

Half Year Report

December 31, 2012
(Unaudited)



MCB
DYNAMIC ALLOCATION FUND

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FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive 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 Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
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 Faysal Bank Limited NIB Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
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 OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Dynamic Allocation Fund's accounts review for the half year ended December 31st 2012.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, CPI inflation continued to maintain its downward trajectory amid lower food inflation and downward adjustments in gas prices with 1H FY13 CPI inflation averaging at 8.3%. Although current account balance remained comfortable during 1H FY13 with a decent surplus of US\$ 250 million courtesy release of two tranches of Coalition Support Fund proceeds by the US worth around US\$ 1.9 billion, weaker financial account coupled with sizeable repayments (including IMF) continued to put significant pressure on the FX reserves, which eventually came down to a level of around US\$ 13.5 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 644 billion by Dec'28 2012. Despite highlighting concerns on the external and fiscal accounts, the State Bank of Pakistan took comfort from declining inflationary trend and lowered its policy discount rate cumulatively by 250 bps to 9.5% during the period under review.

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 continued to inject significant amount of liquidity in the system through OMOs during the period. 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 267 bps to 9.3%, while longer tenure 10 year PKRV adjusted downwards by 180 bps to 11.5% during the period under review.

EQUITIES MARKET OVERVIEW

The KSE-100 index made an impressive start in FY13 as well and posted a return of 22.5% during the first half of 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 around US\$ 157 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 cumulative 250 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 11.6% during the period under review while since inception return of fund stood at 14.6%. The fund has gradually increased exposure toward equities which reached to around 30.2% by the end of the first half of the fiscal year. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks. During the period under review, the fund mainly reduced its exposure in the Banking sector from 39.7% to 18.2%, while increased its exposure towards Electricity sector to 14.2% from 4.5%.

On the fixed income side, the fund significantly increased its exposure in Government papers to 47.6% from 14.0% in order to capitalize on the downward adjustments in the yield curve that resulted in sizeable capital gains.

The Net Asset of the Fund as at December 31, 2012 stood at Rs.218.27 million as compared to Rs 100.40 million as at June 30 2012 registering an increase of 117.39 %

The Net Asset Value (NAV) per unit as at December 31, 2012 was Rs. 78.8716 as compared to opening NAV of Rs. 70.6872 per unit as at June 30, 2012 registering an increase of Rs. 8.1844 per unit

FUTURE OUTLOOK

Despite receiving another tranche of CSF as well as continued lower range of CPI inflation, we believe that further rate cut would be difficult given deteriorating fiscal and external accounts, significant IMF repayments ahead and alarming monetary growth - while the potential return to the IMF would result in a cycle of monetary tightening by 2Q CY13 in our opinion. The Government bond market, which remained active for last few months on the back of soft inflation numbers and expected monetary easing, has started to become inactive or relatively less active with the anticipation of no rate cut and possible rate hikes in the next 4-6 months. In this backdrop, the activities are expected to be concentrated at short-end papers going forward.

On the equities front, investors are pinning hopes on Dec-end results, expecting strong payout from Commercial Banks, Electricity, Chemicals, and Oil & Gas sectors. However, on the account of mounting political uncertainty and precarious macroeconomic position especially on the external front reflected through depleting FX reserves and steady depreciation of Pak Rupee, the market could correct itself in the shorter term. 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
February 04, 2013

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shakra-e-Faisal
Karachi - 74400. Pakistan.
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ISO 27001 Certified

TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DYNAMIC ALLOCATION FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Dynamic Allocation Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2012 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 22, 2013



AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Auditor's Report to the Unit Holders on Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Dynamic Allocation Fund** ("the Fund") as at 31 December 2012 and the related condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matters

The figures for the three months period ended 31 December 2012 and 31 December 2011 in the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement, have not been reviewed by us and we do not express a conclusion on them.

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



KPMG Taseer Hadi & Co.

The condensed interim financial information of the Fund for the six months period ended 31 December 2011 and financial statements of the Fund for the year ended 30 June 2012 were reviewed and audited respectively by another firm of auditors who vide their reports dated 27 January 2012 and 17 September 2012, expressed an unqualified conclusion and opinion thereon respectively.

Date: 04 February 2013

Karachi

KPMG Taseer Hadi & Co.
KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT DECEMBER 31, 2012

	<i>Note</i>	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Assets			
Balance with banks	6	7,464	22,560
Receivable against sale of Investments		-	5,785
Investments	7	199,545	74,402
Advance against subscription of Term Finance Certificate	8	10,000	-
Profit and prepayments		956	2,164
Security deposits		4,284	4,100
Preliminary expenses		208	707
Total assets		222,457	109,718
Liabilities			
Payable against purchase of investments		475	5,612
Payable to the Arif Habib Investments Limited - Management Company		315	146
Payable to Central Depository Company of Pakistan Limited - Trustee		60	59
Annual fee payable to Securities and Exchange Commission of Pakistan		102	250
Accrued and other liabilities		3,238	3,247
Total liabilities		4,190	9,314
Contingency	9		
Net assets		218,267	100,404
Unit holders' fund		218,267	100,404
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		2,767,374	1,420,402
		(Rupees)	
Net asset value per unit		78.87	70.69

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended		Quarter ended	
Note	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Rupees in '000) -----			
Income				
Capital gain / (loss) on sale of investments - net	17,202	(8,967)	6,941	(1,554)
Loss from spread transactions	(5,525)	-	(5,722)	-
Dividend income	5,919	9,018	4,774	6,711
Profit on bank deposits	1,927	2,143	1,251	38
Income from government securities	3,912	244	1,517	-
Income from term finance certificates	1,908	6,143	850	3,134
Other income	7	-	7	-
	25,350	8,581	9,618	8,329
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	2,322	(19,034)	628	(23,706)
Total income	27,672	(10,453)	10,246	(15,377)
Expenses				
Remuneration of Arif Habib Investments Limited - Management Company	1,603	2,448	817	1,221
Sindh sales tax on management fee	257	392	130	195
Remuneration of Central Depository Company of Pakistan Limited - Trustee	353	352	177	176
Annual fee to Securities and Exchange Commission of Pakistan	102	155	52	77
Brokerage and settlement charges	1,383	1,384	786	724
Amortization of preliminary expenses	499	505	252	253
Auditors' remuneration	346	322	205	131
Other expenses	124	240	27	42
Total operating expenses	4,667	5,798	2,446	2,819
Net operating income / (loss) for the period	23,005	(16,251)	7,800	(18,196)
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(354)	58	(1,824)	27
Net income / (loss) for the period before taxation	22,651	(16,193)	5,976	(18,169)
Taxation	10 -	-	-	-
Net income / (loss) for the period after taxation	22,651	(16,193)	5,976	(18,169)
OTHER COMPREHENSIVE INCOME				
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	22,651	(16,193)	5,976	(18,169)
Earnings / (loss) per unit	11			

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited
(Management Company)


Chief Executive Officer


Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

	Half year ended		Quarter ended	
	31 December	31 December	31 December	31 December
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Accumulated losses brought forward	(41,637)	(143,654)	(75,157)	(140,269)
Net income / (loss) for the period after taxation	22,651	(16,193)	5,976	(18,169)
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	(39,484)	3,278	10,711	1,869
	(16,833)	(12,915)	16,687	(16,300)
Accumulated losses carried forward	(58,470)	(156,569)	(58,470)	(156,569)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended		Quarter ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	(Rupees in '000)			
Net assets at beginning of the period	100,404	332,580	238,127	331,296
Issue of 2,249,176 (2011: 28,547) units and 568,482 (2011: nil) units for the half year and quarter ended respectively	164,004	1,943	36,317	-
Redemption of 902,204 (2011: 137,218) units and 831,584 (2011: 75,259) units for the half year and quarter ended respectively	(69,146)	(9,474)	(63,977)	(4,302)
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:	94,858	(7,531)	(27,660)	(4,302)
- amount representing loss / (income) and capital losses / (gains) - transferred to income statement	354	(58)	1,824	(27)
- amount representing loss / (income) and capital losses / (gains) - that form part of unit holders' fund transferred to distribution statement	39,484	(3,278)	(10,711)	(1,869)
	39,838	(3,336)	(8,887)	(1,896)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed transferred to distribution statement	(39,484)	3,278	10,711	1,869
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gains / (loss) on sale of investments)	3,127	11,808	(1,593)	7,091
Capital gain / (loss) on sale of investments - net	17,202	(8,967)	6,941	(1,554)
Net unrealised appreciation / (diminution) in fair value of investments 'classified as 'at fair value through profit or loss'	2,322	(19,034)	628	(23,706)
	22,651	(16,193)	5,976	(18,169)
Net assets at end of the period	218,267	308,798	218,267	308,798

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

	Half year ended		Quarter ended	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	22,651	(16,193)	5,976	(18,169)
Adjustments for non-cash and other items:				
Dividend income	(5,919)	(9,018)	(4,774)	(6,711)
Net unrealised (appreciation) / diminution on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	(2,322)	19,034	(628)	23,706
Amortization of preliminary expenses	499	505	252	253
Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed	354	(58)	1,824	(27)
	(7,388)	10,463	(3,326)	17,221
	15,263	(5,730)	2,650	(948)
(Increase) / decrease in assets				
Investments	(122,173)	(58,543)	(82,827)	(48,934)
Advance against subscription of Term Finance Certificate	(10,000)	-	(10,000)	-
Profit and prepayments	1,208	(4,977)	3,294	1,472
Security deposits	(184)	(121)	(169)	(121)
	(131,149)	(63,641)	(89,702)	(47,583)
Increase / (decrease) in liabilities				
Payable to the Arif Habib Investments Limited - Management	169	54	(54)	1
Payable to Central Depository Company of Pakistan Limited - Annual fee payable to Securities and Exchange Commission of	1	(1)	2	(177)
Accrued and other liabilities	(148)	(194)	52	77
	(9)	(644)	(33)	(137)
	13	(785)	(33)	(236)
Dividend income received	5,919	9,045	4,992	9,045
Net cash used in operating activities	(109,954)	(61,111)	(82,093)	(39,722)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	164,004	1,943	36,317	-
Payments against redemption of units	(69,146)	(9,474)	(63,977)	(4,302)
Net cash generated / (used in) from financing activities	94,858	(7,531)	(27,660)	(4,302)
Net decrease in cash and cash equivalents	(15,096)	(68,642)	(109,753)	(44,024)
Cash and cash equivalents at beginning of the period	22,560	102,768	117,217	78,150
Cash and cash equivalents at end of the period	7,464	34,126	7,464	34,126

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)


Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

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 17 December 2007. It was constituted under a Trust Deed dated 22 November 2007 between MCB Asset Management Company Limited (MCB-AMC) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

Under circular 7 dated 6 March 2009 issued by the SECP, the Fund is categorised as an Asset Allocation Scheme. The Management Company is in the process of making requisite amendments in relation to categorisation, investment objectives and relevant benchmark in the constitutive documents of the Fund.

Based on shareholders' resolutions of MCB-Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of 27 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 10 June 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 Limited. However, subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/ MCB-AMCL & AHI/348/2011 dated 27 June 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. The honourable Sindh High Court 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, Techno City 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 high return which commensurate the higher risk taken due to pro-active allocation of funds across various asset and debt classes.

1.3 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company and has assigned a short-term ranking of "4-Star" & long-term of "5-Star" to the Fund.

1.4 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

This condensed interim financial information has been prepared in accordance with the requirement of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations. In case where requirements differ, the provisions of / or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

- 2.2** This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2012.
- 2.3** This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the Fund's functional and presentation currency and has been rounded off to the nearest thousand rupees.
- 2.4** This condensed interim financial information is unaudited, however, a limited scope review has been performed by the external auditors of the Fund. The Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.
- 2.5** The comparatives in the condensed interim statement of assets and liabilities presented in this condensed interim financial information as at 31 December 2012 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2012, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 31 December 2011.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2012.

- 3.1** Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not result in change to the Fund's operation or a change in accounting policies of the Fund.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2012.

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2012.

6. BALANCE WITH BANKS

		2012 (Unaudited)	2012 (Audited)
		(Rupees in '000)	
Saving accounts	6.1 & 6.2	7,396	21,381
Current account		<u>68</u>	<u>1,179</u>
		<u>7,464</u>	<u>22,560</u>

- 6.1** These carry mark-up at rates ranging from 6% to 11.5% per annum (2011: 6% to 11.5 % per annum).
- 6.2** This includes Rs. 0.999 million (30 June 2012: Rs. 1.868 million) held with a related party carrying profit rates between 6% to 11% (30 June 2012: 6.5% to 11%) per annum.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

7. INVESTMENTS		2012 (Unaudited) (Rupees in '000)	2012 (Audited) (Rupees in '000)
	'at fair value through profit or loss' - held for trading		
	- Quoted equity securities	7.1 67,223	18,462
	- Term finance certificates - listed	7.2 26,541	41,327
	- Government Securities	7.3 105,781	14,613
		199,545	74,402

7.1 Quoted equity securities - 'at fair value through profit and loss'

Name of investee company	Number of shares					Balance as at 31 December 2012			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company	
	As at 1 July 2012	Purchased during the period	Bonus / rights issue during the period	Sales during the period	As at 31 December 2012	Carrying value	Market value	Appreciation / (diminution)	As percentage of net assets	As percentage of total investments		
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.						(Rupees in '000)						
Auto Mobile and Parts												
Indus Motors Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	
						-	-	-				
Engineering												
Millat Tractors limited	8,500	-	-	8,500	-	-	-	-	-	-	-	
						-	-	-				
Construction & Materials												
D G Khan Cement Company Limited	-	519,500	-	496,500	23,000	1,264	1,255	(9)	0.57	0.63	0.01	
Fauji Cement Company Limited	-	485,000	-	70,000	415,000	2,855	2,714	(141)	1.24	1.36	0.03	
Cherat Cement Limited	-	28,000	-	28,000	-	-	-	-	-	-	-	
Fecto Cement Limited	-	49,500	-	49,500	-	-	-	-	-	-	-	
Kohat Cement Limited	-	34,500	-	34,500	-	-	-	-	-	-	-	
Lafarge Pakistan Cement Limited	200,000	100,000	-	300,000	-	-	-	-	-	-	-	
Lucky Cement Limited	-	360,967	-	360,700	267	36	40	4	0.02	0.02	-	
						4,155	4,009	(146)				
Chemicals												
Engro Corporation Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	
Fatima Fertilizer Company Limited	43,246	22	-	43,268	-	-	-	-	-	-	-	
Fauji Fertilizer Bin Qasim Limited	-	138,000	-	138,000	-	-	-	-	-	-	-	
Fauji Fertilizer Company Limited	-	366,800	-	317,900	48,900	5,565	5,728	163	2.62	2.87	-	
						5,565	5,728	163				
Food Producers												
Unilever Pakistan Limited*	-	380	-	80	300	2,944	3,030	86	1.39	1.52	-	
						2,944	3,030	86				
Banks												
Bank Al-Falah Limited	-	350,000	-	350,000	-	-	-	-	-	-	-	
MCB Bank Limited	-	22,500	-	22,500	-	-	-	-	-	-	-	
National Bank Of Pakistan	-	10,000	-	10,000	-	-	-	-	-	-	-	
United Bank Limited	-	46,000	-	46,000	-	-	-	-	-	-	-	
Askari Bank Limited	-	350,500	-	200,500	150,000	2,299	2,583	284	1.18	1.29	0.02	
Bank Al Habib Limited	-	480,000	-	260,000	220,000	7,055	6,981	(74)	3.20	3.50	0.02	
Meezan Bank Limited	-	145,000	-	-	145,000	4,350	4,357	7	2.00	2.18	0.02	
						13,704	13,921	217				
Personal goods (Textile)												
Nishat Mills Limited	-	216,500	-	206,500	10,000	593	639	46	0.29	0.32	-	
Nishat (Chunian) Limited	-	150,000	-	150,000	-	-	-	-	-	-	-	
Blessed Textile	-	11,500	-	11,500	-	-	-	-	-	-	-	
						593	639	46				
Oil and gas												
Attock Petroleum Limited	-	34,000	-	34,000	-	-	-	-	-	-	-	
Attock Refinery Limited	-	284,000	-	284,000	-	-	-	-	-	-	-	
National Refinery Limited	-	10,000	-	10,000	-	-	-	-	-	-	-	
Oil & Gas Development Co. Limited	2,500	73,000	-	75,500	-	-	-	-	-	-	-	
Pakistan Oil Fields Limited	-	123,605	-	119,600	4,005	1,709	1,752	43	0.80	0.88	-	
Pakistan Petroleum Limited	19,620	95,000	-	114,620	-	-	-	-	-	-	-	
Pakistan State Oil Company Limited	-	41,900	-	23,000	18,900	4,120	4,389	269	2.01	2.20	0.01	
						5,829	6,141	312				
General Industries												
ICI Pakistan Limited	-	129,000	-	129,000	-	-	-	-	-	-	-	
Arif Habib Corporation Limited	-	61,500	-	61,500	-	-	-	-	-	-	-	
						-	-	-				
Non Life Insurance												
Pakistan Reinsurance Company Limited	-	230,000	-	140,000	90,000	1,698	2,201	503	1.01	1.10	0.03	
						1,698	2,201	503				
Electricity												
Hub Power Company Limited	103,243	594,000	-	212,000	485,243	21,811	21,952	141	10.06	11.00	-	
Kot Addu Power Company Limited	-	149,000	-	-	149,000	7,064	7,359	295	3.37	3.69	0.02	
Nishat Chunian Power Limited	453	548,000	-	548,453	-	-	-	-	-	-	-	
Nishat Power Limited	22,386	432,541	-	339,927	115,000	2,220	2,243	23	1.03	1.12	0.03	
						31,095	31,553	459				
Pharma And Bio Tech												
Glaxosmithkline Pakistan Limited	39,000	25,000	-	64,000	-	-	-	-	-	-	-	
Abbott Laboratories Pakistan Limited	10,114	15,000	-	25,114	-	-	-	-	-	-	-	
						-	-	-				
Fixed Line Telecommunication												
Pakistan Telecommunication Company Limited	-	200,500	-	200,500	-	-	-	-	-	-	-	
						-	-	-				
Total - 31 December 2012						65,583	67,223	1,640				
Total - 30 June 2012						18,645	18,462	(183)				

* the face value of shares held is Rs. 50 per share

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

7.1.1 Investments include shares with market value aggregating of Rs. 4.85 million (30 June 2012: 4.5 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

7.2 Term finance certificates listed - ' at fair value through profit and loss'

Name of investee company	Profit / Mark-up percentage	Number of certificates				Balance as at 31 December 2012			Market value		Percentage in relation to the size of the issue
		As at 1 July 2012	Purchased during the period	Sold/ Matured during the period	As at 31 December 2012	Carrying value	Market value	Appreciation/ (Diminution)	As a percentage of net assets	As a percentage of total investments	
						----- (Rupees in '000) -----					
Certificates having a face value of Rs. 5,000 each unless stated otherwise											
Askari Bank Limited-III	11.99	5,000	-	2,002	2,998	15,833	16,534	701	7.58	8.29	0.50
NIB Bank Limited	11.89	2,000	2,000	2,000	2,000	10,032	10,007	(25)	4.58	5.01	0.33
United Bank Limited-I	8.45	1,000	-	1,000	-	-	-	-	-	-	-
Bank Alfalah Limited-II	13.50	2,000	-	2,000	-	-	-	-	-	-	-
Total - 31 December 2012						25,865	26,541	676			
Total - 30 June 2012						40,511	41,327	816			

7.3 Government securities - ' at fair value through profit and loss'

	Face value				Balance as at 31 December 2012			Market value	
	As at 1 July 2012	Purchased during the period	Sold / Matured during the period	As at 31 December 2012	Carrying value	Market Value	Appreciation / (diminution)	As a percentage of net assets	As a percentage of total investments
----- (Rupees in '000) -----									
Market Treasury Bills									
Treasury Bills - 1 year	15,000	662,500	565,000	97,500	105,775	105,781	6	48.46	53.01
Total - 31 December 2012					105,775	105,781	6		
Total - 30 June 2012					14,605	14,613	8		

8. ADVANCE AGAINST SUBSCRIPTION OF TERM FINANCE CERTIFICATE

This represents advance provided against issue of term finance certificates of Bank Al Falah Limited - V in term of investment agreement dated 28 December 2012. The advance is unsecured and carries mark up at the rate of 10.67% per annum and is expected for issue on 28 January 2013.

9. CONTINGENCY

Provision for Worker's 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 for adjudication.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal council 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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012

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). On the basis of recent development, the Management Company has decided not to make provision in respect of WWF w.e.f. 1 July 2011. Accordingly, the Fund has not recognized provision against WWF amounting to Rs. 0.62 million as at 31 December 2012 (including Rs. 0.453 million for the six months period ended 31 December 2012) (NAV per unit: Rs. 0.22). However, as a matter of abundant caution, the Management Company has not reversed the existing provision of Rs. 2.357 million.

10. TAXATION

The Fund's income is exempt from Income Tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008 the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The management of the Fund intends to distribute at least 90% of the income earned by the Fund by the year end to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Accordingly, no provision for taxation has been made in this condensed interim financial information.

11. EARNINGS / (LOSS) PER UNIT

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

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustees, directors and key management personnel and other associated undertakings.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms at contracted rates.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

12.1 Details of transactions with the connected persons / related parties during the period are as follows:

		Unaudited			
	Note	Half year ended		Quarter ended	
		31 December		31 December	
		2012	2011	2012	2011
		----- (Rupees in '000) -----			
Arif Habib Investments Limited					
Remuneration of the Management Company		<u>1,603</u>	<u>2,448</u>	<u>817</u>	<u>1,221</u>
Sales tax on remuneration of Management Company		<u>257</u>	<u>392</u>	<u>130</u>	<u>195</u>
Central Depository Company of Pakistan Limited					
Remuneration of the Trustee		<u>353</u>	<u>352</u>	<u>177</u>	<u>176</u>
CDC settlement charges		<u>16</u>	<u>18</u>	<u>10</u>	<u>11</u>
MCB Bank Limited					
Dividend received		<u>90</u>	<u>63</u>	<u>-</u>	<u>63</u>
Profit received		<u>14</u>	<u>68</u>	<u>13</u>	<u>32</u>
Bank charges		<u>8</u>	<u>-</u>	<u>8</u>	<u>-</u>
Fatima Fertilizer Company Limited					
Dividend received		<u>-</u>	<u>337</u>	<u>-</u>	<u>-</u>
D.G Khan Cement					
Dividend received		<u>436</u>	<u>-</u>	<u>436</u>	<u>-</u>
Nishat Chunian Power Limited					
Dividend received		<u>516</u>	<u>-</u>	<u>516</u>	<u>-</u>
Nishat Mills Limited					
Dividend received		<u>373</u>	<u>-</u>	<u>373</u>	<u>-</u>
Arif Habib limited					
Brokerage	12.4	<u>42</u>	<u>47</u>	<u>5</u>	<u>13</u>
Next Capital limited					
Brokerage	12.4	<u>36</u>	<u>65</u>	<u>8</u>	<u>26</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

12.2 Balance outstanding as at the period / year end are as follows:

	<i>Note</i>	31 December 2012 (Unaudited) (Rupees in '000)	30 June 2012 (Audited) (Rupees in '000)
Arif Habib Investments Limited			
Remuneration payable to the Management Company		272	126
Sales tax payable on remuneration of Management Company		43	20
Sales load payable		35	2
Central Depository Company of Pakistan Limited			
Remuneration payable to the Trustee		60	57
CDC settlement charges		-	2
Security Deposits		100	100
MCB Bank Limited			
Bank deposits		999	1,868
Profit receivable		4	3
Fatima Fertilizer Limited			
Nil shares held by the Fund (2011: 43,246 shares)		-	1,067
Nishat Power Limited			
115,000 shares held by the Fund (2011: 22,386 shares)		2,243	329
Nishat Chunian Power Limited			
Nil shares held by the Fund (2011: 453 shares)		-	7
D.G Khan Cement Limited			
23,000 shares held by the Fund (2012: nil shares)		1,255	-
Nishat Mills Limited			
10,000 shares held by the Fund (2012: nil shares)		639	-
Arif Habib Limited			
Brokerage Payable	12.4	5	19
Next Capital limited			
Brokerage Payable	12.4	1	-

12.3 Transactions during the period with connected persons / related parties in the units of the Fund:

	Unaudited			
	Half year ended 31 December 2012		Half ended 31 December 2011	
	Units	(Rupees in	Units	(Rupees in
Units sold to:				
Arif Habib Investments Limited	1,406,839	103,000	-	-
Units redeemed by:				
Arif Habib Investments Limited	653,153	50,000	-	-
Capital Development Authority	-	-	500	3,560

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2012**

	31 December 2012 (Unaudited)	30 June 2012 (Audited)	31 December 2012 (Unaudited)	30 June 2012 (Audited)
	----- Units -----		(Rupees in '000)	
Units held by:				
Arif Habib Investments Limited	<u>753,686</u>	<u>-</u>	<u>59,443</u>	<u>-</u>
D. G Khan Cement Company Limited				
Employees Provident Fund Trust	<u>22,285</u>	<u>22,285</u>	<u>1,758</u>	<u>1,575</u>
SSG Non-executive Staff				
Provident Fund	<u>145,517</u>	<u>145,517</u>	<u>11,477</u>	<u>10,285</u>
Trustee Pakistan Services Limited				
(Employees Provident Fund)	<u>290,647</u>	<u>290,647</u>	<u>22,923</u>	<u>20,542</u>

- 12.4** The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

13. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on February 04, 2013 by the Board of Directors of the Management Company.



Chief Executive Officer

For Arif Habib Investment 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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