (June 30, 2011: 767,663 units)	84,260	77,783
<b>Staff Provident Fund Of The Management Company</b>		
14,599 units held as at March 31, 2012 (June 30, 2011: 13,444 units)	1,476	1,362
<b>Adamjee Insurance Company Limited</b>		
8,746,405 units held as at March 31, 2012 (June 30, 2011: 6,995,112 units)	884,087	708,778
<b>Adamjee Life Assurance Company Limited</b>		
25,932 units held as at March 31, 2012 (June 30, 2011: 20,893 units)	2,621	2,117
<b>D.G Khan Cement Company Limited Employees Provident Fund Trust</b>		
2,507 units held as at March 31, 2012 (June 30, 2011: 2,309 units)	253	234
<b>Key management personnel</b>		
66,312 units held as at March 31, 2012 (June 30, 2011: 61,907 units)	6,703	6,273

**14. ACCOUNTING ESTIMATES AND JUDGEMENTS**

"The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by the management in applying the accounting policies and the key sources of estimation uncertainty were consistent as those that applied to financial statements as at and for the year ended June 30, 2011."

**15. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on April 27, 2012 by the Board of Directors of the Management Company.

**16. GENERAL**

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

**For Arif Habib Investments Limited  
(Management Company)**

Yasir Qadri  
Chief Executive Officer

Nasim Beg  
Executive Vice Chairman