



Bachat ka Doosra Naam

Quarterly Report
September 30, 2012
(Unaudited)



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

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

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 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)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jehangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & CFO of the Management Company	Mr. Muhammad Saqib Saleem	
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 Al-Falah Limited Habib Metro Bank Limited Bank Al-Habib Limited Faysal Bank Limited NIB Bank Limited Allied Bank Limited	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants Cavish Court, 8-35 Block 7-8 KUSHU, Shara-e-Faisal, Karachi.	
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 - Management Quality Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Dynamic Cash 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.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 12.3% as against its benchmark return of 11.0%, an out performance of 1.3% due to well-timed accumulation of longer tenure Government papers well ahead of the downward adjustment in the yield curve.

The fund increased its exposure towards PIBs and T-Bills to around 18% and 12% respectively to take advantage of downward shift in the yield curve. The exposure towards GoP Ijarah Sukuk went down marginally to around 19% along with the TFCs, which also went down to the tune of around 26%. Around 22% of the fund was invested in cash and bank deposits at quarter-end.

The Net Asset of the Fund as at September 30, 2012 stood at Rs. 6,999 million as compared to Rs 6,696 million as at June 30 2012 registering as an increase of 4.53%

The Net Asset Value (NAV) per unit as at September 30, 2012 was Rs. 101.5720 as compared to opening NAV of Rs. 101.4471 per unit as at June 30, 2012 registering an increase of Re. 0.1249 per unit

Income Distribution

During the Quarter The Management Company has announced the following interim distribution

Date of distribution	Per unit distribution
28-Sept-2012	3.0133

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.

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,

Yasir Qadri
Chief Executive Officer

Dated: October 25, 2012

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

	Note	Unaudited SEPTEMBER 30, 2012	Audited June 30, 2012
(Rupees in '000)			
ASSETS			
Balances with banks		1,578,940	2,147,211
Investments	4	5,349,046	4,505,117
Profit and other receivables		150,537	115,214
Security deposits and prepayments		3,279	3,299
Total assets		7,081,802	6,770,841
LIABILITIES			
Payable to Management Company		13,215	9,530
Payable to Trustee		1,039	515
Annual fee payable to the Securities and Exchange Commission of Pakistan		1,250	4,388
Accrued expenses and other liabilities		67,054	60,195
Total liabilities		82,558	74,628
NET ASSETS		6,999,244	6,696,213
Unit holders' fund (as per statement attached)		6,999,244	6,696,213
(Number of units)			
NUMBER OF UNITS IN ISSUE		68,909,167	66,006,910
(Rupees)			
NET ASSET VALUE PER UNIT	3.1	101.57	101.45

The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



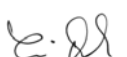
Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012


	Note	September 30, 2012	September 30, 2011
------(Rupees in '000)-----			
INCOME			
Capital gain on sale of investments		41,483	1,929
Profit on bank deposits and term deposit receipts		17,713	28,053
Income from money market placements		-	73
Income from term finance certificates		68,684	45,008
Income from government securities		117,645	96,732
Other Income		104	-
		<u>245,629</u>	<u>171,795</u>
Net unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	4.1.4	<u>72,238</u>	<u>6,195</u>
Total income		<u>317,867</u>	<u>177,990</u>
EXPENSES			
Remuneration of Management Company		29,001	22,456
Remuneration of Trustee		1,570	1,305
Annual fee - Securities and Exchange Commission of Pakistan		1,250	969
Brokerage and settlement charges		344	334
Amortisation of preliminary expenses and floatation costs		-	580
Auditors' remuneration		254	279
Provision / (Reversal) against debt securities		78,450	(6,114)
Other expenses		216	269
Total expenses		<u>111,085</u>	<u>20,078</u>
Net income from operating activities		<u>206,782</u>	<u>157,912</u>
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		7,764	552
Provision for Workers' Welfare Fund	5	4,291	1,756
Net income for the period before taxation		<u>210,255</u>	<u>156,708</u>
Taxation	7	-	-
Net income for the period after taxation		<u>210,255</u>	<u>156,708</u>
Other comprehensive income for the period		-	-
Total comprehensive income for the period		<u><u>210,255</u></u>	<u><u>156,708</u></u>
Earnings per unit	3.2		

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Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)

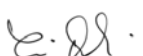


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

	September 30, 2012	September 30, 2011
	------(Rupees in '000)-----	
Undistributed income brought forward	95,555	65,627
Interim distribution for the three months ended September 30, 2012 at Rs 3.0133 per unit (Date of distribution September 28, 2012)		
- Cash distribution	-	(13,793)
- Bonus distribution	(201,680)	(156,301)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income	4,197	3,139
Total comprehensive income for the period	210,255	156,708
Undistributed income carried forward	<u>108,327</u>	<u>55,380</u>

The annexed notes form an integral part of these condensed interim financial statements.


 Chief Executive Officer

For Arif Habib Investments Limited
 (Management Company)


 Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012**

	September 30, 2012	September 30, 2011
	----- (Rupees in '000) -----	
Net assets at beginning of the period	6,696,213	5,019,700
Issue of 12,662,871 units (2011 : 12,020,315 units)	1,132,281	1,235,324
Issue of 1,988,029 bonus units in respect of interim distribution for the quarter ended September 30, 2012 (2011 : 1,547,538 Units)	201,680	156,301
Redemption of 11,748,643 units (2011 : 11,198,604 units)	(1,031,741)	(1,151,075)
	302,220	240,550
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	(7,764)	(552)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	(4,197)	(3,139)
	(11,961)	(3,691)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	4,197	3,139
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	72,238	6,195
Income from other operating activities	138,017	150,513
Net income for the period	210,255	156,708
Interim distribution during the quarter ended September 30, 2012 at Rs. 3.0133		
- Cash distribution	-	(13,793)
- Bonus distribution	(201,680)	(156,301)
Net Assets	6,999,244	5,246,312

The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



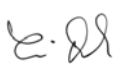
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012


Note	September 30, 2012	September 30, 2011
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	210,255	156,708
Adjustments for non-cash charges and other items		
Net unrealised appreciation in the fair value of investments classified as 'financial assets at fair value through profit or loss'	(72,238)	(6,195)
Reversal of Provision on debt securities	(78,450)	(6,114)
Amortisation of preliminary expenses and floatation costs	-	580
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	(7,764)	(552)
	<u>51,803</u>	<u>144,427</u>
Working capital changes		
(Increase)/decrease in assets		
Investments - net	(1,378,940)	(360,932)
Security deposits and prepayments	20	114
Profit and other receivables	(35,323)	(52,341)
	(1,414,243)	(413,159)
Increase/(decrease) in liabilities		
Remuneration payable to the Management Company	3,685	1,413
Remuneration payable to the Trustee	524	23
Annual fee payable to the Securities and Exchange Commission of Pakistan	(3,138)	(2,944)
Accrued expenses and other liabilities	6,859	(271,203)
	7,930	(272,711)
Net cash used in operating activities	(1,354,510)	(541,443)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipt against issue of units	1,132,281	1,235,324
Net payments on redemption of units	(1,031,741)	(1,151,075)
Cash distributions during the period	-	(13,793)
Net cash generated from financing activities	<u>100,540</u>	<u>70,456</u>
Net (decrease) in cash and cash equivalents during the period	(1,253,970)	(470,987)
Cash and cash equivalents at beginning	3,171,567	2,250,955
Cash and cash equivalents as at closing	8 <u>1,917,597</u>	<u>1,779,968</u>

The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 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.

Based on shareholder's resolution of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies 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 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 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.

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 categorised 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 Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 (positive outlook) dated May 8, 2012 to the Management Company and a rating of "A+(f)" dated March 20, 2012 to the Fund.

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements 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. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

2.2 These condensed interim financial statements are unaudited.

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied 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.

3.1 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 end.

3.2 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 earning per unit is not practicable.

		Unaudited September 30, 2012	Audited 30-Jun-12
	Note	Rupees in '000	
4 INVESTMENTS			
Financial assets at fair value through profit or loss	4.1	5,346,089	3,645,924
Loans and receivables	4.2	-	1,000,000
		5,346,089	4,645,924
4.1 Financial assets at fair value through profit or loss			
Listed debt securities	4.1.1	1,035,388	1,052,246
Unlisted debt securities	4.1.2	1,000,803	1,010,424
Government securities	4.1.3	3,531,401	1,583,254
		5,567,592	3,645,924
Less: Provision against term finance certificates			
- Listed		-	-
- Unlisted	4.1.5	221,503	140,807
		221,503	140,807
		5,346,089	3,505,117
4.2 Loans and receivables		-	1,000,000

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
(UN-AUDITED) FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012**

4.1.1 Listed debt securities - term finance certificates

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

Name of investee company	Number of Certificates					Balance as at Sept 30, 2012			Market value as a percentage of total investment	
	As at July 1, 2012	Purchased during the period	Matured during the period	Disposed during the period	As at Sept 30, 2012	Carrying value	Market value	Appreciation / (diminution)		
-----Rupees in '000-----										
Commercial banks										
Allied Bank Limited (December 6, 2006, issue)	11,800	-	-	-	11,800	59,407	59,669	262	0.85	1.12
Allied Bank Limited (August 28, 2009, issue)	10,000	-	-	-	10,000	50,356	49,933	(423)	0.71	0.93
Askari Bank Limited (February 4, 2005, issue)	13,405	-	-	-	13,405	66,811	66,736	(75)	0.95	1.25
Askari Bank Limited (November 18, 2009, issue)	23,000	-	-	-	23,000	121,491	121,491	-	1.74	2.27
Faysal Bank Limited TFC - I (November 12, 2007)	7,515	-	-	-	7,515	37,769	38,004	235	0.54	0.71
NIB Bank Limited (March 05, 2008)	43,808	-	-	-	43,808	217,662	219,204	1,542	3.13	4.10
Faysal Bank (formerly Royal Bank of Scotland February 10,2005)	300	-	-	-	300	376	376	-	0.01	0.01
Soneri Bank Limited (May 05, 2005)	4,050	-	-	-	4,050	10,092	10,067	(25)	0.14	0.19
United Bank Limited - IV (February 14, 2008, issue)	79,008	-	-	-	79,008	397,681	398,754	1,073	5.70	7.45
United Bank Limited - I (September 8, 2006, issue)	15,000	-	-	-	15,000	49,471	48,885	(586)	0.70	0.91
United Bank Limited -TFC (August 10, 2004)	3,100	-	3,100	-	-	-	-	-	-	-
Fertilizer										
Engro Chemical Pakistan Limited (November 30, 2007, issue)	162	-	-	-	162	800	793	(7)	0.01	0.01
Leasing Companies										
Saudi Pak Leasing Company Limited	10,000	-	-	-	10,000	18,585	21,476	2,891	0.31	0.40
Total - September 30, 2012										
	221,148	-	3,100	-	218,048	1,030,501	1,035,388	4,887	14.79	19.35
Total - June 30, 2012										
	153,344	70,804	3,000	3,000	221,148	1,037,792	1,052,246	14,454	15.70	23.40

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

4.1.2 Unlisted debt securities - term finance certificates

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

Name of investee company	Number of Certificates				Balance as at Sept 30, 2012		Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2012	Purchased during the period	Matured during the period	Disposed during the period	As at Sept 30, 2012	Carrying value	Appreciation / (diminution)	
Bank AlFalalah Limited TFC (December 02, 2009, issue)	8,500	-	-	-	8,500	44,793	81	0.64
Bank Alfalah Limited (November 23, 2004, issue)	12,079	-	-	-	12,079	20,165	(46)	0.29
Standard Chartered Bank Pakistan Limited PPTFC	50,000	-	-	-	50,000	250,000	3,224	3.62
Askari Bank Limited - IV (PPTFC)	95	-	-	-	95	98,018	2,879	1.44
Engro Chemical Pakistan Limited - Perpetual TFC IV (March 18, 2008)	2,419	-	-	-	2,419	11,502	(616)	0.16
Jahangir Siddiqui Company Limited - V (July 04, 2007)	24,000	-	-	-	24,000	119,270	1,274	1.72
JDW Sugar Mills Limited - PPTFCs (June 23, 2008)	15,000	-	-	-	15,000	29,751	192	0.43
Maple Leaf Cement Factory Limited - I (December 03, 2009)	71,000	-	-	-	71,000	207,922	211,365	3.02
Maple Leaf Cement Factory Limited - II (March 31, 2010)	2,662	-	-	-	2,662	10,352	-	0.15
New Allied Electronics Industries (Pvt) Limited (May 15, 2007)	10,400	-	-	-	10,400	21,893	-	0.31
New Allied Electronics Industries (Pvt.) Limited - Sukuk (July 25, 2007)	112,000	-	-	-	112,000	35,000	-	0.50
Askari Bank Limited - II (October 31, 2005)	6,980	-	-	-	6,980	34,912	100	0.50
Security Leasing Corporation Limited - Sukuk (March 18, 2010)	5,000	-	-	-	5,000	3,814	292	0.06
Security Leasing Corporation Limited - PPTFC (March 28, 2010)	10,000	-	-	-	10,000	4,546	355	0.07
Bank AlFalalah Limited TFC (December 02, 2009, issue Fixed)	18,700	-	-	465	18,235	95,404	2,283	1.40
Total - September 30, 2012	348,835	-	-	465	348,370	987,342	13,461	14.31
Total - June 30, 2012	303,040	68,800	-	23,005	348,835	998,718	11,706	15.00

4.1.2.1 During the period, privately placed sukuk bonds of Security Leasing Company Limited has been classified as performing debt securities in accordance with circular no. 768 of 2010 issued by the Securities and Exchange Commission of Pakistan and accordingly provisions amounting to Rs 6,114 million has been reversed during the period.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
(UN-AUDITED) FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012**

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

Name of investee company	Face Value					Balance as at Sept 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2012	Purchased during the period	Disposed during the period	Matured during the period	As at Sept 30, 2012	Carrying value	Market value	Appreciation / (diminution)		
-----Rupees in '000-----										
Treasury Bills - 1 year	-	6,398,500	6,100,750	-	297,750	294,159	294,129	(30)	4.20	5.50
Treasury Bills - 6 months	-	3,000,000	2,657,500	92,500	250,000	238,608	238,795	187	3.41	4.46
Treasury Bills - 3 months	25,000	3,699,300	3,288,000	97,000	339,300	338,665	338,657	(8)	4.84	6.33
National Saving Bonds	89,900	-	-	-	89,900	89,900	89,900	-	1.28	1.68
Pakistan Investment Bonds - 10 years	-	75,000	75,000	-	-	-	-	-	-	-
Pakistan Investment Bonds - 05 years	52,700	175,000	175,000	-	52,700	51,289	53,941	2,652	0.77	1.01
Pakistan Investment Bonds - 03 years	-	2,525,000	1,350,000	-	1,175,000	1,157,234	1,195,647	38,413	17.08	22.35
GoP Ijara Sukuk Certificate VII - 03 years	1,417,000	300,000	410,000	-	1,307,000	1,307,654	1,320,332	12,678	18.86	24.68
Total - September 30, 2012	1,584,600	16,172,800	14,056,250	189,500	3,511,650	3,477,509	3,531,401	53,892	50.44	66.01
Total - June 30, 2012	1,749,900	26,202,700	18,051,000	8,317,000	1,584,600	1,591,588	1,583,254	(8,334)	22.88	35.14

4.1.4 Net unrealised appreciation on re-measurement of investments classified as financial 'assets at fair value through profit or loss'

	Note	Unaudited September 30, 2012	Audited June 30, 2012
Market value of debt securities	4.1.1, 4.1.2, 4.1.3	5,567,592	3,645,924
Carrying Value of investment	4.1.1, 4.1.2, 4.1.3	5,495,352	3,628,098
		<u>72,240</u>	<u>17,826</u>

4.1.5 Movement in provision against debt securities

Opening balance	140,807	63,876
Charge for the period	96,169	83,407
Less: Reversal of provision	(15,473)	(6,476)
Charge for the period - net	80,696	76,931
Closing balance	<u>221,503</u>	<u>140,807</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

5. 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 Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication.

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 SHC.

However, considering the unit holding structure of the Fund which is highly concentrated on few large ticket investors coupled with the recent changes in tax laws, the Management Company, as a matter of abundant caution and in order to protect the interests of small investors/unit holders, has decided to retain and continue to charge provision for WWF.

During the quarter the Fund charged Rs.4.291 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2012 is Rs. 62.695 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.9098 per unit.

6 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 categorisation criteria laid down in the circular. MCB Asset Management Company Limited (Management Company) now merged with and into Arif Habib Investment Limited, classified MCB Dynamic Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at March 31, 2011, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than investment grade:

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
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Investment in Debt securities

a) Maple Leaf Cement Factory Limited Sukuk	345,372	211,365	142,293	69,072	0.99	0.98
b) Maple Leaf Cement Factory Limited Sukuk II	10,352	10,352	10,352	-	-	-
c) New Allied Electronics Industries (Pvt) Limited	21,893	21,893	21,893	-	-	-
d) New Allied Electronics Industries Pvt. Limited - Sukuk	35,000	35,000	35,000	-	-	-
e) Security Leasing Corporation Limited Sukuk	5,860	4,106	4,106	-	-	-
f) Security Leasing Corporation Limited TFC	7,032	4,901	4,901	-	-	-
g) Saudi Pak Leasing Company Limited TFC	32,551	21,476	-	21,476	0.31	0.30

- 6.1 At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

7 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 ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund intends to distribute such accounting income, if any, for the year ending June 30, 2012 to its unit holders. Accordingly, no tax liability has been recorded in the current period.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

		Sept 30, 2012	Sept 30, 2011
		(Rupees in '000)	
8	CASH AND CASH EQUIVALENTS		
	Bank balances	1,578,940	1,362,268
	Term deposit receipts	-	300,000
	Treasury Bills	338,657	117,700
		<u>1,917,597</u>	<u>1,779,968</u>
8	TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES		
8.1	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.		
8.2	The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.		
8.3	Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.		
8.4	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:		
9.4	Details of transactions with connected persons are as follows:		
	MCB Bank Limited		
	Profit received on deposit accounts	3,999	13,667
	Bank charges	7	-
	Management Company		
	Remuneration of management company	29,001	22,456
	Issue of 434,705 units (2011: 1,071,538 units)	45,675	111,650
	Redemption of 117,900 units (2011: 269,873 units)	12,000	28,000
	Distribution of 119,791 Bonus units (2011: 91,036 units)	12,152	9,195
	MCB Employees Provident Fund		
	Distribution of 25,235 Bonus units (2011: 25,670 units)	2,560	2,593
	MCB Employees Pension Fund		
	Distribution of 25,235 Bonus units (2011: 25,670 units)	2,560	2,593
	Central Depository Company of Pakistan Limited - Trustee		
	Remuneration and settlement charges for the period	1,617	1,308
	Adamjee Insurance Company Limited		
	Distribution of 264,777 Bonus units (2011: 233,914 units)	26,861	23,625
	D.G Khan Cement Company Limited Employees Provident Fund Trust		
	Distribution of 76 Bonus units (2011: 77 units)	8	8
	MCB Asset Management Company Staff Provident Fund		
	Distribution of 442 Bonus units (2011: 450 units)	45	45
	Adamjee Life Assurance Company Limited		
	Distribution of 785 Bonus units (2011: 699 units)	80	71
	Key management personnel		
	Issue of 23,563 units (2011: 8,702 units)	2,472	906
	Redemption of 17,048 units (2011: 7,350 units)	777	562
	Distribution of 2,558 Bonus units (2011: 2,016 units)	259	204

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

9.5 Amount outstanding as at period / year end	Septmber 30, 2012	June 30, 2012
	(Rupees in '000)	
MCB Bank Limited		
Bank balance	371,412	43,142
Profit receivable on deposit accounts	3,347	675
Management Company		
Remuneration payable to management company	13,215	9,530
4,152,735 units held as at September 30, 2012 (June 30, 2012: 3,716,139 units)	421,802	376,907
Adamjee Insurance Company Limited		
9,178,867 units held as at September 30, 2012 (June 30, 2012: 8,914,091 units)	932,316	904,106
MCB Employees Provident Fund		
874,818 units held as at September 30, 2012 (June 30, 2012: 849,582 units)	88,857	86,168
MCB Employees Pension Fund		
874,818 units held as at September 30, 2012 (June 30, 2012: 849,582 units)	88,857	86,168
MCB AMC Staff Provident Fund		
15,321 units held as at September 30, 2012 (June 30, 2012: 14,879 units)	1,556	1,509
D.G Khan Cement Company Limited Employees Provident Fund Trust		
2,631 units held as at September 30, 2012 (June 30, 2012: 2,556 units)	267	259
Adamjee Life Assurance Company Limited		
15,087 units held as at September 30, 2012 (June 30, 2012: 14,652 units)	1,532	2,117
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	200	200
Remuneration and settlement charges payable	1,039	397
Key management personnel		
88,666 units held as at September 30, 2012 (June 30, 2012: 67,583 units)	9,006	6,273

10 DATE OF AUTHORIZATION FOR ISSUE

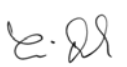
These financial statements were authorised for issue on **October 25, 2012** by the Board of Directors of the Management Company.

11 CORROSPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison. The following has been reclassified and disclosed in the income statement:

12 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)

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST), Peshawar 091-5852961,

Toll Free: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908, URL: www.mcbah.com