

Quarterly Report

March 31, 2014
(Unaudited)



**Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited**
(formerly: Arif Habib Investments Ltd.)

MCB
CASH MANAGMENT OPTIMIZER

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited (Formerly: 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 Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman 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 Habib Metropolitan Bank Limited Bank Al-Falah Limited Habib Bank Limited Faysal Bank Limited United Bank Limited National Bank Limited Standard Chartered Bank of Pakistan Limited Allied Bank Limited Askari 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	MCB-Arif Habib Savings and Investments Limited (Formerly: 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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Cash Management Optimizer's** accounts review for the nine months ended March 31st 2014.

ECONOMY AND MONEY MARKET OVERVIEW

Despite implementation of fiscal reforms, inflation managed to remain in the single digit with CPI averaging around 8.64% during the first nine months of current fiscal year. The Current Account balance remained in pressure posting a deficit of \$2.02 billion during the 8MFY14 as opposed to deficit of USD \$0.83 billion reported in corresponding period last year. Last year's saving grace came in the form of proceeds under Coalition Support Funds (CSF) where the country received \$1.806bn in 1HFY13 as opposed to inflows of \$675 million received during the first nine months of the current fiscal year.

During the year, the country successfully managed to enter into a three-year \$6.6 billion loan program with IMF. Out of total financing of around \$2.2 billion scheduled for FY14 under IMF Extended Fund Facility (EFF), the country received three tranches of around \$540 million each during 9MFY14. While out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$2.52 billion to IMF during 9MFY14.

The reserves remained under pressure given that the country was scheduled to repay \$4.524 billion to foreign donors during 9MFY14. However, generosity on the part of multilateral agencies and close allies helped improve reserve balance to \$9.86 billion as on 28-March-2014 from the nine-month low of \$7.59 billion touched on 7-February-2014. Not to mention, the country received \$1.5 billion from a friendly country in March 2014. Hence, the local currency managed to appreciate to Rs98 against dollar towards the end of the 3QFY14 after touching a record low of Rs108.6 against dollar on 5-December-2013.

Although the government had twice announced 50 bps hikes in the discount rate in the monetary policy held in September and November, decrease in inflationary pressures and improvement in foreign reserve balance during 3QFY14 point towards monetary easing down the line.

The Money Market was moderately short of liquidity during FY14 where on numerous occasions financial institutions utilized ceiling in order to manage liquidity efficiently. The yield curve adjusted significantly upwards during the ongoing fiscal year, with 6-month PKRV at around 10% as on 31- March 2014 as opposed to 8.92% as on 30-June- 2013.

PKRV for PIBs remained volatile during the year. Despite stable to declining interest rate outlook on account of increase in foreign reserves balance, which resulted in Rupee appreciation and appeased inflationary pressures, interest rate on PIB increased towards the end of the 3QFY14 on the back of the government's growing appetite to raise money through longer tenure papers. This can be gauged from the fact that the Government managed to raise a total of Rs 974bn through PIB auction in 3QFY14 as opposed to the target of Rs 180 billion.

M2 has expanded by 5.14% during the 9MFY14 (till 28th March) as opposed to expansion of 8.83% during the same period last year. At the same time, the net borrowing from the banking system increased by Rs 502.7 billion as opposed to Rs 856.5 billion raised during the same period last year.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 8.01% as against its benchmark return of 7.12%, an out performance of 0.89%. The fund changed its WAM significantly several times during the period to take advantage of varying interest rate scenarios. During monitoring easing phase by SBP WAM was kept between 39-90 days range. After realizing gains from downward adjustment in the yield curve, the fund gradually lowered its portfolio WAM to around 33 days end December, which stands at around 39 days at the end of the period.

The fund was around 54.0% invested in T-Bills, 24.3% in TDR, 13.7% in Cash and 7.6% in PIBs at the end of the period.

The Net Asset of the Fund as at March 31, 2014 stood at Rs.14.288 billion as compared to Rs 11.075 billion as at June 30, 2013 registering a increase of 29%.

The Net Asset Value (NAV) per unit as at March 31, 2014 was Rs. 100.0857 as compared to opening NAV of Rs.101.0952 per unit as at June 30, 2013 registering decrease of Rs. 1.0095 per unit.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

Income Distribution

During the period The Management Company has announced the following interim distribution:

Date of distribution	Rs. Per unit distribution
July 26, 2013	0.5240
August 27, 2013	0.6020
September 26, 2013	0.6332
October 29, 2013	0.7058
November 28, 2013	0.6127
December 27, 2013	0.6487
January 28, 2014	0.7154
February 27, 2014	0.6940
March 27, 2014	0.6334

FUTURE OUTLOOK

The government expects reserve position to improve further towards the end of the ongoing fiscal year on the back of significant improvement in foreign direct investments and pledges made by multilateral agencies. The country is scheduled to pay more than \$1.2 billion to external official creditors in the last quarter, while the government is eyeing to raise foreign inflows through Euro bonds, 3G auction, and outstanding payments from Etisalat.

Earnings growth is expected to continue in E&P, Power and Cement sector, while the rupee appreciation bodes well for pharmaceutical and chemical companies. Rupee strengthening after a long slide has contributed towards a change in the outlook. The budgeted implications of a stronger rupee will unfold in the next few months. Going forward, fixed income funds are expected to strengthen on the back of widening gaps between short and mid-term yields. Going forward despite continued lower range of CPI inflation, further rate cut seems a distant possibility given deteriorating fiscal and external accounts, significant IMF repayments ahead and alarming monetary growth – while the potential return to the IMF may result in a cycle of monetary tightening by end of 2Q CY13. 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 relatively less active, especially on the longer end, with the anticipation of no rate cut and possible rate hikes in the next 2-4 months. In this backdrop, the activities are expected to be concentrated at short-end Treasury Bills going forward.

In this fast changing interest rate environment, the fund would deploy its assets in attractive low risk instruments with a strong focus on its portfolio's duration to take advantage of the varying interest rate scenario.

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.

For and on behalf of the board



Yasir Qadri

Chief Executive Officer

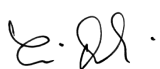
Karachi: April 21, 2014

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT MARCH 31, 2014

	<i>Note</i>	March 31 2014 (Unaudited) (Rupees in '000)	June 30 2013 (Audited)
Assets			
Balance with banks	6	1,974,670	2,152,639
Investments	7	8,890,437	9,014,484
Term deposit receipts	8	3,500,000	-
Prepayments, profit and other receivable		59,920	6,502
Preliminary expenses and floatation charges		496	1,246
Total assets		14,425,523	11,174,871
Liabilities			
Payable to the Management Company		14,478	12,090
Payable to Central Depository Company of Pakistan Limited - Trustee		938	771
Annual Fee payable to Securities and Exchange Commission of Pakistan		7,427	7,770
Accrued and other liabilities	9	114,373	79,710
Total liabilities		137,216	100,341
Net assets		14,288,307	11,074,530
Unit holders' funds		14,288,307	11,074,530
(Number of units)			
Number of units in issue		142,760,660	109,545,606
(Rupees)			
Net asset value per unit		100.0857	101.0952

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)




Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

	Note	Nine months ended March 31		Quarter ended March 31	
		2014	2013	2014	2013
		----- (Rupees in '000) -----			
Income					
Capital gain / (loss) on sale of investments - net		8,338	37,441	1,302	(1,673)
Income from government securities		733,014	655,769	251,796	154,202
Income from reverse repurchase transactions in government securities		168	1,322	-	-
Profit on Term Deposit Receipt		87,590	75,455	69,939	40,982
Profit on bank deposits		109,926	75,347	34,166	25,842
		<u>939,036</u>	<u>845,334</u>	<u>357,203</u>	<u>219,353</u>
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'		(3,230)	(2,774)	1,124	(2,941)
Total income		<u>935,806</u>	<u>842,560</u>	<u>358,327</u>	<u>216,412</u>
Expenses					
Remuneration of Management Company		94,490	82,426	35,979	21,805
Sales tax and Federal Excise Duty on Management Fee		32,656	13,188	12,435	3,489
Remuneration of Central Depository Company of Pakistan Limited - Trustee		7,537	6,662	2,711	2,052
Annual fee to Securities and Exchange Commission of Pakistan		7,427	5,850	2,695	1,775
Auditor's remuneration		576	635	220	76
Amortisation of preliminary expenses		751	751	247	247
Brokerage expenses		667	889	173	215
Other expenses		692	691	269	274
Total operating expenses		<u>144,796</u>	<u>111,092</u>	<u>54,729</u>	<u>29,933</u>
Net operating income for the year		<u>791,010</u>	<u>731,468</u>	<u>303,598</u>	<u>186,479</u>
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		13,897	(86,475)	(4,393)	2,192
Provision for workers' welfare fund		(16,098)	(12,900)	(5,984)	(3,774)
Net income for the period before taxation		<u>788,809</u>	<u>632,093</u>	<u>293,221</u>	<u>184,897</u>
Taxation	11	-	-	-	-
Net income for the period after taxation		<u>788,809</u>	<u>632,093</u>	<u>293,221</u>	<u>184,897</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>788,809</u>	<u>632,093</u>	<u>293,221</u>	<u>184,897</u>
Earnings per unit	12				

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

	Note	Nine months ended March 31		Quarter ended March 31	
		2014	2013	2014	2013
		----- (Rupees in '000) -----			
Undistributed income brought forward		119,962	32,255	11,984	25,567
Net income for the period		788,809	632,093	293,221	184,897
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		-	(16,759)	-	1,086
Interim distributions to the unit holders of the Fund:					
<i>Final distribution:</i>					
Final Distribution at the rate of Rs. 1.0952 (2013: Rs. nil) per unit for the year ended 30 June 2013					
Declared on 4 July 2013					
- Bonus distribution 1,199,198 units					
- Cash distribution					
<i>Interim distributions:</i>					
Issue of 7,762,750 bonus units (2012: 6,051,679 bonus units) and 2,928,694 bonus units (2012: 1,794,670 bonus units) for the six months and quarter ended respectively					
Cash distribution					
	13.	(119,920) (55)	- -	- -	- -
		(776,275) (287)	(606,199) (12,938)	(292,869) (102)	(179,773) (3,325)
		(896,537)	(619,137)	(292,971)	(183,098)
Undistributed income carried forward		12,234	28,452	12,234	28,452

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Chief Executive Officer

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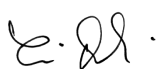


Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

	Nine months ended March 31		Quarter ended March 31	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	11,074,530	18,971,363	14,331,536	8,487,001
Issue of 148,653,790 units (2013: 135,630,662 units) and 40,983,559 units (2013: 54,736,752 units) for the nine months and quarter ended respectively	14,915,396	13,714,415	4,109,896	5,499,012
Issue of 8,961,948 bonus units (2013: 6,051,679 bonus units) and 2,928,695 bonus units (2013: 1,794,670 bonus units) for the nine months and quarter ended respectively	896,195	606,199	292,870	179,773
Redemption of 124,400,684 units (2013: 240,084,493 units) and 44,347,036 units (2013: 50,156,836 units) for the nine months and quarter ended respectively	(12,476,188)	(24,264,060)	(4,450,637)	(5,038,045)
	3,335,403	(9,943,446)	(47,871)	640,740
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:				
- amount representing loss / (income) and capital losses / (gains) transferred to income statement	(13,897)	86,475	4,393	(2,192)
- amount representing (income) / loss that forms part of unit holder's fund transferred to distribution statement	-	16,759	-	(1,086)
	(13,897)	103,234	4,393	(3,278)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to distribution statement	-	(16,759)	-	1,086
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 on sale of investments)	783,701	597,426	290,795	189,511
Capital gain on sale of investments - net	8,338	37,441	1,302	(1,673)
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss'	(3,230)	(2,774)	1,124	(2,941)
	788,809	632,093	293,221	184,897
Interim distributions to the unit holders of the Fund:				
Distributions during the period	(896,537)	(619,137)	(292,971)	(183,098)
Net assets at end of the period	14,288,308	9,127,348	14,288,308	9,127,348

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

	Nine months ended March 31		Quarter ended March 31	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	788,809	632,093	293,221	184,897
Adjustments for non cash and other items:				
Capital gain on sale of investments - net	(8,338)	(37,441)	(1,302)	1,673
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	3,230	2,774	(1,124)	2,941
Amortisation of preliminary expenses	751	751	247	247
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(13,897)	86,475	4,393	(2,192)
	<u>(18,254)</u>	<u>52,559</u>	<u>2,214</u>	<u>2,669</u>
	770,555	684,652	295,435	187,566
Decrease / (increase) in assets				
Investments	129,154	(295,164)	(820,308)	(2,487,152)
Term Deposit Receipts	(3,500,000)	-	(1,700,000)	
Prepayments, profit and other receivable	(53,418)	33,146	(43,268)	22,493
	<u>(3,424,264)</u>	<u>(262,018)</u>	<u>(2,563,576)</u>	<u>(2,464,659)</u>
(Decrease) / increase in liabilities				
Payable to the Arif Habib Investments Limited - Management Company	2,388	(13,362)	(272)	(531)
Payable to Central Depository Company of Pakistan Limited - Trustee	167	(562)	29	5
Annual Fee payable to Securities and Exchange Commission of Pakistan	(343)	(3,922)	2,695	1,775
Accrued expenses and other liabilities	34,663	12,540	13,668	3,117
	<u>36,875</u>	<u>(5,306)</u>	<u>16,120</u>	<u>4,366</u>
Net cash flow (used in) / generated from operating activities	<u>(2,616,834)</u>	<u>417,328</u>	<u>(2,252,021)</u>	<u>(2,272,727)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	14,915,395	13,714,415	4,109,896	5,499,011
Payments on redemption of units	(12,476,188)	(24,264,060)	(4,450,637)	(5,038,044)
Cash distribution	(342)	(12,938)	(102)	(3,325)
Net cash generated / (used in) from financing activities	<u>2,438,865</u>	<u>(10,562,583)</u>	<u>(340,843)</u>	<u>457,642</u>
Net (decrease) / increase in cash and cash equivalents	<u>(177,969)</u>	<u>(10,145,255)</u>	<u>(2,592,864)</u>	<u>(1,815,085)</u>
Cash and cash equivalents at beginning of the period	2,152,639	16,329,963	4,567,534	7,999,793
Cash and cash equivalents as at end of the period	<u>1,974,670</u>	<u>6,184,708</u>	<u>1,974,670</u>	<u>6,184,708</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.


Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)


Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Cash Management Optimizer (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, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 30 July 2009. It was constituted under a Trust Deed dated 10 July 2009 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 as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Board of Directors have approved that the Fund should be categorised as "Money Market Scheme" as per the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated 6 March 2009.

Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, during the year ended 30 June 2013, the name of the company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

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 end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from other 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 purely a money market fund and has a policy to invest in short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks, with a maximum maturity of 180 days and weighted average maturity upto 90 days. The objective of the fund is to provide competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

1.3 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2' to the Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) 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 requirements of the International Accounting Standard 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 NBC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or 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) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

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 2013.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2013, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the nine months ended 31 March 2014

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

This condensed interim financial information are unaudited.

2.2 The Directors of the asset management company declare that this condensed interim financial information gives a true and fair view of the Fund.

2.3 This condensed interim financial information has been prepared on the basis of historical cost convention except that investments have been included at fair value.

2.4 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in 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 2013.

3.1 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the fund operations and did not resulted in change to the funds operation and did not resulted in change in accounting policy of the fund except for, where applicable, change in presentation and additional disclosures.

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 2013.

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 2013.

6	BALANCE WITH BANKS		31 March	30 June
			2014	2013
			(Unaudited)	(Audited)
			(Rupees in '000)	
	Saving accounts	6.1	1,974,637	2,152,609
	Current accounts		33	30
			1,974,670	2,152,639

6.1 These carry mark-up at rates ranging between 6% to 10.4% per annum (30 June 2013: 6% to 12.25% per annum).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

7. INVESTMENTS

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

Government of Pakistan Ijara Sukuk
Market Treasury Bills
Pakistan Investment Bonds

31 March 2014 (Unaudited)	30 June 2013 (Audited)
(Rupees in '000)	
	400,600
7.1	8,613,884
7.1	-
7.1	9,014,484
8,890,437	

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

Tenor	Face value				Balance as at 31 March 2014		Market value	
	As at 1 July 2013	Purchases during the period	Sales /matured during the period	As at 31 March 2014	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
(Rupees in '000)								
Investment in Ijara Sukuk								
Ijarah sukuk V - 3 years	400,000	200,000	600,000	-	-	-	0.00%	0.00%
Total of Investment in Ijara Sukuk - 31 March 2014							0.00%	0.00%
Total of Investment in Ijara Sukuk - 30 June 2013					400,400	400,600		
Investment in Pakistan Investment Bond								
Pakistan Investment Bond	-	7,000,000	-	7,000,000	703,604	702,926	4.92	7.91
Pakistan Investment Bond	-	3,926,000	-	3,926,000	391,291	391,817		
Total of Investment in Pakistan Investment Bond - 31 March 2014					1,094,895	1,094,743		
Total of investment in Pakistan Investment Bond - 30 June 2013					-	-		
Investment in Market Treasury Bills								
Treasury bills - 3 months	2,961,000	52,912,500	49,319,500	6,554,000	6,478,921	6,476,724	45.33	72.85
Treasury bills - 6 months	4,850,000	10,949,070	14,499,070	1,300,000	1,261,405	1,260,574	8.82	14.18
Treasury bills - 12 months	1,000,250	8,350,132	9,290,382	60,000	58,447	58,396	0.41	0.66
Total of Investment in Market Treasury Bills - 31 March 2014					7,798,773	7,795,694		
Total of investment in Market Treasury Bills - 30 June 2013					8,607,677	8,613,884		
Total Investment in Government Securities - 31 March 2014					8,893,668	8,890,437		
Total Investment in Government Securities - 30 June 2013					9,008,077	9,014,484		

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

8. TERM DEPOSIT RECEIPTS

These carry interest at rates ranging between 10% to 10.40% per annum (30 June 2013: nil) and are maturing at various dates upto 17 April 2014.

9 ACCRUED EXPENSES AND OTHER LIABILITIES

		31 March 2014 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
Auditors' remuneration		514	470
Withholding tax payable		37	223
Others		453	393
FED Payable on Remuneration to Management	9.1	18,647	1,110
Provision for Workers' Welfare Fund	9.2	94,722	78,624
		114,373	80,820

9.1 The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies .In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sinsh High Court (HSC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment . The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this condensed interim financial information aggregating to Rs.18.647 million as at 31 March 2014. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.1306 per unit as at 31 March 2014.

9.2 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.

On 15 July 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.

During the year ended 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions filed by companies other than mutual funds declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

As the matter relating to levy of WWF on CISs is currently pending in the SHC, the Management Company has decided to retain and continue with the provision for WWF in its books of account and financial statements aggregating to Rs. 94.72 million as at March 31, 2014. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.6635 per unit.

10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 March 2014.

11 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 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.

12 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 EPU is not practicable.

13. INTERIM DISTRIBUTIONS

Date	Rate per unit	Bonus		Cash Distribution	Total
		Units	Amount		
				(Rupees in '000)	
26 July 2013	Re. 0.5240	636,361	63,636	26	63,662
27 August 2013	Re. 0.6020	721,359	72,136	30	72,166
26 September 2013	Re. 0.6332	766,956	76,696	32	76,728
29 October 2013	Re. 0.7058	854,442	85,444	35	85,479
28 November 2013	Re. 0.6127	891,695	89,170	30	89,200
27 December 2013	Re. 0.6487	963,243	96,324	32	96,356
28 January 2014	Re. 0.7154	979,672	97,967	36	98,003
27 February 2014	Re. 0.6940	1,042,668	104,267	34	104,301
27 March 2014	Re. 0.6334	906,354	90,635	32	90,667
		7,762,750	776,275	287	776,562

14 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 Trustee, directors and key management personnel and other associated undertakings.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the 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 THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

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

	Unaudited			
	Nine months ended		Quarter ended	
	31 March		31 March	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited)				
Remuneration of Management Company (including indirect taxes)	<u>127,146</u>	<u>95,614</u>	<u>48,414</u>	<u>25,294</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of Trustee	<u>7,537</u>	<u>6,662</u>	<u>2,711</u>	<u>2,052</u>
MCB Bank Limited				
Profit on bank deposits	<u>4,306</u>	<u>9,181</u>	<u>1,654</u>	<u>861</u>
Bank Charges	<u>26</u>	<u>37</u>	<u>13</u>	<u>10</u>

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

	31 March 2014 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited)		
Management Fee Payable	<u>12,336</u>	<u>9,451</u>
Sindh sales tax payable on management fee	<u>1,974</u>	<u>1,665</u>
Sales load payable	<u>169</u>	<u>17</u>
Central Depository Company of Pakistan Limited - Trustee		
Payable to Trustee	<u>938</u>	<u>771</u>
MCB Bank Limited		
Bank balances	<u>20,672</u>	<u>21,311</u>
Profit receivable on bank balances	<u>946</u>	<u>87</u>
Bank Charges	<u>13</u>	<u>45</u>

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

	Unaudited			
	Nine months ended		Nine months ended	
	31 March 2014		31 March 2013	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
Nishat Mills Limited	-	-	-	-
Adamjee Insurance Company Limited	<u>7,490,188</u>	<u>750,000</u>	<u>25,229,354</u>	<u>2,568,281</u>
Adamjee Life Assurance Company Limited Nuil Fund	<u>403,894</u>	<u>40,500</u>	<u>276,942</u>	<u>28,214</u>
Adamjee Life Assurance Company Limited IMF	<u>1,808,066</u>	<u>181,500</u>	-	-
Adamjee Life Assurance Company Limited ISF	<u>676,883</u>	<u>67,900</u>	<u>9,919</u>	<u>1,008</u>
Adamjee Life Assurance Company Limited ISF II	<u>641,871</u>	<u>64,400</u>	<u>67,134</u>	<u>6,851</u>
Adamjee Life Assurance Company Limited	<u>-</u>	<u>-</u>	<u>97,793</u>	<u>10,075</u>
MCB-Arif Habib Savings and Investments Limited (formerly: Arif Habib Investments Limited)	<u>49,887</u>	<u>5,000</u>	-	-
Mandate Under Discretionary Portfolio Services	<u>1,103,406</u>	<u>610,313</u>	<u>90,386</u>	<u>9,150</u>
Key management personnel	<u>94,646</u>	<u>9,502</u>	<u>25,955</u>	<u>2,644</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 31 MARCH 2014

	31 March 2014 (Unaudited)	30 June 2013 (Audited)	31 March 2014 (Unaudited)	30 June 2013 (Audited)
	Units		(Rupees in '000)	
Bonus units issued to:				
MCB-Arif Habib Savings and Investments Limited (formerly: Arif Habib Investments Limited)	664	66	-	-
Nishat Mills Limited	98,312	9,831		
Staff Provident Fund of Management Company	13	1	230	23
Adamjee Insurance Company Limited	1,055,693	105,569	423,386	42,411
Adamjee Life Assurance Company Limited Nuil Fund	6,801	680	4,010	402
Adamjee Life Assurance Company Limited IMF	26,645	2,665	111	11
Adamjee Life Assurance Company Limited ISF	8,495	850	294	29
Adamjee Life Assurance Company Limited ISF II	4,383	438	1,085	109
Adamjee Life Assurance Company Limited	14,629	1,463	19,768	1,980
Mandate Under Discretionary Portfolio Services	25,745	2,574	6,153	616
Key management personnel	1,882	188	1,669	167
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited (formerly: Arif Habib Investments Limited)	-	-	145,512	14,698
MCB Bank Limited	-	-	69,330,201	6,966,084
Nishat Mills Limited	9,074,948	910,297	-	-
Staff Provident Fund of Management Company	839	84	23,576	2,385
Adamjee Insurance Company Limited	11,757,245	1,180,398	20,446,563	2,074,330
Adamjee Life Assurance Company Limited Nuil Fund	431,491	43,344	275,996	28,000
Adamjee Life Assurance Company Limited IMF	1,869,619	187,733	2,385	240
Adamjee Life Assurance Company Limited ISF	724,628	72,784	38,724	3,950
Adamjee Life Assurance Company Limited ISF II	656,239	65,864	108,285	11,014
Adamjee Life Assurance Company Limited	284,900	28,660	100,404	10,176
Mandate Under Discretionary Portfolio Services	1,129,953	113,355	18,766	1,900
Key management personnel	85,845	8,616	96,093	9,696
Units held by:				
MCB-Arif Habib Savings and Investments Limited (formerly: Arif Habib Investments Limited)	50,551	145,512	5,059	14,568
Adamjee Insurance Company Limited	13,825,097	17,036,461	1,383,695	1,722,304
Adamjee Life Assurance Company Limited	-	270,270	-	27,323
Adamjee Life Assurance Company Limited - NUIL Fund	-	20,796	-	2,102
Adamjee Life Assurance Company Limited - IMF Fund	-	34,908	-	3,529
Adamjee Life Assurance Company Limited - ISF Fund	-	39,250	-	3,968
Adamjee Life Assurance Company Limited - ISF-II Fund	-	9,986	-	1,010
Pakistan Petroleum Limited	-	9,285,822	-	928,046
Nishat Mills Limited	-	8,976,635	-	907,495
Mandate Under Discretionary Portfolio Services	199,777	826	31,739	84
Key management personnel	14,223	3,538	1,424	358

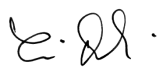
15. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on 21-April-2014

16. GENERAL

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

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)


Chief Executive Officer


Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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