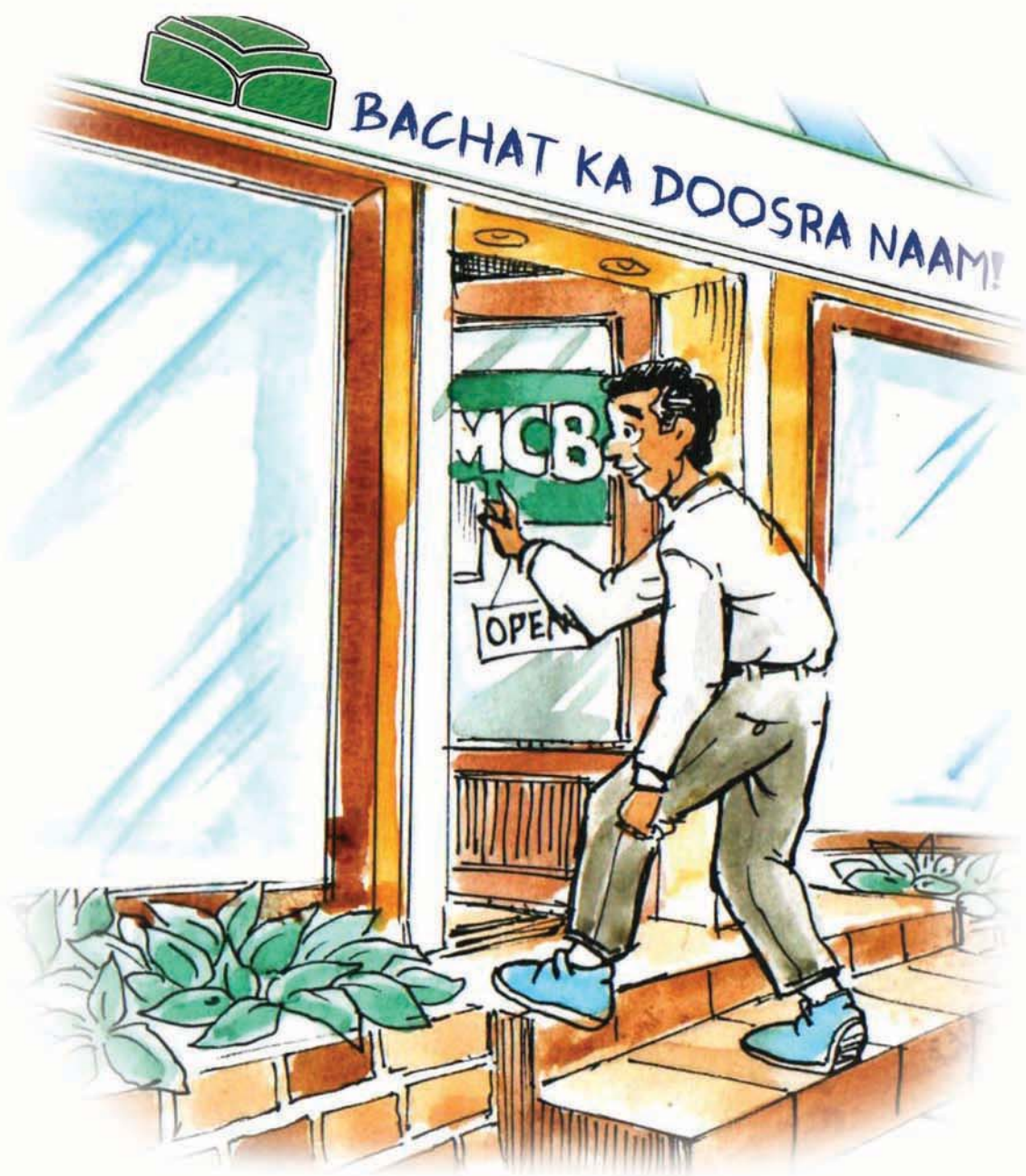




**Bachat** ka Doosra Naam

**Quarterly Report**  
September 30, 2012  
(Unaudited)



Funds Under Management  
of  
Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)

**MCB**  
**DYNAMIC ALLOCATION 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 Officer (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>Audit Committee</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
<b>Human Resource Committee</b>	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; CFO of the Management Company</b>	Mr. Muhammad Saqib Saleem	
<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>	Bank Al-Falah Limited MCB Bank Limited NIB Bank Limited Faysal Bank Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
<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 - Management Quality Rating assigned by PACRA	

# REPORT TO THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Dynamic Allocation Fund's accounts review for the first quarter ended September 30th 2012.

## ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, CPI inflation continued to maintain its downward trajectory amid lower food inflation and gas prices with 1Q FY13 CPI inflation averaging at 9.2%. Although current account balance remained comfortable during 2MFY13 with a sizeable surplus of US\$ 919 million courtesy release of coalition support fund proceeds by the US, weaker financial and capital account coupled with sizeable repayments (including IMF) continued to put pressure on the FX reserves, which eventually came down to below US\$ 14.5 billion. On the fiscal front, the government has continued to rely on domestic sources of funding with YTD GoP borrowing from banking system has risen to PKR 173 billion by Sep'28 2012. Taking comfort from benign CPI inflation and release of CSF payments by the US as well as the need to stimulate real economic engine & private investments in the country, the State Bank of Pakistan lowered its policy discount rate by 150 bps to 10.5% in its Aug'12 monetary policy statement.

In the money market, short term market rates remained largely on the higher side amid tight liquidity scenario in the system with few exceptions where the market witnessed floors also. The SBP has continued to inject significant amount of liquidity in the system through OMOs during the quarter. Given a downward trajectory in YoY CPI inflation coupled with SBP monetary easing stance, the yield curve has adjusted significantly downwards during the period. 1 year PKRV adjusted downwards by 198 bps to 10.0%, while longer tenure 10 year PKRV adjusted downwards by 182 bps to 11.5% during the quarter under review.

## EQUITIES MARKET OVERVIEW

The KSE-100 index made an impressive start in FY13 and posted a return of 11.9% during 1Q FY13, outperforming most of the regional players. Although the market remained strong as far as returns are concerned, activity remained dull in terms of both volumes and turnover. Foreigners, however, made a strong return to the local market with a cumulative net inflow of US\$ 92 million during the period under review.

Major interest during the period remained in Construction & Materials, Consumer and Electricity Sectors where strong inherent bottom line growth, healthy payouts and favorable projected impact of fall in interest rates thrived investor interest. Highly levered companies were also remained in the limelight during the period amid aggressive policy rate cut of 150 bps by the SBP during the period. Strong corporate results as well as healthy payouts by key companies served to keep the positive momentum intact in the market.

## FUND PERFORMANCE

The fund posted a return of 7.5% during the period under review while since inception return of fund stood at 10.5%. The fund has gradually increased exposure toward equities which reached to around 29% by quarter-end. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks. During the quarter, the fund reduced its exposure significantly in the banking sector from 39.7% to 13.4%, while increasing its Oil & Gas exposure to around 12.9% at quarter-end.

On the fixed income side, the fund accumulated PIBs ahead of the yield curve adjustment that resulted in sizeable capital gains. The fund, on the other hand, reduced its TFC allocations from 39.7% to 11.1%, while exposure to Treasury Bills was reduced to 1.9% at quarter-end.

The Net Asset of the Fund as at September 30, 2012 stood at Rs. 238.127 million as compared to Rs 100.404 million as at June 30 2012 registering a increase of 137.16%

The Net Asset Value (NAV) per unit as at September 30, 2012 was Rs. 76.01 as compared to opening NAV of Rs. 70.69 per unit as at June 30, 2012 registering an increase of Re.5.323 per unit

## FUTURE OUTLOOK

Taking comfort from lower CPI inflation trajectory, the Central bank has decided to lower its policy discount rate further by 50 bps to 10.0% in its Oct'12 monetary policy statement. Going forward, we believe that the sustainability of external account, in addition of lower inflation, would be a key factor in shaping up interest rate direction. The Government bond market, however, is likely to remain active going forward as single digit range of YoY CPI Inflation for at least next few months would keep market players' expectations of downward yield curve adjustment intact.

On the equities front, along with attractive valuations and earnings growth, anticipation of accommodative govt. policies before upcoming general elections has also contributed towards strong investors' confidence. A sustained momentum, however, would require continued support on this front along with an improved fiscal and external account management. We therefore prefer to remain vigilant of fading triggers on macro front and potential opportunities arising out of micro dynamics in stock and sector allocation.

## 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

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012

	Note	Unaudited September 30, 2012	Audited June 30, 2012
Rupees in '000			
<b>ASSETS</b>			
Bank balances		117,217	22,560
Investments	4	135,721	74,402
Receivable against sale of investment		-	5,785
Dividend and other receivables		4,250	2,164
Security deposits and prepayments		4,115	4,100
Preliminary expenses and floatation cost		460	707
<b>Total assets</b>		<b>261,763</b>	<b>109,718</b>
<b>LIABILITIES</b>			
Payable to the Management Company		368	146
Payable to the Trustee		58	59
Annual fee payable to Securities and Exchange Commission of Pakistan		50	250
Payable against purchase of investments		19,889	5,612
Accrued and other liabilities		3,271	3,247
<b>Total liabilities</b>		<b>23,636</b>	<b>9,314</b>
<b>NET ASSETS</b>		<b>238,127</b>	<b>100,404</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>238,127</b>	<b>100,404</b>
<b>CONTINGENCY</b>		5	
<b>Number of units</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>3,132,840</b>	<b>1,420,402</b>
<b>Rupees</b>			
<b>NET ASSET VALUE PER UNIT</b>		<b>76.01</b>	<b>70.69</b>

The annexed notes 1 to 11 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

For Arif Habib Investments Limited  
(Management Company)

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)


## FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	Note	September 30, 2012	September 30, 2011
Rupees in '000			
<b>INCOME</b>			
Capital gain / (loss) on sale of investments		10,931	(7,413)
Dividend income		1,145	2,307
Profit on bank deposits and term deposit receipts		676	2,105
Income from government securities		2,395	244
Income from Term Finance Certificates		1,058	3,009
		16,205	252
Net unrealised (diminution) in the fair value of future contracts		(473)	
Net unrealised appreciation on re-measurement of investments classified as ' financial assets at fair value through profit or loss'		1,694	4,672
<b>Total loss</b>		17,426	4,924
<b>EXPENSES</b>			
Remuneration of the Management Company		786	1,228
Sindh sales tax on remuneration of the Management Company		127	196
Remuneration of the Trustee		176	176
Annual fee - Securities and Exchange Commission of Pakistan		50	78
Brokerage and settlement charges		597	660
Amortisation of preliminary expenses and floatation costs		247	252
Auditors' remuneration		141	191
Other expenses		97	198
		2,221	2,979
<b>Net cash generated from operating activities</b>		15,205	1,945
Element of income and capital gains included in the prices of units issued less those in units redeemed		1,470	31
<b>Net loss for the period before taxation</b>		16,675	1,976
Taxation	6	-	-
<b>Net income for the period after taxation</b>		16,675	1,976
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		16,675	1,976
Earnings / (loss) per unit	7		

The annexed notes 1 to 11 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

For Arif Habib Investments Limited  
(Management Company)

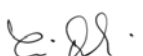
  
\_\_\_\_\_  
Director

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30, 2012	September 30, 2011
	Rupees in '000	
Loss Brought forward	(41,637)	(143,654)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount forms part of the unit holders' fund	(50,195)	1,409
Net Income for the period after taxation	16,675	1,976
Loss carried forward	<u>(75,157)</u>	<u>(140,269)</u>

The annexed notes 1 to 11 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director



**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	September 30, 2012	September 30, 2011
	Rupees in '000	
<b>Net assets at beginning of the period</b>	<b>100,404</b>	332,580
Issue of 1,783,059 (2011: 28,547) units	<b>127,687</b>	1,943
Redemption of 70,621 (2011: 75,259) units	<b>(5,169)</b>	(5,172)
	<b>122,518</b>	(3,229)
- amount representing (income) and capital (gains) transferred to income statement	<b>(1,470)</b>	(31)
- amount representing income / (loss) that forms part of unit holders' fund - transferred to distribution statement	<b>50,195</b>	(1,409)
	<b>48,725</b>	(1,440)
Element of (income) / loss and (capital gains) losses included in prices of units issued less those in units redeemed - amount representing unrealised income	<b>(50,195)</b>	1,409
Net unrealised appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	<b>1,694</b>	4,672
Gain / (loss) from other operating activities	<b>14,982</b>	(2,696)
Net income / loss for the period	<b>16,675</b>	1,976
<b>Net assets as at the end of the period</b>	<b>238,127</b>	<b>331,296</b>

The annexed notes 1 to 11 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

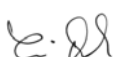
# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 2012


	September 30, 2012	September 30, 2011
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period before taxation	16,675	1,976
<b>Adjustments for non-cash charges and other items:</b>		
Dividend income	(1,145)	(2,307)
Profit on bank deposits and term deposits	(676)	(2,105)
Net unrealised diminution on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	(1,694)	(4,672)
Amortisation of preliminary expenses and floatation costs	247	252
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	(1,470)	(31)
	<u>11,937</u>	<u>(5,287)</u>
<b>Increase /( decrease) in assets</b>		
Investments - net	(45,349)	(9,609)
Other receivable	5,520	(4,344)
Security deposits and prepayments	(15)	-
	<u>(39,844)</u>	<u>(13,953)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	223	(1,371)
Annual fee payable to Securities and Exchange Commission of Pakistan	(200)	(271)
Accrued and other liabilities	23	(507)
	<u>46</u>	<u>(2,149)</u>
<b>Net cash used in operating activities</b>	<u>(27,861)</u>	<u>(21,389)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipts from issue of units	127,687	1,943
Net payments on redemption of units	(5,169)	(5,172)
Distribution during the period	-	-
<b>Net cash generated from financing activities</b>	<u>122,518</u>	<u>(3,229)</u>
<b>Net increase in cash and cash equivalents</b>	<u>94,657</u>	<u>(24,618)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>22,560</u>	<u>102,768</u>
<b>Cash and cash equivalents at the end of the period</b>	<u>117,217</u>	<u>78,150</u>

8

The annexed notes 1 to 11 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

For Arif Habib Investments Limited  
(Management Company)

  
\_\_\_\_\_  
Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

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**1 LEGAL STATUS AND NATURE OF BUSINESS**

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 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.

Based on shareholders' resolution of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies merged as of 27th June, 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 & 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 honourable Sindh High Court (SHC). The Sindh High Court (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.

**1.1** 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, Technocity Corporate Tower, Hasrat Mohani Road, Karachi.

**1.2** 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.

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 commensurates the higher risk taken due to pro-active allocation of funds across various asset and debt classes.

**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' -positive outlook to the Management Company and short term ranking of '4 star normal' and long term ranking of '4 star normal' to the fund.

**2 Statement of compliance**

**2.1** These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) 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 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 the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

**2.2** These condensed interim financial statements are unaudited.

**2.3** The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2012.

**4 INVESTMENTS**

**Financial assets at fair value through profit or loss**

	Note	September 30, 2012	June 30, 2012
		Rupees in '000	
- Listed equity securities	4.1	76,608	18,462
- Debt securities			
- Listed Debt securities	4.2	25,844	36,350
- Unlisted Debt securities	4.3	3,331	4,977
- Government Securities			
- Market Treasury Bill	4.4	4,956	14,613
- Pakistan Investment Bond	4.5	25,455	-
Unrealised loss on derivative financial instruments		(473)	-
		<u>135,721</u>	<u>74,402</u>

**4.1 Listed equity securities**

Name of investee company	Number of shares					Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2012	Purchases during the year	Bonus/ rights issue	Disposed off during the year	As at September 30, 2012	Carrying value	Market value	Appreciation/ (diminution)			

----- (Rupees in '000) -----

Unless stated otherwise, the holdings are in ordinary shares having a face value of Rs 10 each

**Auto Mobile & Parts**

Millat Tractors Limited	8,500	-	-	8,500	-	-	-	-	-	-	-
Indus Motors Co. Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
						<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**Construction & Materials**

D.G Khan Cement Limited	-	377,000	-	201,000	176,000	8,582	8,853	271	3.72%	6.52%	0.04%
Fecto Cement	-	49,500	-	-	49,500	1,198	1,261	63	0.53%	0.93%	0.10%
Lafarge Pakistan Cement Limited	200,000	100,000	-	300,000	-	-	-	-	-	-	-
Lucky Cement Limited	-	174,267	-	86,000	88,267	11,646	11,751	105	4.93%	8.66%	0.03%
						<u>21,426</u>	<u>21,865</u>	<u>439</u>	<u>9.18%</u>	<u>16.11%</u>	

**Chemicals**

Engro Corporation Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
Fatima Fertilizers Limited	43,246	22	-	43,268	-	-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

Name of investee company	Number of shares					Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2012	Purchases during the year	Bonus/ rights issue	Disposed off during the year	As at September 30, 2012	Carrying value	Market value	Appreciation/ (diminution)			
----- (Rupees in '000) -----											
I.C.I Pakistan Limited	-	64,300		59,000	5,300	887	869	(18)	0.36%	0.64%	0.01%
Arif Habib Corporation	-	61,500		61,500	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	10,000	250,000		258,000	2,000	226	224	(2)	0.09%	0.17%	-
						1,113	1,093	(20)	0.46%	0.81%	
<b>Banks</b>								-			
Bank Al Falah Limited	-	350,000	-	350,000	-	-	-	-	-	-	-
Bank Al-Habib Limited	-	170,000	-	-	170,000	4,760	4,813	53	2.02%	3.55%	0.02%
MCB Bank Limited	-	22,500	-	22,500	-	-	-	-	-	-	-
National Bank of Pakistan	-	10,000	-	10,000	-	-	-	-	-	-	-
United Bank Limited	-	46,000	-	31,000	15,000	1,103	1,106	3	0.46%	0.81%	-
					-	5,863	5,919	56	2.48%	4.36%	
<b>Non Life Insurance</b>					-						
Pakistan Reinsurance Company Limited	-	230,000	-		230,000	4,338	4,775	437	2.01%	3.52%	0.08%
						4,338	4,775	437	2.01%	3.52%	
<b>Personal goods</b>											
Nishat (Chunian) Limited	-	150,000	-	150,000	-	-	-	-	-	-	-
Nishat Mills Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Oil and gas</b>											
Attock Petroleum Limited	-	19,000	-	19,000	-	-	-	-	-	-	-
Attock Refinery Limited	-	164,500	-	-	164,500	20,847	20,895	48	8.77%	15.40%	0.19%
		10,000		-	10,000	2,390	2,352	(38)	0.99%	1.73%	0.01%
National Refinery Limited	-		-								
Oil and Gas Development Company Limited	2,500	73,000	-	75,500	-	-	-	-	-	-	-
Pakistan Oil Fields Limited	10,000	54,105	-	39,600	24,505	10,531	10,619	88	4.46%	7.82%	0.01%
Pakistan Petroleum Limited	19,620	70,000	-	89,620	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	-	15,000	-	15,000	-	-	-	-	-	-	-
						33,768	33,866	98	14.22%	24.95%	
<b>Electricity</b>								-			
The Hub Power Company Limited	103,243	249,000	-	212,000	140,243	6,551	6,575	24	2.76%	4.84%	0.01%

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

Name of investee company	Number of shares					Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2012	Purchases during the year	Bonus/ rights issue	Disposed off during the year	As at September 30, 2012	Carrying value	Market value	Appre-ciation/ (diminu-tion)			
------(Rupees in '000)-----											
Nishat Chunian Power Limited	453	150,000	-	453	150,000	2,385	2,505	120	1.05%	1.85%	0.04%
Nishat Power Limited	22,386	117,541	-	139,927	-			-	-	-	-
						8,936	9,080	144	3.81%	6.69%	
Pharma and BioTech											
Glaxosmithkline Pakistan Limited	39,000	25,000	-	64,000	-	-	-	-	-	-	-
Abbot Laboratories Pakistan Limited	10,114	15,000	-	25,114	-	-	-	-	-	-	-
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited	-	200,500	-	200,000	500	8	10	2	-	0.01%	-
						8	10	2	-	0.01%	
Total as at 30 september 2012						75,452	76,608	1,156	30.17%	52.93%	
Total as at 3						18,645	18,462	(183)	18.39%	24.81%	

**4.2 Listed Debt Securities**

Name of investee company	Number of Certificates				Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2012	Purchased during the year	Disposed during the year	As at September 30, 2012	Cost	Market value	Appreciation/ (Diminution)		
----- <b>(Rupees in '000)</b> -----									
Certificates having a face value of Rs. 5,000 each unless stated otherwise									
NIB Bank Limited	2,000	-	-	2,000	9,937	10,007	70	4.20%	7.37%
Askari Bank Limited III	5,000	-	2,002	2,998	15,836	15,836	0	6.65%	11.67%
<b>Total - September 30, 2012</b>					<b>25,773</b>	<b>25,844</b>	<b>70</b>	<b>10.85%</b>	<b>19.04%</b>
<b>Total - June 30, 2012</b>					<b>35,716</b>	<b>36,350</b>	<b>634</b>	<b>36.20%</b>	<b>48.86%</b>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

**4.3 Unlisted Debt Securities**

Name of investee company	Number of Certificates				Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2012	Purchased during the year	Disposed/Matured during the year	As at September 30, 2012	Cost	Market value	Appreciation/ (Diminution)		

----- (Rupees in '000) -----

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

Bank AL Falah - II	2,000	-	-	2,000	3,339	3,331	(8)	1.40%	2.45%
United Bank Limited-I	1,000		1,000	-	-	-	-	-	-

Total - September 30, 2012

3,339	3,331	(8)	1.40%	2.45%
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Total - June 30, 2012

4,795	4,977	182	4.96%	6.69%
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**4.4 Investment in government securities - Market Treasury Bills**

Name of investee company	Face value				Balance as at September 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2012	Purchased during the year	Disposed/Matured during the year	As at September 30, 2012	Cost	Market value	Appreciation/ (Diminution)		

----- (Rupees in '000) -----

Treasury bills - 3 months	15,000	500,000	510,000	5,000	4,952	4,956	4	2.08%	3.65%
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Total - September 30, 2012

4,952	4,956	4	2.08%	3.65%
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Total - June 30, 2012

24,765	24,756	(9)	7.44%	11.05%
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**4.5 Investment in government securities - Pakistan Investment Bond**

Name of investee company	Face value				-			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2012	Purchased during the year	Disposed/Matured during the year	As at September 30, 2012	Cost	Market value	Appreciation/ (Diminution)		

----- (Rupees in '000) -----

Pakistan Investment Bond - 3Y	-	75,000	50,000	25,000	24,984	25,455	471	10.69%	10.69%
Pakistan Investment Bond - 5Y	-	150,000	150,000	-	-	-	-	-	-
Pakistan Investment Bond - 10Y	-	75,000	75,000	-	-	-	-	-	-

Total - September 30, 2012

24,984	25,455	471	10.69%	10.69%
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Total - June 30, 2012

-	-	-	-	-
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**5 CONTINGENCY**

**Contribution to 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
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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 year ended June 30, 2012, 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).

In view of the afore mentioned developments, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. However, as a matter of abundant caution and prudence the Management Company of the Fund has decided not to reverse provision already till the decision of Honourable Sindh High Court.

Till September 30, 2012 the Fund has accrued Rs. 2.375 million in lieu of provision of WWF and the aggregate unrecognized amount of WWF as at September 30, 2012 amounted to Rs. 2.870 million

**6 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 has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

**7 EARNINGS PER UNIT**

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

**8 CASH AND CASH EQUIVALENTS**

	September 30, 2012	September 30, 2011
Bank balances	117,217	78,150
Term deposit receipts	-	-
Treasury Bills	-	-
	<u>117,217</u>	<u>78,150</u>

**9 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES**

- 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 parent company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more units of the Fund.
- 9.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 9.3** Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.
- 9.4** Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

		September 30, 2012	September 30, 2011
		Rupees in '000	Rupees in '000
<b>9.5</b>	<b>Details of the transactions with the connected persons during the period are as follows:</b>		
	<b>MCB Bank Limited</b>		
	- Dividend Paid	-	-
	- Profit received on saving accounts	1	36
	<b>Arif Habib Investment Limited</b>		
	- Remuneration of the Management Company	786	1,424
	- Issued of units 1,406,839 (September 30, 2011: Nil units)	103,000	-
	<b>Central Depository Company of Pakistan Limited</b>		
	- Remuneration of the Trustee	176	176
	- CDC settlement charges	-	7
		September 30, 2012	June 30, 2012
		Rupees in '000	
<b>9.6</b>	<b>Amount outstanding as at period end</b>		
	<b>MCB Bank Limited</b>		
	- Bank balances	20,298	1,868
	- Profit receivable on saving accounts	0.295	3
	- shares held by the Fund as at September 30, 2012 (June 30, 2012: 5,870 shares)	-	-
	<b>Arif Habib Investment Limited</b>		
	- Remuneration payable to the Management Company	332	144
	- Sales load payable	36	2
	- 1,406,839 units held as at September 30, 2012 (June 30, 2012: Nil units)	106,583	-
	<b>Central Depository Company of Pakistan Limited</b>		
	- Remuneration payable to Trustee	58	57
	- CDC settlement charges	-	2
	- Security Deposits	100	100
	<b>D.G Khan Cement Company Limited - Employee Provident Fund</b>		
	- 22,285 units held as at September 30, 2012 (June 30, 2012: 22,285 units)	1,688	1,575
	<b>Nishat (Chunian) power Limited</b>		
	- 150,000 shares held by the Fund as at September 30, 2012 (June 30, 2012: 453 shares)	2,505	7
	<b>Arif Habib Limited</b>		
	- Brokerage Payable	-	19
	<b>Fatima Fertilizer Limited</b>		
	- Nil shares held by the Fund as at September 30, 2012 (June 30, 2012: 43,246 shares)	-	1,067
	<b>SSG Non-Executive Staff Pension Fund</b>		
	- Nil units held as at September 30, 2012 (June 30, 2012: 145,517 units)	-	10,285
	<b>Trustee Pakistan Services Limited (Employees Provident Fund)</b>		
	- Nil units held as at September 30, 2012 (June 30, 2012: 290,647 units)	-	20,542
	<b>Mr. Rehyan Mansoor</b>		
	- Nil units held as at September 30, 2012 (June 30, 2012: 162,762 units)		11,504

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

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**10 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

These financial statements were authorised for issue on **October 25, 2012** by the Board of Directors of the Management Company.

**11 GENERAL**

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

  
\_\_\_\_\_  
Chief Executive Officer

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

  
\_\_\_\_\_  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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