

MCB
DYNAMIC ALLOCATION FUND

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FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	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)
Chief Financial Officer & Company Secretary of the Management Company	Mr. Muhammad Saqib Saleem	
Audit Committee	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Bank Alfalah Limited Faysal Bank Limited NIB Bank Limited	
Auditors	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.	
Rating	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Dynamic Allocation Fund's** accounts review for the first half ended December 31st 2011.

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 10.9% amid change in CPI methodology as well as high base-effect of last year. External account, however, has started deteriorating significantly with 1H FY12 current account balance posting a sizeable deficit of US\$ 2.2 billion amid higher trade deficit despite record remittances flows. On the fiscal side, the government posted a budget deficit of 1.2% of GDP during 1Q FY12 with its entire funding coming from the domestic sources. Non-realization of official flows is not only hurting the BOP position, it would continue to affect the funding profile of fiscal deficit - which would have its implications on the monetary mechanism as well as exchange rate. Citing some improvements in key macro variables, the SBP decided to ease its monetary stance by lowering its policy discount rate cumulatively by 200 bps to 12.0% during early part of the period. Significant deterioration in macroeconomic balances, however, has compelled them to keep DR unchanged during the latter part.

In the money market, short term market rates remained on the higher side amid tight liquidity scenario in the system. 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.

EQUITIES MARKET OVERVIEW

Bearish trend continued at the local bourses with the KSE-100 index went down by 9.2% during the period under review with abysmally low volumes. Attractive valuations were marred by the dearth of liquidity, extremely volatile global markets and fragile domestic economic and geo-political conditions. Deteriorating macroeconomic balances coupled with rising tension in the political arena restrained local investors from taking counter positions against foreigners, which remained net seller during the period with a net FIPI outflow of over US\$ 151 million. Even a cumulative reduction in DR of 200 bps by the SBP during early part of the period failed to generate strong momentum among equity investors due to fear of aggressive sell off by foreign investors as well as lack of clarity on political and macro fronts. Sector-wise, Chemicals and Oil & Gas sectors remained centre of major activity although interest was also seen in few other stocks related to various sectors based on their respective fundamentals and valuations.

FUND PERFORMANCE

The fund posted a return of -5.0% during the period under review while since inception return of fund stood at -10.2%. On the equities front, the overall allocation increased during the period to 55.2% from 44.6% in June 2011. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks. During the period, the fund increased its exposure significantly within Electricity sector from 8.5% to 20.4%, while lowered its banking exposure to around 19% from 25% at the beginning. The fund also built its exposure within Fixed Line Telecommunication sector during the period.

On the fixed income side, exposure towards GoP Ijarah Sukuk was built during the period on the back of attractive yields as well as capital gains potential. The fund, on the other hand, marginally reduced its TFC allocations from 13.5% to 12.9%, while reducing its entire Treasury Bills exposure during the period under review.

FUTURE OUTLOOK

Despite continued improvement on inflation front, 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. In our opinion, the absence of foreign flows and government's greater reliance on domestic sources for fiscal funding could result in rebound of inflation and interest rates going forward.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

Although the external environment may remain challenging in the near term, the stock market may find support from the December earnings season with a focus on dividend laden results including Banking, Electricity and Chemicals Sectors and could redraw attention to the fundamental strength in the listed companies. Strong earnings growth, high dividend yield and relatively cheaper valuations offer decent returns for long term investors in our opinion.

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,

Yasir Qadri
Chief Executive Officer
Dated: January 27, 2012

TRUSTEE REPORT TO THE UNIT HOLDERS

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Dynamic Allocation Fund (the Fund) are of the opinion that Arif Habib 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, 2011 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.

Muhammad Hanif Jakhura

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: February 23, 2012

INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of MCB Dynamic Allocation Fund as at December 31, 2011 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2011. The Management Company (Arif Habib Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement for the quarters ended December 31, 2011 and December 31, 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of 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 as of and for the half year ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Salman Hussain
Karachi.

Dated: January 27, 2012

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

As at 31 December 2011

	Note	Unaudited December 31, 2011 -----Rupees in '000-----	Audited June 30, 2011
ASSETS			
Bank balances		34,126	102,768
Investments	4	263,395	224,137
Dividend and other receivables		9,840	4,890
Security deposits and prepayments		4,221	4,100
Preliminary expenses and floatation cost		1,205	1,710
Total assets		312,787	337,605
LIABILITIES			
Payable to the Management Company		465	411
Payable to the Trustee		63	64
Annual fee payable to the Securities and Exchange Commission of Pakistan		155	349
Payable against redemption of units		10	10
Payable against purchase of investments		474	725
Accrued and other liabilities		2,822	3,466
Total liabilities		3,989	5,025
NET ASSETS			
		308,798	332,580
Unit holders' fund (as per statement attached)		308,798	332,580
CONTINGENCIES AND COMMITMENTS			
	5		
NUMBER OF UNITS IN ISSUE			
		4,653,664	4,762,337
NET ASSET VALUE PER UNIT			
	3.3	66.36	69.84

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Note	Half year ended		Quarter ended	
		December 31		December 31	
		2011	2010	2011	2010
		(Rupees in '000)		(Rupees in '000)	
INCOME					
Capital gain/(loss) on sale of investments		(8,967)	26,490	(1,554)	16,801
Dividend income		9,018	3,197	6,711	2,234
Profit on bank deposits and term deposit receipts		2,143	2,053	38	661
Income from government securities		244	10,074	-	6,198
Income from term finance certificates		6,143	3,979	3,134	2,068
		8,581	45,793	8,329	27,962
Net unrealised (diminution)/appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'		(19,034)	11,637	(23,706)	9,413
Total Income		(10,453)	57,430	(15,377)	37,375
EXPENSES					
Remuneration of the Management Company		2,448	3,016	1,221	1,504
Sindh sales tax on remuneration of the Management Company	6	392	-	195	-
Remuneration of the Trustee		352	402	176	200
Annual fee - Securities and Exchange Commission of Pakistan		155	191	77	95
Brokerage and settlement charges		1,384	1,339	724	609
Amortization of preliminary expenses and floatation costs		505	505	253	253
Auditors' remuneration		322	285	131	154
Other expenses		240	620	42	396
		5,798	6,358	2,819	3,211
Net (loss) / income from operating activities		(16,251)	51,072	(18,196)	34,164
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		58	(1,937)	27	(1,780)
Provision for Workers' Welfare Fund	7	-	(983)	-	(648)
Net (loss) / income for the period before taxation		(16,193)	48,152	(18,169)	31,736
Taxation	8	-	-	-	-
Net (loss) / income for the period after taxation		(16,193)	48,152	(18,169)	31,736
Other comprehensive income / (loss) for the period		-	-	-	-
Total comprehensive (loss) / income for the period		(16,193)	48,152	(18,169)	31,736
(Loss) / earning per unit	3.4				

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31		December 31	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
Accumulated loss brought forward	(143,654)	(112,192)	(140,269)	(163,609)
Final distributions for the year ended June 30, 2010:				
On July 01, 2010 at Rs. 10.089 per unit				
- Cash distribution	-	(12,849)	-	-
- Bonus distribution	-	(39,133)	-	-
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	3,278	(2,757)	1,869	13,094
Net (loss) / income for the period after taxation	(16,193)	48,152	(18,169)	31,736
Accumulated loss carried forward	(156,569)	(118,779)	(156,569)	(118,779)

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended		Quarter ended	
	December 31		December 31	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
Net assets at beginning of the period	332,580	403,041	331,296	401,371
Issue of 28,547 (2010: 7,088) units and Nil (2010: 731) units for the half year and quarter respectively	1,943	501	-	55
Issue of Nil bonus units relating to the period ended December 31, 2011 (2010: 574,336 bonus units)	-	39,133	-	-
Redemption of 137,218 (2010: 494,901) units and 75,259 (2010: 411,682) units for the half year and quarter respectively	(9,474)	(35,676)	(4,302)	(29,837)
	(7,531)	3,958	(4,302)	(29,782)
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	(58)	1,937	(27)	1,780
- amount representing income that forms part of unit holders' fund - transferred to distribution statement	(3,278)	2,757	(1,869)	(13,094)
	(3,336)	4,694	(1,896)	(11,314)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	3,278	(2,757)	1,869	13,094
Net unrealised (diminution) / appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	(19,034)	11,637	(23,706)	9,413
Income from other operating activities	2,841	36,515	5,537	22,324
Net (loss) / income for the period	(16,193)	48,152	(18,169)	31,737
Final distributions for the year ended June 30, 2010: On July 01, 2010 at Rs. 10.089 per unit				
- Cash distribution	-	(12,849)	-	-
- Bonus distribution	-	(39,133)	-	-
	-	(51,982)	-	-
Net assets as at the end of the period	308,798	405,106	308,798	405,106

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31		Quarter ended December 31	
	2011	2010	2011	2010
	(Rupees in '000)		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) / income for the period before taxation	(16,193)	48,152	(18,169)	31,736
Adjustments				
Dividend income	(9,018)	(3,197)	(6,711)	(2,234)
Net unrealised (diminution) / appreciation on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	19,034	(11,637)	23,706	(9,413)
Amortization of preliminary expenses and floatation costs	505	505	253	253
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	(58)	1,937	(27)	1,780
	(5,730)	35,760	(948)	22,122
(Increase) / decrease in assets				
Investments - net	(58,292)	121,130	(48,683)	(17,034)
Other receivable	(4,977)	(31)	1,472	908
Security deposits and prepayments	(121)	(65)	(121)	(43)
	(63,390)	121,034	(47,332)	(16,169)
Increase / (decrease) in liabilities				
Payable to the Management Company	54	(9)	1	18
Payable to the Trustee	(1)	-	(177)	(1)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(194)	(383)	77	95
Payable against purchase of investments	(251)	-	(251)	-
Accrued and other liabilities	(644)	862	(137)	572
	(1,036)	470	(487)	684
Dividend income received	9,045	3,205	9,045	3,202
Net cash (outflow) / inflow from operating activities	(61,111)	160,469	(39,722)	9,839
CASH FLOWS FROM FINANCING ACTIVITIES				
Net receipts from issue of units	1,943	501	-	55
Net payments on redemption of units	(9,474)	(35,676)	(4,302)	(29,837)
Distribution during the period	-	(12,849)	-	-
Net cash outflow from financing activities	(7,531)	(48,024)	(4,302)	(29,782)
Net (decrease) / increase in cash and cash equivalents	(68,642)	112,445	(44,024)	(19,943)
Cash and cash equivalents at the beginning of the period	102,768	116,796	78,150	249,184
Cash and cash equivalents at the end of the period	34,126	229,241	34,126	229,241

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Dynamic Allocation Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2007 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007. It was constituted under a Trust Deed dated November 22, 2007 between MCB Asset Management Company Limited (MCB-AMC) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.
- 1.2 Based on shareholders' resolutions of MCB-AMC and Arif Habib Investments Limited (AHI) 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). AHI being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank Limited. However, subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to July 30, 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the 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 SHC has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.
- 1.3 The Management Company of the Fund has been licensed to act as 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.
- 1.4 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.
- 1.5 The Fund is an asset allocation fund and is allowed to shift total exposure into debt or equity instruments as per market conditions and the discretion of the Management Company. The objective of the Fund is to provide a high return which commensurate the higher risk taken due to pro-active allocation of funds across various asset and debt classes.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.
- 1.7 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company and a Short Term ranking of '4-Star Normal' and Long Term ranking of '4-Star Normal' to the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of IAS 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

- 2.2 This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance.
- 2.3 The directors of the Management Company declare that this condensed interim financial information give a true and fair view of the state affairs of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies 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.

3.1 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 emphasises 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.

3.2 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.

3.3 Net Asset Value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period / year end.

3.4 (Loss) / earning per unit

(Loss) / earning per unit has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating (loss) / earning per unit is not practicable.

4 INVESTMENTS

Financial assets at 'fair value through profit or loss'

	Note	Unaudited December 31, 2011	Audited June 30, 2011
Rupees in '000			
- Listed equity securities	4.1	172,507	150,485
- Listed debt securities	4.2	35,372	40,612
- Unlisted debt securities	4.3	5,016	5,067
- Government Securities	4.4	50,500	24,756
- Derivatives		-	11

Loans and Receivable

- Margin Trading System(MTS)		-	3,206
		<u>263,395</u>	<u>224,137</u>

**NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)**

**FOR THE HALF YEAR AND
QUARTER ENDED DECEMBER 31, 2011**

4.1 Listed equity securities

Name of investee company	Number of shares					Balance as at Dec. 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investment	Market value as a percentage of paid up capital of investee
	As at July 1, 2011	Purchased during the period	Bonus/ rights shares	Disposed off during the period	As at December 31, 2011	Carrying Value	Market value	Appreciation/ (diminution)			
------(Rupees in '000)-----											
Auto Mobile & Parts											
Agriauto Industries Limited*	10,000	-	-	-	10,000	695	575	(120)	0.19%	0.22%	0.035%
						695	575	(120)	0.19%	0.22%	
Construction & Materials											
Lucky Cement Limited	-	488,000	-	454,359	33,641	2,603	2,524	(79)	0.82%	0.96%	0.010%
						2,603	2,524	(79)	0.82%	0.96%	
Chemicals											
Engro Corporation Limited	85,000	500,500	-	465,500	120,000	14,348	11,124	(3,224)	3.60%	4.22%	0.031%
Fatima Fertilizers Limited	773,995	860,000	-	1,330,337	303,658	6,971	6,960	(11)	2.25%	2.64%	0.015%
Fauji Fertilizer Bin Qasim Limited	10,000	5,000	-	15,000	-	-	-	-	0.00%	0.00%	0.000%
Fauji Fertilizer Company Limited	106,011	337,181	-	285,000	158,192	26,585	23,656	(2,929)	7.66%	8.98%	0.019%
						47,904	41,740	(6,164)	13.52%	15.85%	
Food Producers											
Engro Foods Limited	-	20,000	-	20,000	-	-	-	-	0.00%	0.00%	0.000%
						-	-	-	0.00%	0.00%	
Banks											
Allied Bank Limited	104,923	100,000	-	152,500	52,423	3,285	2,824	(461)	0.91%	1.07%	0.006%
Meezan Bank Limited	401,136	-	-	-	401,136	7,008	6,972	(36)	2.26%	2.65%	0.050%
Soneri Bank Limited	770,000	58,000	60,960	340,315	548,645	2,436	2,140	(296)	0.69%	0.81%	0.061%
Bank Al-Habib Limited	291,206	100	-	189,671	101,635	2,995	2,900	(96)	0.94%	1.10%	0.012%
MCB Bank Limited	5,870	41,000	-	18,610	28,260	4,307	3,804	(503)	1.23%	1.44%	0.003%
National Bank of Pakistan	27,213	335,000	-	362,213	-	-	-	-	0.00%	0.00%	0.000%
United Bank Limited	136,583	-	-	131,851	4,732	293	248	(45)	0.08%	0.09%	0.000%
						20,324	18,888	(1,437)	6.12%	7.17%	
Sugar and Allied Industries											
JDW Sugar	10,000	1,000	1,000	12,000	-	-	-	-	0.00%	0.00%	0.000%
JDW Sugar right	1,000	-	-	1,000	-	-	-	-	0.00%	0.00%	0.000%
						-	-	-	0.00%	0.00%	
Personal goods											
Nishat Mills Limited	65,000	115,000	-	180,000	-	-	-	-	0.00%	0.00%	0.000%
						-	-	-	0.00%	0.00%	
Oil and gas											
Attock Petroleum Limited	5,000	40,258	-	21,000	24,258	10,167	10,006	(161)	3.24%	3.80%	0.041%
Pakistan Oil Fields Limited	33,713	368,900	-	398,713	3,900	1,396	1,351	(45)	0.44%	0.51%	0.002%
Pakistan Petroleum Limited	25,000	82,700	2,820	50,000	60,520	10,759	10,187	(572)	3.30%	3.87%	0.005%
Oil and Gas Development Company Limited	-	30,000	-	10,301	19,699	3,030	2,987	(43)	0.97%	1.13%	0.000%
Attock Refinery Limited	-	25,000	-	25,000	-	-	-	-	0.00%	0.00%	0.000%
National Refinery Limited	-	48,000	-	48,000	-	-	-	-	0.00%	0.00%	0.000%
Pakistan State Oil Company Limited	58,009	33,080	-	49,000	42,089	10,351	9,563	(788)	3.10%	3.63%	0.025%
						35,703	34,094	(1,609)	11.04%	12.94%	
Non Life Insurance											
Adamjee Insurance Company Limited	-	500	-	-	500	26	23	(3)	0.01%	0.01%	0.000%
						26	23	(3)	0.01%	0.01%	
General Industries											
Packages Limited	17,950	-	-	17,000	950	105	79	(26)	0.03%	0.03%	0.001%
						105	79	(26)	0.03%	0.03%	
Fixed Line Telecommunications											
Pakistan Telecommunication Company Limited	-	1,040,128	-	-	1,040,128	11,632	10,807	(825)	3.50%	4.10%	0.028%
						11,632	10,807	(825)	3.50%	4.10%	
Electricity											
HUB Power Company Limited	207,333	967,987	-	284,001	891,319	34,621	30,483	(4,138)	9.87%	11.57%	0.077%
Kot Addu Power Company Limited	237,798	396,464	-	205,791	428,471	20,242	17,704	(2,538)	5.73%	6.72%	0.049%
Nishat Chunian Power Limited	165,799	50,000	-	215,799	-	-	-	-	0.00%	0.00%	0.000%
Nishat Power Limited	564,746	734,134	-	95,000	1,203,880	17,388	15,590	(1,798)	5.05%	5.92%	0.340%
						72,251	63,777	(8,474)	20.65%	24.21%	
Total December 31, 2011						191,243	172,507	(18,736)	55.86%	65.49%	
Total June 30, 2011						148,412	150,485	2,073	45.25%	67.14%	

*The face value of shares held of Agriauto Industries Limited is Rs.5

4.1.1 Investment in listed equity securities includes shares with market value aggregating to Rs. 11.773 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by SECP.

4.2 Listed Debt Securities

Name of investee company	Number of Certificates				Balance as at December 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2011	Purchased during the period	Disposed during the period	As at December 31, 2011	Carrying Value	Market value	Appreciation/ (Diminution)		
----- (Rupees in '000) -----									
Certificates having a face value of Rs. 5,000 each unless stated otherwise									
Bank Alfalah Limited-II	2,000	-	-	2,000	6,719	6,648	(71)	2.15%	2.52%
Askari Bank Limited-III	5,000	-	-	5,000	25,838	25,574	(264)	8.28%	9.71%
United Bank Limited-I	1,000	-	-	1,000	3,063	3,150	87	1.02%	1.20%
Total - December 31, 2011					35,620	35,372	(248)	11.45%	13.43%
Total - June 30, 2011					39,329	40,612	1,283	12.20%	18.12%

4.3 Unlisted Debt Securities

Name of investee company	Number of Certificates				Balance as at December 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 01, 2011	Purchased during the period	Disposed during the period	As at December 31, 2011	Carrying Value	Market value	Appreciation/ (Diminution)		
------(Rupees in '000)-----									
Certificates having a face value of Rs. 5,000 each unless stated otherwise									
Bank Alfalah Limited-IV	1,000	-	-	1,000	5,066	5,016	(50)	1.62%	1.90%
Total - December 31, 2011					5,066	5,016	(50)	1.62%	1.90%
Total - June 30, 2011					5,067	5,067	-	1.52%	2.26%

4.4 Government Securities

Name of security	Face Value					Balance as at December 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2011	Purchased during the period	Disposed of during the period	Matured during the period	As at December 31, 2011	Carrying value	Market Value	Appreciation / (diminution)		
----- (Rupees in '000') -----										
Treasury bills	25,000	300,000	300,000	25,000	-	-	-	-	0.00%	0.00%
GoP Ijara Sukuks	-	50,000	-	-	50,000	50,500	50,500	-	16.35%	19.17%
Total - December 31, 2011						50,500	50,500	-	16.35%	19.17%
Total - June 30, 2011						24,765	24,756	9	7.44%	11.05%

4.5 The above sukuks have been carried at 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 sukuks. 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 sukuks is currently being studied by MUFAP and has requested SECP to allow status quo to the Funds in valuation of these securities.

5 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2011 and June 30, 2011.

6 SINDH SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY

During the period the provincial government has levied General Sales Tax @16% on the remuneration of management company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

7 PROVISION FOR WORKERS' WELFARE FUND

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 Honourable 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, 2010 and June 30, 2011.

Subsequent to the year ended June 30, 2010, 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.

Subsequent to June 30, 2011, the Honourable 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 Sindh High Court (SHC). The Management Company as a matter of abundant caution, has not reversed the existing provision of Rs. 2.375 million for WWF.

8 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 realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the Management Company, on behalf of the Fund, intends to distribute at least 90 percent of the Fund's accounting income (if any) for the current period as reduced by capital gains (whether realised or unrealised) to its unit holders.

The Scheme is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

9 TRANSACTIONS WITH CONNECTED PERSONS

9.1 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 undertakings.

9.2 The transactions with connected persons are in the normal course of business, at contracted rates.

9.3 Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

9.4 Details of transaction with the connected persons during the half year / quarter are as follows:

	Unaudited Half year ended December 31		Unaudited Quarter ended December 31	
	2011	2010	2011	2010
	Rupees in '000		Rupees in '000	
MCB Bank Limited				
- Dividend received	63	-	63	-
- Profit received on saving accounts	68	541	32	294
Arif Habib Investments Limited				
- Remuneration of the Management Company	2,448	3,016	1,221	1,477
- Sales tax on remuneration of Management Company	392	-	195	-
Central Depository Company of Pakistan Limited				
- Remuneration of the Trustee	352	402	176	201
- CDC settlement charges	18	26	11	13
Habib Metropolitan Bank Limited				
Redemption of Nil units (December 31, 2010: 237,819 units)	-	16,888	-	16,888
Nishat Mills Limited				
- Dividend Received	-	573	-	573
Fatima Fertilizer Company Limited				
- Dividend received	337			

**NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)**

**FOR THE HALF YEAR AND
QUARTER ENDED DECEMBER 31, 2011**

	Unaudited Half year ended December 31		Unaudited Quarter ended December 31	
	2011	2010	2011	2010
	Rupees in '000		Rupees in '000	
D.G Khan Cement Company Limited - Employee Provident Fund				
- Issue of Nil bonus units (December 31, 2010: 2,270 bonus units)	-	155	-	-
Trustee Karachi Electric Provident Fund				
- Issue of Nil bonus units (December 31, 2010: 222,106 bonus units)	-	15,133	-	14,911
Capital Development Authority				
- Issue of Nil bonus units (December 31, 2010: 111,912 bonus units)	-	7,625	-	7,513
			Unaudited December 31, 2011	Audited June 30, 2011
Amount outstanding as at period / year end			Rupees in '000	
MCB Bank Limited				
- Bank balances			2,526	93,233
- Profit receivable on saving accounts			131	125
- 28,260 shares held by the Fund as at December 31, 2011 (June 30, 2011: 5,870 shares)			3,804	1,170
Arif Habib Investments Limited				
- Remuneration payable to the Management Company			399	411
- Sales tax payable on remuneration of Management Company			64	-
Central Depository Company of Pakistan Limited				
- Remuneration payable to the Trustee			59	55
- CDC settlement charges			4	9
- Security Deposits			100	100
Capital Development Authority				
- 1,023,207 units held as at December 31, 2011 (June 30, 2011: 1,023,707 units)			67,896	71,456
D.G Khan Cement Company Limited - Employee Provident Fund				
- 20,760 units held as at December 31, 2011 (June 30, 2011: 20,760 units)			1,378	1,450
Nishat Mills Limited				
- Nil shares held by the Fund as at December 31, 2011 (June 30, 2011: 65,000 shares)			-	3,272
Nishat Power Limited				
- 1,203,880 shares held by the Fund as at December 31, 2011 (June 30, 2011: 564,746 shares)			15,590	8,720
Nishat Chunian Power Limited				
- Nil shares held by the Fund as at December 31, 2011 (June 30, 2011: 165,799 shares)			-	2,275
Trustee - Karachi Electric Provident Fund				
- 2,030,698 units held by the Fund as at December 31, 2011 (June 30, 2011: 2,030,698 units)			134,749	141,815
Fatima Fertilizer Company Limited				
- 303,658 shares held by the Fund as at December 31, 2011 (June 30, 2011: 773,995 shares)			6,960	12,879
Adamjee Insurance Company Limited				
- 500 shares held by the Fund as at December 31, 2011 (June 30, 2011: Nil shares)			23	-

10 DATE OF AUTHORIZATION FOR ISSUE

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

11 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and better presentation. During the current period, there were no major reclassifications.

12 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
Director