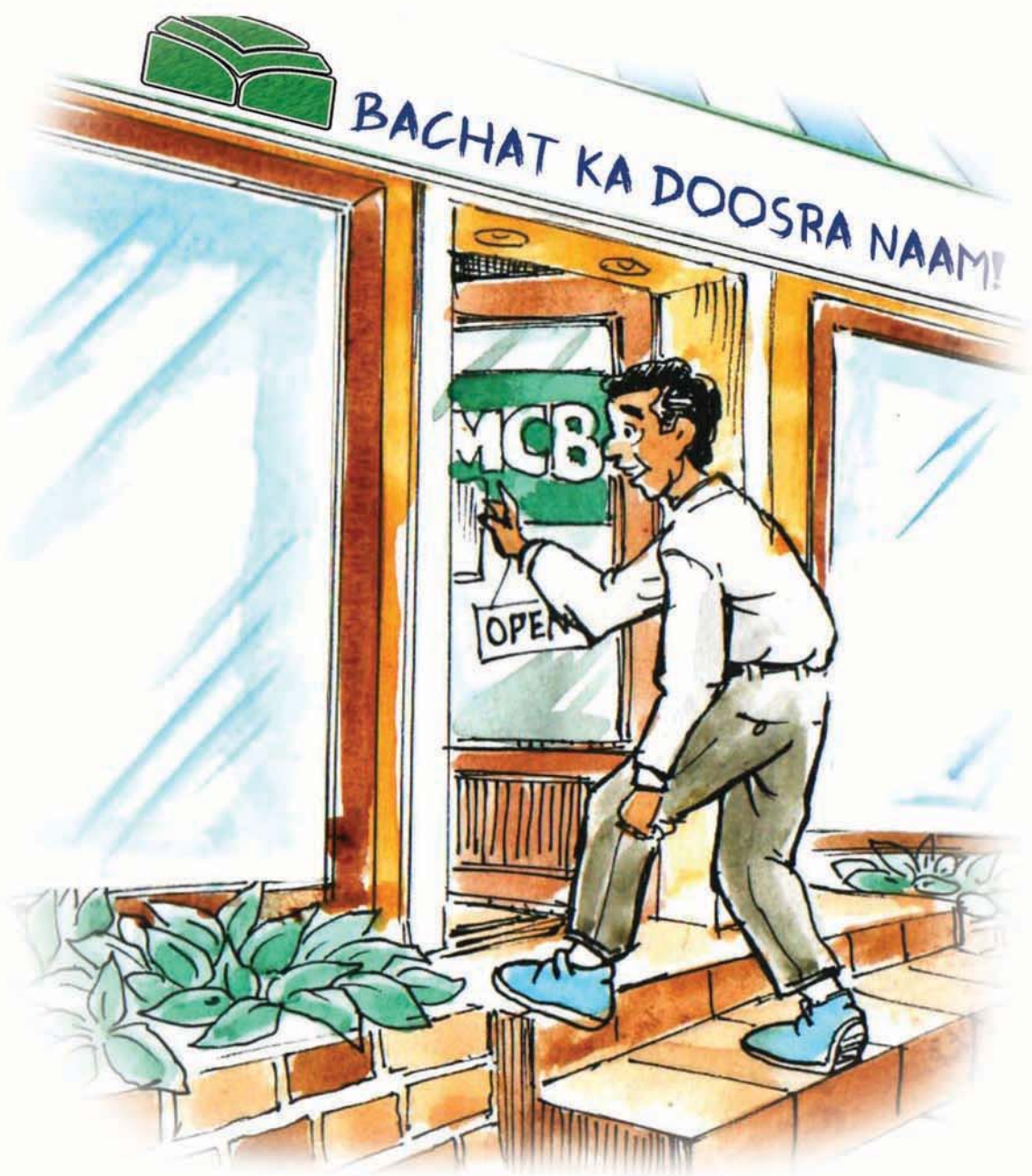




**Bachat** ka Doosra Naam

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



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

**PAKISTAN  
CAPITAL MARKET 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>	Dr. Salman 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>	MCB Bank Limited Standard Chatered Bank Limited Habib Bank Limited Habib Metro 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>Registrar</b>	JWAFFS Registrar Services (Private) Limited Kashif Centre, Room No. 505, 5th Floor, Near Hotel Mehran, Main Shahrah-e-Faisal, 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 Pakistan Capital Market 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

During the period under review PCMF delivered a return of 7.4% as against its benchmark return of 6.7%, an outperformance of 0.7%. On the equities front, the overall allocation increased during the period to 55.2% from 41.9% in June 2012. The fund increased its exposure mainly in Oil & Gas, Construction and Materials, Banks and Electricity sectors, while exposure was reduced in Chemicals, and Pharma & Bio Tech sectors. The fund, on the other hand, has sold its entire Preference Share exposure during the quarter.

On the fixed income side, the fund's allocation towards GoP Ijarah Sukuk and TFCs remained largely unchanged to 10.7% and 11.9% respectively. The fund's exposure to Treasury Bills declined to 11.9% from 20.4% at quarter-end

The Net Asset of the Fund as at September 30, 2012 stood at Rs. 372.021 million as compared to Rs 354.053 million as at June 30 2012 registering an increase of 5.07%.

The Net Asset Value (NAV) per unit as at September 30, 2012 was Rs. 8.11 as compared to opening NAV of Rs. 7.55 per unit as at June 30, 2012 registering an increase of Rs. 0.56 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.

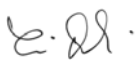
On behalf of Directors,

**Yasir Qadri**  
Chief Executive Officer  
Dated: October 25, 2012

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

	Note	Un-Audited September 30, 2012 -----Rupees in '000-----	Audited June 30, 2012
<b>ASSETS</b>			
Balances with banks		20,602	26,595
Investments	4	338,100	327,659
Dividend and profit receivable		7,657	4,360
Advances, deposits and prepayments		3,721	3,743
Receivable against sale of Units		7,040	-
<b>Total assets</b>		<b>377,121</b>	<b>362,357</b>
<b>LIABILITIES</b>			
Payable to the Management Company		705	673
Payable to the Trustee		123	58
Annual fee payable to the Securities and Exchange Commission of Pakistan		78	305
Payable on redemption of units		2	1
Payable against purchase of investments		-	2,798
Dividend payable		2,798	2,798
Accrued expenses and other liabilities		1,394	1,671
<b>Total liabilities</b>		<b>5,100</b>	<b>8,304</b>
<b>NET ASSETS</b>		<b>372,021</b>	<b>354,053</b>
<b>Unit holders' funds (as per statement attached)</b>		<b>372,021</b>	<b>354,053</b>
<b>CONTINGENCY</b>			
	5	-----Number of units-----	
<b>Number of units in issue</b>		<b>45,872,345</b>	<b>46,884,712</b>
		-----Rupees-----	
<b>NET ASSET VALUE PER UNIT</b>		<b>8.11</b>	<b>7.55</b>

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

  
\_\_\_\_\_  
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

	September, 2012	September, 2011
Note	-----Rupees in '000-----	
<b>INCOME</b>		
Capital gain on sale of investments - net	11,731	350
Dividend income	3,884	2,837
Income from government securities	1,313	647
Income from term finance certificates	2,090	1,478
Income from Ijara sukuk	1,217	1,327
Profit on bank deposits	602	606
Income from preference shares	-	418
	<u>20,837</u>	<u>7,663</u>
Net unrealised appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	4.6 11,059	2,692
Provision against non-performing debt securities	<u>(2,519)</u>	<u>(1)</u>
<b>Total income</b>	<u>29,377</u>	<u>10,354</u>
<b>OPERATING EXPENSES</b>		
Remuneration of Arif Habib Investments Limited - Management Company	1,842	1,831
Sindh Sales Tax on Management Company's remuneration	295	349
Remuneration of the Trustee	184	188
Annual fee - Securities and Exchange Commission of Pakistan	78	80
Securities transaction cost	612	426
Bank charges	33	11
Fees and subscriptions	113	48
Legal and professional charges	15	15
Auditors' remuneration	129	143
Printing and related costs	142	88
<b>Total operating expenses</b>	<u>3,442</u>	<u>3,179</u>
<b>Net income from operating activities</b>	<u>25,935</u>	<u>7,175</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	(322)	396
<b>Net income for the period before taxation</b>	<u>25,613</u>	<u>7,571</u>
Taxation	6 -	-
<b>Net income for the period after taxation</b>	<u>25,613</u>	<u>7,571</u>
<b>Other comprehensive income for the period</b>		
Net unrealised diminution in market value of investments classified as 'available-for-sale'	-	(6,518)
<b>Total comprehensive income for the period</b>	<u>25,613</u>	<u>1,053</u>
Earnings per unit	3.1	

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

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

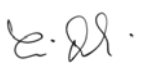
For Arif Habib Investments Limited  
(Management Company)

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)**  
**FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012**

	September, 30 2012 -----Rupees in '000-----	September 30, 2011
<b>Accumulated loss brought forward</b>	(117,912)	(98,639)
Final distribution for the year ended June 30, 2011:		
Rs 0.5966 per unit	-	(28,893)
- Bonus distribution	(117,912)	(28,893)
Net income for the period after taxation	25,613	7,571
Element of (loss) / income and capital gains / (losses) included in prices of units issued less those in units redeemed	2,478	(1,894)
	28,091	5,677
<b>Accumulated loss carried forward</b>	(89,821)	(121,855)

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

  
 Chief Executive Officer

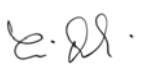
For Arif Habib Investments Limited  
 (Management Company)

  
 Director


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

	September 30, 2012 -----Rupees in '000-----	September 30, 2011
<b>Net assets at the beginning of the period</b>	<b>354,053</b>	390,218
Redemption of 1,012,367 units (2011: 3,170,533 units).	(7,967)	(23,348)
Issue of Nil bonus units (2011: 3,873,064 bonus units)	-	28,893
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	322	(396)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	(2,478)	1,894
	(2,156)	1,498
Net unrealised (diminution)/appreciation in fair value / Reclassification adjustment for net gains realised on disposal of investments classified as 'available-for-sale'	-	(6,518)
Capital gain on sale of investments - net	11,731	350
Net unrealised appreciation in fair value of investments classified as financial assets 'at fair value through profit or loss'	11,059	2,696
Provision against non-performing debt securities	(2,519)	-
Other income (net of expenses)	5,342	4,525
	25,613	7,571
Element of (loss) / income and capital (losses) /gains included in prices of units issued less those in units redeemed - amount representing income / (loss) and capital gains / (losses) transferred to distribution statement	2,478	(1,894)
Distributions:		
Final distribution for the year ended June 30, 2011:		
Rs 0.5967 per unit		
- Bonus distribution	-	(28,893)
<b>Net assets as at the end of the period</b>	<b>372,021</b>	<b>367,527</b>

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

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

For Arif Habib Investments Limited  
(Management Company)

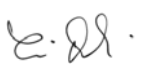
  
\_\_\_\_\_  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)


## FOR THE THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

	September 30, 2012	September 30, 2011
	-----Rupees in '000-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	25,613	7,571
<b>Adjustments:</b>		
Net unrealised appreciation on remeasurement of investments classified as financial assets 'at fair value through profit or loss'	(11,059)	(2,692)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	322	(396)
Provision against non-performing debt securities	2,519	1
	<u>17,395</u>	<u>4,484</u>
<b>(Decrease) / increase in assets</b>		
Receivable against issue of units	(7,040)	-
Investments - net	(1,902)	63,869
Profit and dividend receivable	(3,297)	(2,823)
Advances, deposits and prepayments	22	12
	<u>(12,217)</u>	<u>61,058</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	32	50
Payable to the Trustee	65	(4)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(227)	(286)
Payable against purchase of investments	1	7,866
Payable against redemption of units	(2,798)	-
Accrued expenses and other liabilities	(277)	3,089
	<u>(3,204)</u>	<u>10,715</u>
<b>Net cash inflow from operating activities</b>	<u>1,974</u>	<u>76,257</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net payments against redemption of units	(7,967)	(23,348)
<b>Net cash outflow on financing activities</b>	<u>(7,967)</u>	<u>(23,348)</u>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	<u>(5,993)</u>	<u>52,909</u>
Cash and cash equivalents at the beginning of the period	26,595	9,272
<b>Cash and cash equivalents as at the end of the period</b>	<u>20,602</u>	<u>62,181</u>

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

  
\_\_\_\_\_  
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 THREE MONTHS AND QUARTER ENDED SEPTEMBER 30, 2012

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### 1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Market Fund (the Fund) was established under a trust deed executed between Arif Habib Investments Limited ("the Management Company", "AHIL") and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of the Fund as a closed-end scheme was authorized by SECP on November 5, 2003.

During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund is listed on all three stock exchanges in Pakistan.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road,

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of June 27, 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). Arif Habib Investments Limited being a listed company is the surviving entity and 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 & AHIL/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 honourable 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.

The Fund has been categorised as a Balanced Scheme' as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes (CISs). Units are offered for public subscription on a continuous basis. The units are transferrable and can be redeemed by surrendering them to the Fund.

The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2 (Positive outlook)' to the Management Company and '2 Star Short Term / 3 Star' Long Term to the Fund.

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

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

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**2.2** This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2012.

**2.3** This condensed interim financial information is unaudited.

**2.4** The directors of the Management Company declare that these condensed interim financial information give a true and fair view of the Fund.

### **3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied 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, 2012.

#### **3.1 Earning per unit**

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 earning per unit is not practicable.

		Un-Audited September 30, 2012	Audited June 30 2012
4	INVESTMENTS	Note	----- Rupees in '000 -----
	Financial assets 'at fair value through profit or loss'		
	- Listed equity securities	4.1	208,118
	- Listed preference shares	4.2	-
	- Term Finance Certificates - listed	4.3	44,838
	- Government securities	4.4	85,144
			<u>338,100</u>
			<u>327,659</u>

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

## 4.1 Listed equity securities - 'at fair value through profit or loss'

Name of the Investee company	As at July 1, 2012	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2012	Balance as at September 30, 2012			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee
						Carrying Value	Market value	Appreciation / (Diminution)			
-----Number of shares-----						-----Rupees in '000-----					
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs 10 each unless stated otherwise											
OIL AND GAS											
Attock Petroleum Limited	56,117	11,000	-	27,200	39,917	19,038	20,906	1,868	6.18	5.62	0.06
National Refinery Limited	-	15,000	-	-	15,000	3,540	3,528	(12)	1.04	0.95	0.02
Oil and Gas Development Co Limited	23,000	109,000	-	40,800	91,200	15,716	16,359	643	4.84	4.40	0.00
Pakistan Oilfields Limited	24,080	47,101	-	7,200	63,981	25,902	27,727	1,825	8.20	7.45	0.03
Pakistan Petroleum Limited	162,720	15,000	26,905	120,100	84,525	12,771	14,870	2,099	4.40	4.00	0.01
Pakistan State Oil Company Limited	22	-	4	-	26	5	6	1	0.0	0.00	0.00
						76,972	83,396	6,424			
CHEMICALS											
Engro Corporation Limited	-	35,000	-	-	35,000	3,780	3,737	(43)	1.11	1.00	0.01
Fatima Fertilizer Company Limited	417,538	-	-	417,538	-	-	-	-	-	0.00	0.00
FaujiFertilizer Company Limited	60,000	80,000	-	140,000	-	-	-	-	-	0.00	0.00
ICI Pakistan Limited	-	44,000	-	-	44,000	7,348	7,213	(135)			
						11,128	10,950	(43)			
CONSTRUCTION AND MATERIALS											
Cherat Cement Co Limited	31,000	-	-	31,000	-	-	-	-	-	-	-
D.G. Khan Cement Limited	-	147,000	-	147,000	-	-	-	-	-	-	-
Lafarge Pakistan Limited	-	215,000	-	215,000	-	-	-	-	-	-	-
Lucky Cement Limited	89,215	105,000	-	-	194,215	24,071	25,858	1,787	7.65	6.95	0.06
						24,071	25,858	1,787			
GENERAL INDUSTRIALS											
Milat Tractors Limited	14,500	8,000	-	-	22,500	10,841	10,867	26	3.21	2.92	0.06
						10,841	10,867	26			
PERSONAL GOODS											
Nishat Chunian Limited	-	350,000	-	350,000	-	-	-	-	-	-	-
Nishat Mills Limited	-	110,000	-	-	110,000	5,938	6,233	295	1.84	1.68	0.03
						5,938	6,233	295			
FARMA AND BIO TEC											
Abbot Laboratories (Pakistan) Limited	61,196	-	-	61,196	-	-	-	-	-	-	-
Glaxosmithkline Pakistan Limited	57,000	-	-	57,000	-	-	-	-	-	-	-
						-	-	-			
ELECTRICTY											
The Hub Power Company Limited	394,513	232,000	-	-	626,513	26,997	29,371	2,374	8.69	7.89	0.05
Nishat Chunian Power Limited	551,648	237,000	-	551,648	237,000	3,769	3,958	189	1.17	1.06	0.06
Nishat Power Limited	-	450,000	-	450,000	-	-	-	-	-	0.00	0.00
						30,766	33,329	2,563			
BANKS											
Askari Bank Limited	101,332	150,000	-	-	251,332	3,700	3,840	140	1.14	1.03	0.03
Bank Al Falah Limited	100,000	600,000	-	200,000	500,000	8,878	7,780	(1,098)	2.30	2.09	0.04
Bank AlHabib Limited	118,530	490,000	-	118,530	490,000	13,945	13,872	(73)	4.10	3.73	0.05
MCB Bank Limited	-	35,000	-	35,000	-	-	-	-	-	0.00	0.00
United Bank Limited	63,000	136,000	-	149,000	50,000	3,678	3,689	11	1.09	0.99	0.00
						30,201	29,181	(1,020)			
NON LIFE INSURANCE											
Pakistan Reinsurance Company Limited	-	400,000	-	-	400,000	7,512	8,304	792	2.46	2.23	0.13
						7,512	8,304	792			
Total as at September 30, 2012						197,429	208,118	10,689			

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

**4.1.1** Investments include listed equity securities with market value of Rs. 10,191,672 (June 30, 2012: Rs 8,849,138) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the SECP.

### 4.2 Listed preference shares - 'at fair value through profit or loss'

Name of the investee company	As at July 1, 2012	Purchases during the period	Bonus / right issue during the period	Sales / (Redeemed) during the period	As at September 30, 2012	Balance as at September 30, 2012			Market value as percentage of investments	Market value as percentage of net assets	Paid up value of shares held as a percentage of total paid up capital of the investee company
						Carrying Value	Market value	Appreciation / (diminution)			
-----Number of shares-----						-----Rupees in '000-----					

**SHARES OF LISTED COMPANIES - Fully paid preference shares of Rs 10 each unless stated otherwise**

#### PERSONAL GOODS

Masood Textile Mills Limited	833,334	-	-	833,334	-	-	-	-	-	-	-
<b>Total as at September 30, 2012</b>						-	-	-	-	-	-

### 4.3 Term Finance Certificates - 'at fair value through profit or loss'

Name of the investee company	Issue date	As at July 1, 2012	Purchases during the period	Sales / matured during the period	As at September 30, 2012	Balance as at September 30, 2012			---- Market Value ----		Percentage in relation to the size of issue
						Carrying Value	Market value	Appreciation / (diminution)	As a percentage of total investments	As a percentage of net assets	
-----Number of certificates-----						-----Rupees in '000-----					
United Bank Limited III	8-Sep-06	7,020	-	-	7,020	23,152	22,878	(274)	6.77	6.15	1.75
Maple Leaf Cement Factory Limited (refer Note 4.3.1)	3-Dec-07	2,000	-	-	2,000	1,848	1,945	97	0.58	0.52	0.12
Maple Leaf Cement Factory Limited	31-Mar-10	75	-	-	75	-	-	-	0.00	0.00	0.22
NIB Bank Limited-TFC 05-03-2008	5-Mar-12	4,000	-	-	4,000	19,874	20,015	141			
Total as at September 30, 2012						44,874	44,838	(36)			
Total as at June 30, 2012						55,724	53,569	(2,155)			

**4.3.1** Securities listed below have been classified as non-performing in accordance with SECP Circular 1 of 2009 and the Fund's provisioning policy for non-performing exposure. Accordingly, the carrying values stated above have been arrived at after taking into account provisions as under:

Name of Company	As at September 30, 2012			As at June 30, 2012		
	Outstanding balance	Provision held	Net carrying value	Outstanding balance	Provision held	Net carrying value
-----Rs in '000-----						
Maple Leaf Cement Factory Limited (3-12-07)	5,954	(4,009)	1,945	6,107	(1,407)	4,700
Maple Leaf Cement Factory Limited (31-3-10)	375	(375)	-	375	(375)	-

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

### 4.4 Government securities - 'at fair value through profit or loss'

Particulars	Face value					Balance as at September 30, 2012			Market value as a percentage of total investments	Market value as a percentage of net assets
	As at July 1, 2012	Purchases during the period	Sales during the period	Matured during the period	As at September 30, 2012	Carrying Value	Market value	Appreciation / (Diminution)		
-----Rupees in '000-----										
Market Treasury Bills										
Treasury Bill - 3 Months	75,000	70,000	70,000	30,000	45,000	44,718	44,744	26	13	12
						44,718	44,744	26		
Government of Pakistan Ijara Sukuk										
GOP Ijara Sukuk - 3 years	40,000	-	-	-	40,000	40,020	40,400	380	12	11
						40,020	40,400	380		
Total as at September 30, 2012						84,738	85,144	406		
Total as at June 30, 2012						97,057	97,041	(16)		

## 5 CONTINGENCY

### 5.1 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 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.

Subsequent to the year ended 30 June 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 SHC.

In view of the afore mentioned developments and based on legal counsel, 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.

The aggregate unrecognised amount of WWF as at September 30, 2012 amounted to Rs.4.829 million. If the same were made the NAV of the fund would have been lower by Rs 0.11 per unit.

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

### 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 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.

### 7 DETAILS OF NON-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. The Board of Directors of the Management Company has approved the category of the Fund as a "Balanced Scheme".

In accordance with clause (iv) of the investment criteria laid down for 'Balanced Scheme', the Fund is not allowed to invest in any debt security having a rating lower than A- (A minus). However, as at September 30, 2012, the Fund is non-compliant with the above-mentioned requirement in respect of the following:

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
-----Rupees '000-----						
Investment in debt securities*	Maple Leaf Cement Factory Limited - Term Finance Certificate (03-Dec-2007)	5,954	4,009	1,945	0.52	0.52
Investment in debt securities**	Maple Leaf Cement Factory Limited - Term Finance Certificate (31-Mar-2010)	375	375	-	-	-

\* At the time of purchase, the said Sukuk was in compliance of the said circular (i.e. investment grade) and was subsequently downgraded to Non-investment grade.

\*\* This was issued against outstanding markup receivable from Maple Leaf Cement Factory Limited against a restructuring agreement. Rated as non investment grade.

### 8 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

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.

Other transactions with connected persons are in the normal course of business, and are carried out on agreed terms.

Details of transactions with the connected persons and balances with them as at period end are as follows:

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

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8.1	Transactions during the period	Un-audited September 30, 2012 -----Rupees in '000-----	Un-audited September 30, 2011
	<b>Arif Habib Investments Limited - Management Company</b>		
	- Remuneration of the Management Company	1,842	1,831
	- Sindh sales tax on remuneration of the Management Company	295	349
	<b>Arif Habib Limited - Brokerage house</b>		
	- Brokerage expense	42	24
	<b>Summit Bank (Formerly: Arif Habib Bank Limited)</b>		
	- Profit on bank deposit	38	-
	<b>MCB Bank Limited</b>		
	- Bank Charges	5	-
	- Profit on bank deposit	201	-
	- Dividend income	-	-
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	- Remuneration for the period	184	188
	- CDS charges	14	4
	- CDS eligibility charges	-	-
	<b>Directors and executives of the Management Company</b>		
	- Redemption of 1,283 units (2011: 2,574 units)	10,250	19
	- Bonus units issued: Nil (2011: 373 Bonus units)	-	3
8.2	Amounts outstanding as at period / year end	Un-Audited September 30, 2012 -----Rupees '000-----	Audited June 30, 2012
	<b>MCB Bank Limited</b>		
	- Bank Balance	16,017	1,200
	<b>Arif Habib Investments Limited - Management Company</b>		
	- Payable to the Management Company	705	673
	<b>Directors and executives of the Management Company</b>		
	- Units held Nil (June 30, 2012: 5,252 units)	-	40
	<b>Central Depository Company of Pakistan Limited - Trustee</b>		
	- Security deposit	300	300
	- Trustee fee payable	123	58
	<b>Bank Al-Habib Limited (10 % or more holding)</b>		
	Units held 11,275,972 (June 30, 2012: 5,252 units)	91,447	85,134

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

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### 9 DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

This condensed interim financial information was authorised for issue on **October 25, 2012** by the Board of Directors of the Management Company.

### 10 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and better presentation. No significant changes to corresponding figures have been made during the current period.

### 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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