

Half Year Report

December 31, 2012
(Unaudited)



PAKISTAN STOCK MARKET 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 DEUSCHE Bank Limited Habib Metropolitan Bank Limited Summit Bank Limited Standard Chartered bank (Pakistan) 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 Pakistan Stock Market 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

During the period, the Fund delivered 22.0% return as compared to KSE100 index return of 22.5%. Overall equity exposure of the fund was increased by around 2.2% which stood at 90.7% 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 Chemicals while increasing its allocations in Electricity, Construction & Materials and Personal Goods.

The Net Asset of the Fund as at December 31, 2012 stood at Rs.1,062.27 million as compared to Rs 921.46 million as at June 30 2012 registering an increase of 15.28%

The Net Asset Value (NAV) per unit as at December 31, 2012 was Rs. 63.36 as compared to opening NAV of Rs. 51.92 per unit as at June 30, 2012 registering an increase of Rs. 11.44 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 Shahr-e-Faisal
Karachi - 74400, Pakistan.
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TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN STOCK MARKET 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 Pakistan Stock Market 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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Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Pakistan Stock Market 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 "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed 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 condensed 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 condensed interim financial information as at and for the six months period ended 31 December 2012 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 7 to the condensed interim 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. 20.351 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 quarter 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' funds and condensed interim cash flow statement, have not been reviewed and we do not express a conclusion on them.

Date: 04 February 2013

Karachi

A handwritten signature in black ink, appearing to read 'Moneeza Usman Butt'.

KPMG Taseer Hadi & Co.
Chartered Accountants
Moneeza Usman Butt

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2012

	(Unaudited) Note 31 December 2012	(Audited) 30 June 2012
	(Rupees in '000)	
Assets		
Balances with banks	36,025	55,742
Receivable against sale of investments	36,029	1,664
Receivable against sale of units	27	-
Investments	6 991,746	903,645
Dividend and profit receivable	1,053	1,870
Advances and deposits	3,756	3,736
Total assets	1,068,636	966,657
Liabilities		
Payable against purchase of investments	-	39,212
Payable against redemption of units	36	-
Payable to Arif Habib Investments Limited - Management Company	2,408	2,008
Payable to Central Depository Company of Pakistan Limited - Trustee	176	166
Accrued expenses and other liabilities	3,248	2,845
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	503	962
Total liabilities	6,371	45,193
Contingencies and commitments	7	
Net assets	1,062,265	921,464
Unit holders' funds	1,062,265	921,464
	(Number of units)	
Number of units in issue	16,764,342	17,747,185
	(Rupees)	
Net assets value per unit	63.36	51.92

The annexed notes 1 to 11 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

	Note	Six months period ended 31 December		Quarter ended 31 December	
		2012	2011	2012	2011
		----- (Rupees in '000) -----			
Income					
Capital gain on sale of investments - net		103,196	3,365	57,129	2,926
Dividend income		43,339	37,336	27,991	22,411
Income from government securities		1,411	2,473	558	283
Profit on bank accounts		2,176	2,434	1,189	1,035
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'		77,806	(88,836)	23,838	(86,206)
		227,928	(43,228)	110,705	(59,551)
Expenses					
Remuneration of Arif Habib Investments Limited - Management Company		10,585	10,626	5,468	5,031
Sindh Sales tax on management fee		1,694	1,700	875	805
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,028	1,032	525	504
Annual fee - Securities and Exchange Commission of Pakistan		503	508	260	239
Securities transaction cost		6,022	2,654	3,379	1,218
Settlement and bank charges		313	189	159	131
Fees and subscriptions		71	105	36	53
Legal and professional charges		50	50	25	25
Auditors' remuneration		291	279	175	193
Printing and related costs		206	446	89	390
Total expenses		20,763	17,589	10,991	8,589
		207,165	(60,817)	99,714	(68,140)
Net element of income / (loss) and capital gain / (losses) included in the prices of units issued less those in units redeemed		11,589	489	6,356	(1,939)
Net income / (loss) for the period before taxation		218,754	(60,328)	106,070	(70,079)
Taxation	8	-	-	-	-
Net income / (loss) for the period after taxation		218,754	(60,328)	106,070	(70,079)
Other comprehensive income for the period					
<i>Items that are or maybe reclassified subsequently to profit and loss</i>					
Net unrealised (diminution) / appreciation in value of investments classified as 'available for sale'		-	17,205	(2,074)	(14,300)
Reclassification adjustments relating to gain realised on disposal of 'available for sale' investment securities		(2,960)	(58,886)	(2,960)	(9,811)
Total comprehensive income for the period		215,794	(102,009)	101,036	(94,190)
Earnings per unit	9				

The annexed notes 1 to 11 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

	Six months period ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	(Rupees in '000)			
Undistributed income brought forward	30,782	133,001	145,304	8,869
Net income / (loss) for the period	218,754	(60,328)	106,070	(70,079)
Net element of income / (loss) and capital gain / (losses) included in the prices of units issued less those in units redeemed	2,671	5,651	833	9,103
Distributions to unit holders of the Fund:				
<i>Final Distribution:</i>				
Final distribution at the rate of Rs. 6.3036 per unit for the year ended 30 June 2011				
- Issue of 2,424,371 bonus units	-	(130,431)	-	-
	-	(130,431)	-	-
Undistributed income / accumulated (losses) carried forward	252,207	(52,107)	252,207	(52,107)

The annexed notes 1 to 11 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

	Six months period ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Net assets at beginning of the period	921,464	1,243,564	1,085,127	1,073,166
Issue of 2,698,013 units (2011: 3,084,967 units) and 495,669 units (2011: 980,672 units) for the six months and quarter ended respectively	154,940	157,061	29,754	107,282
Issue of 2,424,371 bonus units for the six months period ended 31 December 2011	-	130,431	-	-
Redemption of 3,680,856 units (2011: 6,735,914 units) and 2,419,849 units (2011: 3,941,501) for the six months and quarter ended respectively	(218,344)	(356,979)	(147,295)	(147,049)
	(63,404)	(69,487)	(117,541)	(39,767)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution statement	2,671	5,651	833	9,103
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and realised capital (gains) / losses - transferred to the Income Statement	(11,589)	(489)	(6,356)	1,939
- amount representing unrealised capital (gains) / losses - transferred to Distribution Statement	(2,671)	(5,651)	(833)	(9,103)
	(14,260)	(6,140)	(7,189)	(7,164)
Net unrealised diminution / (appreciation) in fair value of investments classified as 'available for sale' during the period	-	17,205	(2,074)	(14,300)
Reclassification adjustments relating to gain realised on disposal of 'available for sale' investment securities	(2,960)	(58,886)	(2,960)	(9,811)
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 gain on sale of investments)	37,752	25,143	25,102	13,201
Capital gain on sale of investments	103,196	3,365	57,129	2,926
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	77,806	(88,836)	23,838	(86,206)
	218,754	(60,328)	106,069	(70,079)

Distributions to unit holders of the Fund:

Final Distribution:

Final distribution at the rate of Rs. 6.3036 per unit for the year ended 30 June 2011

- Issue of 2,424,371 bonus units

Net assets as at end of the period

-	(130,431)	-	-
1,062,265	941,148	1,062,265	941,148

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited
(Management Company)


Chief Executive Officer


Director

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

	Six months period ended 31 December		Quarter ended 31 December	
	2012	2011	2,012	2011
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	218,754	(60,328)	106,070	(70,079)
<i>Adjustments for non cash and other items</i>				
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'	(77,806)	88,836	(23,838)	86,206
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(11,589)	(489)	(6,356)	1,939
	129,359	28,019	75,876	18,066
(Increase) / decrease in assets				
Receivable against sale of investments	(34,365)	(12,242)	(36,029)	(12,802)
Investments	(13,255)	219,069	121,803	83,742
Dividend and profit receivable	817	1,896	14,068	18,215
Advances and deposits	(20)	(126)	(30)	31
	(46,823)	208,597	99,812	89,185
(Decrease) / increase in liabilities				
Payable against purchase of investments	(39,212)	-	(39,212)	-
Payable to Arif Habib Investments Limited - Management Company	400	(484)	29	(203)
Payable to Central Depository Company of Pakistan Limited - Trustee	10	(36)	4	-
Accrued expenses and other liabilities	403	768	(9,309)	(42,894)
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(459)	(979)	260	239
	(38,858)	(731)	(48,228)	(42,858)
Net cash generated from operating activities	43,678	235,885	127,460	64,394
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	154,913	157,061	29,754	107,282
Payment on redemption of units	(218,308)	(358,481)	(143,402)	(149,783)
Net cash used in financing activities	(63,395)	(201,420)	(113,648)	(42,501)
Net (decrease) / increase in cash and cash equivalents during the period	(19,717)	34,465	13,812	21,893
Cash and cash equivalents at beginning of the period	55,742	28,285	22,213	40,857
Cash and cash equivalents at end of the period	36,025	62,750	36,025	62,750

The annexed notes 1 to 11 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

Pakistan Stock Market Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 23 October 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 28 February 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)]. In conformity with Circular 7 of 2009 dated 6 March 2009 issued by the SECP, certain amendments have been made in the Trust Deed of the Fund duly approved by the SECP, whereby the Fund has been assigned "Equity" category.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 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, Pakistan.

Based on shareholders' resolutions of MCB-Asset Management Company 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 the State Bank of Pakistan'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 SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. No hearing since then has taken place. Irrespective of the final ruling, the Fund's assets Net assets value (NAV) remain unaffected.

The Fund is an open-ended mutual fund, listed on the Karachi Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund is a stock market fund, which primarily invests in shares of listed companies.

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned management quality rating of 'AM2' to the Management Company and 3-Star Normal and 3-Star Long Term to the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 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.

2.1.2 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.

2.1.3 This condensed interim financial information is unaudited and is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees.

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

2.1.4 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.

2.1.5 The comparatives in the condensed interim statement of assets and liabilities presented in the 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 moment 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

3.1 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.

3.2 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 have any impact on the accounting policies of the Fund except where changes affected presentation and disclosures in this condensed interim financial information.

4. ESTIMATES AND JUDGMENTS

4.1 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.

4.2 In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2012.

5. FINANCIAL RISK MANAGEMENT

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

		(Unaudited) 31 December 2012	(Audited) 30 June 2012
		(Rupees in '000)	
6. INVESTMENTS			
'At fair value through profit or loss' - held for trading			
- Quoted equity securities	6.1	965,987	845,660
- Unquoted equity securities	6.2	2,966	
- Fixed income and other debt securities	6.3	22,793	49,153
'Available for sale'			
- Quoted equity securities		-	8,832
		<u>991,746</u>	<u>903,645</u>

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

6.1 Quoted equity securities - 'at fair value through profit or loss' - held for trading

Name of the investee company	(Number of shares)				As at 31 December 2012	Balance as at 31 December 2012			Market value as a percentage of total investments	Market value as a percentage of total net assets	Paid up value of shares held as a 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		Carrying cost as at 31 December 2012	Market value as at 31 December 2012	(Diminution) /appreciation			
----- (Rupees in 000) -----											
Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise											
OIL & GAS											
Pakistan Oilfields Limited	229,287	74,100	-	85,000	218,387	83,396	95,553	12,157	0.11	9.00	0.092
Pakistan Petroleum Limited	482,839	138,000	102,709	406,000	317,548	50,004	56,139	6,135	0.06	5.28	0.019
Pakistan State Oil Company Limited	40,289	265,000	20,000	99,789	225,500	48,867	52,363	3,496	0.06	4.93	0.110
Attock Petroleum Limited	174,506	36,700	-	161,825	49,381	23,638	25,283	1,645	0.03	2.38	0.071
National Refinery Limited	-	60,000	-	60,000	-	-	-	-	-	-	-
Oil & Gas Development Company Limited	212,081	703,300	-	611,800	303,581	54,999	58,473	3,474	0.06	5.50	0.007
						260,904	287,811	26,907			
CHEMICALS											
Engro Corporation Limited	210,000	821,900	-	744,900	287,000	28,207	26,415	(1,792)	0.03	2.49	0.06
Fatima Fertilizer Company Limited	1,799,315	490,500	-	1,799,315	490,500	13,093	12,949	(144)	0.01	1.22	0.02
Fauji Fertilizer Company Limited	496,521	1,219,500	-	1,034,521	681,500	77,609	79,831	2,222	0.09	7.52	0.05
L.C.I Pakistan Limited	-	233,700	-	233,700	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	463,500	-	452,582	10,918	424	421	(3)	0.00	0.04	0.00
Dawood Hercules Corporation Limited	-	164,500	-	164,500	-	-	-	-	-	-	-
Lotte Pakistan PTA Limited	-	1,680,000	-	325,000	1,355,000	10,267	9,959	(308)	0.01	0.94	0.09
						129,600	129,575	(25)			
GENERAL INDUSTRIALS											
Thal Limited	-	53,000	-	-	53,000	5,917	5,664	(253)	0.01	0.53	0.13
						5,917	5,664	(253)			
AUTOMOBILE AND PARTS											
EXIDE Pakistan Limited	24,582	5,600	-	30,182	-	-	-	-	-	-	-
Indus Motor Company Limited	-	10,000	-	9,200	800	216	216	-	0.00	0.02	0.00
						216	216	-			
ENGINEERING											
Millat Tractors Limited	46,400	65,819	-	64,900	47,319	24,091	26,714	2,623	0.03	2.51	0.00
						24,091	26,714	2,623			
CONSTRUCTION AND MATERIALS (CEMENT)											
Lucky Cement Limited	367,391	678,908	-	541,200	505,099	63,946	76,543	12,597	0.08	7.21	0.01
D.G Khan Cement Company Limited	187,250	1,224,500	-	1,011,500	400,250	19,718	21,846	2,128	0.02	2.06	0.09
Cherat Cement Company Limited	411,593	740,500	-	736,347	415,746	16,550	20,268	3,718	0.02	1.91	0.43
Kohat Cement Company Limited	245,308	444,779	-	569,657	120,430	6,788	8,506	1,718	0.01	0.80	0.09
Lafarge Pakistan Cement Limited (refer note 6.2.2)	2,381,049	732,500	-	3,113,500	49	-	-	-	-	-	0.00
Fauji Cement Company limited	-	5,000,000	-	1,875,000	3,125,000	21,434	20,438	(996)	0.02	1.92	0.23
Fecto Cement Limited	-	420,350	-	377,500	42,850	1,060	1,484	424	0.00	0.14	0.09
						129,496	149,085	19,589			
PERSONAL GOODS (TEXTILE)											
Nishat Mills Limited	-	1,142,000	-	287,500	854,500	49,204	54,560	5,356	0.06	5.14	0.24
Nishat Chunian Limited	-	570,000	-	570,000	-	-	-	-	-	-	-
Gadoon Textile Mills Limited	-	60,500	-	60,500	-	-	-	-	-	-	-
AzgardNine Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
Blessed Textile Limited	-	72,000	-	8,000	64,000	6,080	7,542	1,462	0.01	0.71	1.00
						55,284	62,102	6,818			
FIXED LINE TELECOMMUNICATION											
Pakistan Telecommunication Company Limited	-	1,727,500	-	1,727,500	-	-	-	-	-	-	-
Wateen Telecom Limited	2,747,678	1,026,500	-	2,108,500	1,665,678	3,663	4,964	1,301	0.01	0.47	0.27
TeleCard Limited	-	108,500	-	108,500	-	-	-	-	-	-	-
						3,663	4,964	1,301			
ELECTRICITY											
The Hub Power Company Limited	1,717,128	945,500	-	240,000	2,422,628	104,391	109,600	5,209	0.12	10.32	0.21
Kot Addu Power Company Limited	-	814,000	-	57,000	757,000	35,258	37,388	2,130	0.04	3.52	0.09
Nishat Power Limited	-	1,470,500	-	1,060,000	410,500	7,955	8,005	50	0.01	0.75	0.12
Nishat Chunian Power Limited	1,587,842	1,975,000	-	3,562,842	-	-	-	-	-	-	-
Pakgen Power Limited	-	145,500	-	-	145,500	3,080	3,061	(19)	0.00	0.29	0.04
						150,684	158,054	7,370			
COMMERCIAL BANKS											
Allied Bank Limited	93,895	-	-	93,895	-	-	-	-	-	-	-
Askari Bank Limited	673,932	2,788,500	-	859,500	2,602,932	39,252	44,822	5,570	0.05	4.22	0.32
Bank Alfalah Limited	4,436,246	598,683	-	5,034,929	-	-	-	-	-	-	-
Bank AL Habib Limited	1,502,992	1,659,500	-	1,740,500	1,421,992	42,196	45,120	2,924	0.05	4.25	0.14
MCB Bank Limited	46,554	266,600	-	303,100	10,054	2,076	2,109	33	0.00	0.20	0.00
Meezan Bank Limited	-	533,500	-	-	533,500	15,658	16,032	374	0.02	1.51	0.06
National Bank of Pakistan	154,000	840,500	-	910,000	84,500	3,843	4,173	330	0.00	0.39	0.00
JS Bank Limited	-	750,000	-	750,000	-	-	-	-	-	-	-
United Bank Limited	629,345	803,000	-	1,242,249	190,096	14,590	15,905	1,315	0.02	1.50	0.02
BankIslami Pakistan Limited	-	22,000	-	-	22,000	198	203	5	0.00	0.02	0.00
						117,813	128,364	10,551			
NON LIFE INSURANCE											
Pakistan Reinsurance Company Limited	-	1,285,100	-	735,500	549,600	10,471	13,438	2,967	0.01	1.27	0.18
						10,471	13,438	2,967			
Total as at 31 December 2012						888,139	965,987	77,848			
Total as at 30 June 2012						792,685	842,646	49,961			

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 as a percentage of total investments	Market value as a percentage of total net assets	Paid up value of shares held as a 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 cost as at 31 December 2012	Market value as at 31 December 2012	(Diminution) /appreciation			
	----- (Rupees in 000) -----										
6.2 Unquoted equity securities											
Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
Pakistan International Bulk Terminal Limited (Note 6.2.1)	301,387	-	-	-	301,387	3,014	2,966	(48)	0.00	0.28	0.01
						3,014	2,966	(48)			
Total 31 December 2012						3,014	2,966	(48)			
Total as at 30 June 2012						3,014	3,014	-			

6.2.1 Last year Pakistan International Container Terminal Limited distributed specie dividend in the form of shares of its wholly owned unlisted subsidiary i.e. Pakistan International Bulk Terminal (Private) Limited (PIBTL) approved in its EOGM held on 3 August 2011. Listing of above shares is in progress and in absence of quoted price management has valued such shares at its breakup value based on annual audited financial statements of PIBTL as at 30 June 2012. The management in anticipation of listing of such shares has classified it as 'at fair value through profit or loss'- held for trading.

6.2.2 The market value as at 31 December 2012 of Lafarge Pakistan Cement Limited is Rs. 5.07 per share.

6.2.3 Investments as at 31 December 2012 include shares having a market value of Rs. 40.997 million (30 June 2012: 36.357 million) 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 23 October 2007 issued by the Securities & Exchange Commission of Pakistan.

6.3 Government securities -' at 'fair value through profit or loss'

Issue date	Face value			As at 31 December 2012	Carrying Cost as at 31 December 2012	Market value as at 31 December 2012	Appreciation /(diminution) as at 31 December 2012	Market value as a	
	As at 1 July 2012	Purchases during the period	Sales / matured during the period					percentage of investments	net assets
----- (Rupees in '000) -----									
Market Treasury Bills									
Treasury bills - 3 months	50,000	125,000	175,000	-	-	-	-		
Treasury bills - 6 months	-	148,000	125,000	23,000	22,781	22,793	12	2%	2%
Total as at 31 December 2012	50,000	273,000	300,000	23,000	22,781	22,793	12		

7. CONTINGENCIES AND COMMITMENTS

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 an 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 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.

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

Subsequent to 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 High Court of Sindh. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company in this condensed interim financial information. The aggregate unrecognised amount of WWF as at 31 December 2012 amounted to Rs. 20.351 million. (NAV per unit Rs. 1.213)

8 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 Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management 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.

9 EARNINGS PER UNIT

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

10 TRANSACTIONS WITH CONNECTED PERSONS

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 Trustee, directors and key management personnel and other associated undertaking.

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

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.

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

10.1 Details of transactions with connected persons are as follows:

	Six months period ended 31 December		Quarter ended 31 December	
	2012	2011	2012	2011
	----- (Rupees in '000) -----			
Arif Habib Investment Management Limited - Management Company				
Remuneration during the period	<u>10,585</u>	<u>10,626</u>	<u>5,468</u>	<u>5,031</u>
Sindh sales tax on management fee	<u>1,694</u>	<u>1,700</u>	<u>875</u>	<u>805</u>
Summit Bank Limited				
Profit on deposit accounts	<u>19</u>	<u>487</u>	<u>3</u>	<u>234</u>
MCB Bank Limited				
Profit on deposit accounts	<u>626</u>	<u>428</u>	<u>263</u>	<u>428</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee	<u>1,028</u>	<u>1,032</u>	<u>525</u>	<u>504</u>
CDS charges	<u>79</u>	<u>33</u>	<u>41</u>	<u>21</u>
Shares of MCB Bank Limited				
10,054 shares at 31 December 2012 (2011: 202,028) and 92,154 shares as on quarter end (2011: Nil)	<u>2,109</u>	<u>27,193</u>	<u>17,143</u>	<u>-</u>
Next Capital Limited				
Brokerage *	<u>194</u>	<u>-</u>	<u>87</u>	<u>-</u>
Nishat Mills Limited				
Dividend income	<u>3,140</u>	<u>-</u>	<u>3,140</u>	<u>-</u>
Nishat Chunian Power Limited				
Dividend income	<u>1,910</u>	<u>-</u>	<u>1,910</u>	<u>-</u>
D.G Khan Cement Company Limited				
Dividend income	<u>962</u>	<u>-</u>	<u>962</u>	<u>-</u>
MCB Bank Limited				
Dividend income	<u>289</u>	<u>-</u>	<u>15</u>	<u>-</u>
Other Related Parties - Directors and Executive of the Management Company				
Issue of 849 units (2011: 14,572 units) during the six months period ended	<u>51</u>	<u>805</u>	<u>-</u>	<u>805</u>
Issue of Nil bonus units (2011: 3,519 units) for six months period ended	<u>-</u>	<u>189</u>	<u>-</u>	<u>-</u>
Redemption of 30,502 units (2011: 11,128 units) during the six months period ended	<u>1,730</u>	<u>606</u>	<u>-</u>	<u>578</u>

* 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.

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

	(Unaudited) 31 December 2012 (Rupees in '000)	(Audited) 30 June 2012
10.2 Amounts outstanding as at the period / year end :		
Summit Bank Limited		
Accrued mark-up receivable	<u>2</u>	<u>4</u>
Balances with bank	<u>1,932</u>	<u>1,961</u>
MCB Bank Limited		
10,054 Shares held (30 June 2012: 46,554)	<u>2,109</u>	<u>7,739</u>
Accrued mark-up receivable	<u>27</u>	<u>927</u>
Balances with bank	<u>27,767</u>	<u>7,316</u>
Arif Habib Investment Management Limited Management Company		
Management fee payable	<u>2,095</u>	<u>1,755</u>
Sales load payable	<u>313</u>	<u>253</u>
Directors and Executive of the Management Company		
Units held 17,374 (June 2012: 33,394 units)	<u>1,101</u>	<u>1,734</u>
Central Depository Company of Pakistan Limited - Trustee		
Security Deposit	<u>200</u>	<u>200</u>
Trustee fee and CDS charges	<u>176</u>	<u>166</u>
Next Capital		
Brokerage payable *	<u>115</u>	<u>68</u>
Nishat Mills Limited		
854,500 shares held (30 June 2012: NIL shares)	<u>54,560</u>	<u>-</u>
Nishat Power Limited		
410,500 shares held (30 June 2012: Nil shares)	<u>8,005</u>	<u>-</u>
Fatima Fertilizer Company Limited		
490,500 shares held (30 June 2012: 1,799,315 shares)	<u>12,949</u>	<u>44,389</u>
D.G Khan Cement Company Limited		
400,250 shares held (30 June 2012: 187,250)	<u>21,846</u>	<u>7,374</u>
Pakgen Power Limited		
145,500 shares held (30 June 2012: NIL shares)	<u>3,061</u>	<u>-</u>
Nishat Chunian Power Limited		
NIL shares (30 June 2012: 1,587,842 shares)	<u>-</u>	<u>23,548</u>

11 DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on February 04, 2013.



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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