

Half Year Report
December 31, 2012
(Unaudited)



**MCB
DYNAMIC STOCK 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 & 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 Stock Fund's accounts review for the half year ended December 31st 2012.

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 outperformed its benchmark KSE30 index by delivering 23.1% return while KSE 30 index delivered 15.4% return during the period. Overall equity exposure of the fund was increased by around 4.4% which stood at around 90% at the end of the period. The fund changed its investment strategy several times during the period to cope with various sector and company level fundamental developments. During the period fund realigned its sector exposure by reducing allocation in Banks, Oil & Gas and Pharma & Bio Tech while increasing its allocations in Electricity and Construction & Materials.

The Net Asset of the Fund as at December 31, 2012 stood at Rs. 833.82 million as compared to Rs 725.52 million as at June 30 2012 registering a an increase of 14.93 %

The Net Asset Value (NAV) per unit as at December 31, 2012 was Rs.105.9605 as compared to opening NAV of Rs. 86.0912 per unit as at June 30, 2012 registering an increase of Rs. 19.8693 per unit

FUTURE OUTLOOK

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 Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
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Email: info@cdcpak.com



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TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DYNAMIC STOCK 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 Stock 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



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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 Stock 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.

Emphasis of matter

We draw attention to note 8 to the financial information relating to Workers' Welfare Fund (WWF) which refers to the pending outcome of the litigation regarding contribution to WWF in Honourable Sind High Court. In view of the matter more fully discussed in the above note, provision against WWF amounting to Rs. 5.46 million in aggregate is not being maintained by the Fund. Our conclusion is not qualified in respect of this matter.

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.

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.

Date: 04 February 2013

Karachi

A handwritten signature in black ink, appearing to read 'Mazhar Saleem'.

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	55,452	69,895
Dividend and other receivables		1,007	1,606
Receivable against sale of investments		24,705	-
Investments	7	766,757	685,569
Security deposits and prepayments		4,021	3,951
Total assets		851,942	761,021
Liabilities			
Payable to Arif Habib Investments Limited- Management Company		1,621	1,582
Payable to Central Depository Company of Pakistan - Trustee		145	130
Payable against purchase of investment		7,685	25,388
Accrued expenses and other liabilities		8,302	7,750
Annual fee payable to Securities and Exchange Commission of Pakistan		374	649
Total liabilities		18,127	35,499
Contingency	8		
Net assets		833,815	725,522
Unit holders' funds		833,815	725,522
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		7,869,116	8,427,367
		(Rupees)	
Net asset value per unit		105.96	86.09

The annexed notes 1 to 12 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	74,539	(6,108)	35,469	(2,608)
Dividend income	32,865	23,831	21,012	16,614
Income from government securities	566	-	62	-
Profit on bank deposits	2,263	4,318	1,273	2,094
Other income	5	-	5	-
	110,238	22,041	57,821	16,100
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	64,353	(48,990)	17,395	(63,042)
Total income / (loss)	174,591	(26,949)	75,216	(46,942)
Expenses				
Remuneration of Arif Habib Investments Limited - Management Company	7,871	10,062	4,053	5,249
Sindh Sales Tax on management fee	1,260	1,611	650	840
Remuneration of Central Depository Company of Pakistan Limited - Trustee	787	671	405	350
Annual fee to Securities and Exchange Commission of Pakistan	374	319	193	166
Auditor's remuneration	335	318	156	161
Amortisation of preliminary expenses	-	321	-	160
Brokerage expenses	4,706	2,275	2,530	1,173
Other expenses	434	417	273	285
Total operating expenses	15,767	15,994	8,260	8,384
Net operating income / (loss) for the period	158,824	(42,943)	66,956	(55,326)
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(2,470)	3,043	(5,739)	(25,949)
Net income / (loss) for the period before taxation	156,354	(39,900)	61,217	(81,275)
Taxation	9	-	-	-
Net income / (loss) for the period after taxation	156,354	(39,900)	61,217	(81,275)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income / (loss) for the period	156,354	(39,900)	61,217	(81,275)
Earnings / (loss) per unit	10			

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


Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)


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	(117,222)	(144,892)	(21,371)	(117,997)
Net income / (loss) for the period	156,354	(39,900)	61,217	(81,275)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	7,765	(7,883)	7,051	6,597
	164,119	(47,783)	68,268	(74,678)
Undistributed income / accumulated (losses) carried forward	46,897	(192,675)	46,897	(192,675)

The annexed notes 1 to 12 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	31 December	31 December	31 December
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Net assets at beginning of the period	725,522	692,872	816,242	636,041
Issue of 1,587,256 units (2011: 1,813,361 units) and 536,353 units (2011: 124,443 units) for the half year and quarter ended respectively	155,331	152,404	54,682	142,427
Redemption of 2,145,507 units (2011: 1,357,415 units) and 1,043,286 units (2011: 961,713 units) for the half year and quarter ended respectively	(205,862)	(111,657)	(104,065)	(32,466)
	(50,531)	40,747	(49,383)	109,961
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing loss / (income) and capital losses / (gains) transferred to income statement	2,470	(3,043)	5,739	25,949
- amount representing (income) / loss that forms part of unit holders' fund transferred to distribution statement	(7,765)	7,883	(7,051)	(6,597)
	(5,295)	4,840	(1,312)	19,352
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement	7,765	(7,883)	7,051	6,597
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)	17,462	15,198	8,353	(15,625)
Capital gain / (loss) on sale of investments - net	74,539	(6,108)	35,469	(2,608)
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	64,353	(48,990)	17,395	(63,042)
Total comprehensive income / (loss) for the period	156,354	(39,900)	61,217	(81,275)
Net assets at end of the period	833,815	690,676	833,815	690,676

The annexed notes 1 to 12 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	156,354	(39,900)	61,217	(81,275)
Adjustments for non cash and other items:				
Capital (gain) / loss on sale of investments - net	(74,539)	6,108	(35,469)	2,608
Dividend income	(32,865)	(23,831)	(21,012)	(16,614)
Profit on bank deposits	(2,263)	(4,318)	(1,273)	(2,094)
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(64,353)	48,990	(17,395)	63,042
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	2,470	(3,043)	5,739	25,949
Amortisation of preliminary expenses	-	321	-	160
	(171,550)	24,227	(69,410)	73,051
	(15,196)	(15,673)	(8,193)	(8,224)
Decrease / (increase) in assets				
Investments	33,000	(42,013)	38,553	(117,850)
Security deposits and prepayments	(70)	(69)	10,248	(104)
	32,930	(42,082)	48,801	(117,954)
(Decrease) / increase in liabilities				
Payable to Arif Habib Investments Limited- Management Company	39	349	102	289
Payable to Central Depository Company of Pakistan - Trustee	15	(16)	9	23
Payable to Securities and Exchange Commission of Pakistan	(275)	(316)	193	166
Payable against purchase of investment	(17,703)	14,866	(17,703)	14,866
Accrued expenses and other liabilities	552	(394)	530	56
	(17,372)	14,489	(16,869)	15,400
Dividend received	32,791	24,945	20,936	17,728
Profit received on bank deposits	2,935	3,682	1,945	1,458
Net cash generated / (used in) from operating activities	36,088	(14,639)	46,620	(91,592)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	155,331	152,404	54,682	142,427
Payments against redemption of units	(205,862)	(111,657)	(104,065)	(32,466)
Net cash (used in) / generated from financing activities	(50,531)	40,747	(49,383)	109,961
Net (decrease) / increase in cash and cash equivalents	(14,443)	26,108	(2,763)	18,369
Cash and cash equivalents at beginning of the period	69,895	59,684	58,215	67,423
Cash and cash equivalents at end of the period	55,452	85,792	55,452	85,792

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

For Arif Habib Investment Limited
(Management Company)


Chief Executive Officer


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 Stock Fund ("The Fund") was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and was approved as a collective investment scheme by the Securities and Exchange Commission of Pakistan ("SECP") on 12 December 2006. It was constituted under a Trust Deed dated 10 November 2006 amended by a Supplemental Trust Deed dated 21 January 2007 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited ("CDC") 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 "Equity 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. 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 (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.

1.1 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issue by 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 Principal activity of the Fund is to make investments in securities listed on stock exchanges. The Fund is an equity fund and its objective is to provide long term capital appreciation.

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 "4-Star" to the Fund.

1.4 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the 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 (IAS) 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984, 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). 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 same as those applied in the preparation of the financial statements of the Fund 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.

		31 December 2012 (Unaudited)	30 June 2012 (Audited)
		(Rupees in '000)	
6. BALANCE WITH BANKS			
Saving accounts	6.1 & 6.2	55,452	69,854
Current account		-	41
		<u>55,452</u>	<u>69,895</u>

- 6.1** These carry mark-up at rates ranging between 6% to 9.25% per annum (30 June 2012: 5% to 13.5% per annum).
- 6.2** This includes Rs. 9.476 million (30 June 2012: Rs. 24.333 million) held with a related party carrying profit rates between 6% to 7.5% (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

'At fair value through profit or loss' - held for trading

- Quoted equity securities

- Government securities

31 December
2012
(Unaudited)
(Rupees in '000)

30 June
2012
(Audited)

7.1 **766,757** 651,117

7.2 **-** 34,452

766,757 **685,569**

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

Name of the investee company	Number of shares					Balance as at 31 December 2012			Market value		Paid up value of shares held as percentage of total paid up capital of the investee company
	As at 1 July 2012	Purchases during the period	Bonus / right 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	
------(Rupees in '000)-----											
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
Automobile and parts											
Agriauto Industries Limited*	31,518	-	-	(31,518)	-	-	-	-	-	-	-
Indus Motors Company Limited	-	10,000	-	(10,000)	-	-	-	-	-	-	-
Exide Pakistan Limited	20,832	1,600	-	(22,432)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Banks											
Allied Bank Limited	83,360	-	-	(83,360)	-	-	-	-	-	-	-
Bank Al-Habib Limited	1,169,531	1,243,000	-	(1,298,000)	1,114,531	33,172	35,364	2,192	4.24	4.61	0.11
MCB Bank Limited	37,149	222,500	-	(251,530)	8,119	1,688	1,703	15	0.20	0.22	-
Meezan Bank Limited	-	416,000	-	-	416,000	12,214	12,501	287	1.50	1.63	0.05
National Bank of Pakistan Limited	99,000	670,000	-	(712,000)	57,000	2,606	2,815	209	0.34	0.37	-
JS Bank Limited	-	601,500	-	(601,500)	-	-	-	-	-	-	-
United Bank Limited	459,750	628,000	-	(943,279)	144,471	11,107	12,088	981	1.45	1.58	0.01
Askari Bank Limited	491,092	2,010,067	-	(545,000)	1,956,159	29,350	33,685	4,335	4.04	4.39	0.24
Bank Al-Falah Limited	3,533,950	220,000	-	(3,753,500)	450	8	8	-	-	-	-
BankIslami Pakistan Limited	-	100,000	-	-	100,000	900	920	20	0.11	0.12	0.02
						91,045	99,084	8,039			
Chemicals											
I.C.I. Pakistan Limited	-	176,700	-	(176,700)	-	-	-	-	-	-	-
Engro Corporation Limited	167,000	637,300	-	(570,800)	233,500	22,993	21,491	(1,502)	2.58	2.80	0.05
Fatima Fertilizers Company Limited	1,428,826	385,000	-	(1,428,826)	385,000	10,275	10,164	(111)	1.22	1.33	0.02
Fauji Fertilizer Bin Qasim Limited	-	350,000	-	(350,000)	-	-	-	-	-	-	-
Dawood Hercules Corporation Limited	-	137,000	-	(137,000)	-	-	-	-	-	-	-
Lotte Pakistan PTA	-	1,290,000	-	(250,000)	1,040,000	7,917	7,644	(273)	0.92	1.00	0.07
Fauji Fertilizer Company Limited	388,152	1,349,000	-	(1,203,152)	534,000	61,158	62,553	1,395	7.50	8.16	0.04
						102,343	101,852	(491)			
Construction and materials											
Lucky Cement Limited	306,013	369,300	-	(279,400)	395,913	49,877	59,997	10,120	7.20	7.82	0.12
D. G. Khan Cement Company Limited	191,000	919,406	-	(805,000)	305,406	15,046	16,669	1,623	2.00	2.17	0.07
Fauji Cement Company Limited	-	3,675,000	-	(1,016,500)	2,658,500	18,255	17,387	(868)	2.09	2.27	0.20
Cherat Cement Company Limited	308,729	547,000	-	(545,078)	310,651	11,967	15,144	3,177	1.82	1.98	0.33
Kohat Cement Company Limited	187,013	401,500	-	(493,680)	94,833	5,225	6,698	1,473	0.80	0.87	0.07
Lafarge Pakistan Cement Limited	1,575,000	820,000	-	(2,395,000)	-	-	-	-	-	-	-
Fecto Cement Limited	-	339,416	-	(332,000)	7,416	185	256	71	0.03	0.03	0.01
						100,555	116,151	15,596			
General Industrials											
Thal Limited	-	42,000	-	-	42,000	4,681	4,489	(192)	0.54	0.59	0.10
Industrial Engineering											
Millat Tractors Limited	32,500	75,600	-	(70,400)	37,700	18,896	21,284	2,388	2.55	2.78	0.10
Al-Ghazi Tractors Limited	-	8,000	-	-	8,000	1,812	1,907	95	0.23	0.25	0.04
						20,708	23,191	2,483			
Electricity											
The Hub Power Company Limited	1,340,131	780,000	-	(250,000)	1,870,131	80,325	84,605	4,280	10.15	11.03	0.16
Kot Addu Power Company Limited	-	685,500	-	(93,000)	592,500	27,741	29,264	1,523	3.51	3.82	0.07
Nishat Chumian Power Limited	1,215,700	1,311,000	-	(2,526,700)	-	-	-	-	-	-	-
Nishat Power Limited	-	968,000	-	(648,000)	320,000	6,185	6,240	55	0.75	0.81	0.09
Pakgen Power Limited	-	110,000	-	-	110,000	2,333	2,314	(19)	0.28	0.30	0.03
						116,584	122,423	5,839			
Fixed line telecommunication											
Pakistan Telecommunication Company Limited	-	1,423,500	-	(1,423,500)	-	-	-	-	-	-	-
Telecard Limited	-	125,000	-	(125,000)	-	-	-	-	-	-	-
Wateen Telecom Limited	1,860,000	969,000	-	(1,530,000)	1,299,000	2,924	3,871	947	0.46	0.50	0.21
						2,924	3,871	947			
Oil and gas											
National Refinery Limited	-	49,700	-	(49,700)	-	-	-	-	-	-	-
Attock Petroleum Limited	118,542	53,200	-	(132,800)	38,942	18,879	19,938	1,059	2.39	2.60	0.06
Oil and Gas Development Company Limited	165,000	552,582	-	(479,000)	238,582	43,401	45,953	2,552	5.51	5.99	0.01
Pakistan Oilfields Limited	180,093	59,024	-	(68,000)	171,117	65,603	74,871	9,268	8.98	9.76	0.07
Pakistan Petroleum Limited	378,265	79,500	72,566	(282,000)	248,331	38,782	43,902	5,120	5.27	5.73	0.02
Pakistan State Oil Company Limited	28,648	180,200	14,200	(62,748)	160,300	34,815	37,223	2,409	4.46	4.85	0.08
						201,480	221,887	20,408			

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

Name of the investee company	Number of shares				Balance as at 31 December 2012			Market value		Paid up value of shares held as percentage of total paid up capital of the investee company
	As at 1 July 2012	Purchases during the period	Bonus / right 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
------(Rupees in '000)-----										
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.										
Personal goods										
Gadoon Textile Mills Limited	-	64,000	-	(64,000)	-	-	-	-	-	-
Nishat Mills Limited	-	869,000	-	(250,000)	619,000	35,814	39,523	3,709	4.74	5.15
Nishat Chunian	-	460,000	-	(460,000)	-	-	-	-	-	-
Suraj Cotton	-	101,500	-	(8,000)	93,500	4,012	5,466	1,454	0.66	0.71
Azgard Nine Limited	-	50,000	-	(50,000)	-	-	-	-	-	-
Blessed Textile	-	52,000	-	(6,000)	46,000	4,370	5,421	1,051	0.65	0.71
Faisal Spinning	-	64,500	-	(2,000)	62,500	3,565	4,625	1,060	0.55	0.60
Ellicot Spinning Mills Limited	-	118,500	-	-	118,500	4,467	6,470	2,003	0.78	0.84
						52,228	61,505	9,277		
Tobacco										
Pakistan Tobacco Company Limited	-	24,500	-	-	24,500	1,691	1,655	(36)	0.20	0.22
Pharma and Bio Tech										
GlaxoSmithKline Limited	-	4,000	-	(4,000)	-	-	-	-	-	-
Abbot Laboratory (Pakistan) Limited	89,702	2,200	-	(91,902)	-	-	-	-	-	-
Media										
Hum Network Limited	-	170,000	-	(170,000)	-	-	-	-	-	-
Food producers										
Engro Foods Limited	-	200,000	-	(200,000)	-	-	-	-	-	-
Unilever Pakistan Limited**	-	1,756	-	(1,756)	-	-	-	-	-	-
Non life insurance										
Pakistan Reinsurance Company Limited	-	977,000	-	(541,500)	435,500	8,166	10,649	2,483	1.28	1.39
Total - 31 December 2012						702,405	766,757	64,353		
Total - 30 June 2012						630,763	651,117	20,352		

* the face value of shares held is Rs. 5 per share

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

- 7.1.1 Investments include shares with market value aggregating of Rs.53.336 million (30 June 2012: Rs.51.056 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 Government securities - 'at fair value through profit and loss'

	Face value				Balance as at 31 December 2012			Market value	
	As at 1 July 2012	Purchases during the period	Sales / 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 - 3 months	35,000	65,000	100,000	-	-	-	-	-	-
Treasury bills - 1 year	-	50,000	50,000	-	-	-	-	-	-
Total - 31 December 2012					-	-	-		
Total - 30 June 2012					34,445	34,452	7		

8. CONTINGENCY

Provision for Worker's Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their Trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending for adjudication.

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

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 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 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. 5.46 million as at 31 December 2012 (including Rs. 3.127 million for the six months period ended 31 December 2012) (NAV per unit: Rs. 0.69). However, as a matter of abundant caution, the Management Company has not reversed the existing provision of Rs. 6.457 million.

9. 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.

10. 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.

11. 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**

11.1 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 to Management Company		7,871	10,062	4,053	5,249
Sindh sales tax paid on remuneration		1,260	1,611	650	840
MCB Bank Limited					
Profit received		751	2,687	199	972
Dividend received		232	703	112	583
Nishat Chunain Power Limited					
Dividend received		1,468	-	1,468	-
Nishat Mills Limited					
Dividend received		2,457	-	2,457	-
D.G Khan Cement Limited					
Dividend received		724	-	724	-
Central Depository Company of Pakistan Limited					
Remuneration for the period		787	671	405	350
CDC settlement charges		51	16	28	3
Next Capital Limited					
Brokerage	11.4	105	83	46	58
Arif Habib Limited					
Brokerage	11.4	328	111	201	77

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

11.2 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)
Arif Habib Investments Limited			
Payable to management company		<u>1,621</u>	<u>1,582</u>
Sales loads payable		<u>233</u>	<u>221</u>
Central Depository Company of Pakistan Limited			
Trustee fee payable		<u>140</u>	<u>117</u>
CDC Settlement charges payable		<u>5</u>	<u>13</u>
Security deposit		<u>200</u>	<u>200</u>
MCB Bank Limited			
Bank balances		<u>9,476</u>	<u>24,333</u>
Profit receivable on bank balances		<u>47</u>	<u>720</u>
8,119 shares held by the Fund (30 June 2012: 37,149)		<u>1,703</u>	<u>6,176</u>
Nishat Chunian Power Limited			
nil shares held by the Fund (30 June 2012: 1,215,700 shares)		<u>-</u>	<u>18,029</u>
Nishat Power Limited			
320,000 shares held by the Fund (30 June 2012: nil shares)		<u>6,240</u>	<u>-</u>
Pakgen Power Limited			
110,000 shares held by the Fund (30 June 2012: nil shares)		<u>2,314</u>	<u>-</u>
Fatima Fertilizer Company Limited			
385,000 shares held by the Fund (30 June 2012: 1,428,826 shares)		<u>10,164</u>	<u>35,249</u>
D. G. Khan Cement Company Limited			
305,406 shares held by the Fund (30 June 2012: 191,000 shares)		<u>16,669</u>	<u>7,522</u>
Next Capital Limited			
Brokerage	<i>11.4</i>	<u>138</u>	<u>-</u>
Arif Habib Limited			
Brokerage	<i>11.4</i>	<u>107</u>	<u>-</u>

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

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

	Unaudited			
	Half year ended 31 December 2012		Half year ended 31 December 2011	
	Units	(Rupees in	Units	(Rupees in
Units sold to:				
Key management personnel	3,600	384	2,870	230
Adamjee Life Assurance Company Limited	181,354	18,758	-	-
Units redeemed by:				
Bank of Punjab Limited	281,458	27,132	496,075	41,300
Key management personnel	2,801	250	15,157	1,214
	31 December 2012	30 June 2012	31 December 2012	30 June 2012
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Units		(Rupees in '000)	
Units held by:				
Bank of Punjab Limited	2,005,311	2,286,769	212,483	196,871
MCB Employees Provident Fund	1,418,860	1,418,860	150,342	122,150
MCB Employees Pension Fund	1,087,311	1,087,311	115,211	93,607
MCB Bank Limited	580,464	580,464	61,506	49,972
Dera Ghazi Khan Cement Company Limited - Employees Provident Fund	-	24,023	-	2,068
Key management personnel	14,197	13,763	1,504	1,185
Adamjee Life Assurance Company Limited	347,186	165,832	36,788	14,276

11.4 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.

12. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised 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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