

Quarterly Report

March 31, 2014
(Unaudited)



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

MCB
DYNAMIC ALLOCATION FUND

CONTENTS

Fund's Information	171
Report of the Directors of the Management Company	172
Condensed Interim Statement of Assets and Liabilities	174
Condensed Interim Income Statement (Un-audited)	175
Condensed Interim Distribution Statement (Un-audited)	176
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	177
Condensed Interim Cash Flow Statement (Un-audited)	178
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	179

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 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	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 Dynamic Allocation Fund'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.

EQUITIES MARKET OVERVIEW

Stock market started FY14 on a positive note on the back of smooth political transition. Though steep rupee depreciation had kept stock market under pressure during August and September, recovery in foreign reserve balance towards the end of 3QFY14 lifted the benchmark index to 27,159.91 by the end of March, 2014, marking a growth of 29.3% since the start of the current fiscal year.

A combination of improving economic indicators, strong inherent bottom line growth and healthy payouts helped keep the investors' interest alive in the stock market. The rally remained broad based, but interest largely remained in Textile, Construction & Materials, Oil & Gas, Pharmaceuticals and Power Sectors on the heels of success in getting GSP+ status, increase in margins of cement companies, increase in oil production and significant rupee depreciation during the 1HFY14.

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

Foreigners remained net buyers during the period with a cumulative net inflow of \$ 22.8 million, while the average turnover stood at around 214 million shares during the 9MFY14 as opposed to 170 million shares during the same period last year.

FUND PERFORMANCE

The fund posted a return of 7.60% during the period under review while since inception return of fund stood at 31.79%. On the equities front fund changed its overall equity and sector allocations several times in response to varying investment climate. End of the period equity allocation of fund was around 22.0% as compared to beginning of the period allocation of around 38.8%. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks. During the period under review, the fund mainly reduced its exposure Oil and Gas, Banks, Chemicals, Electricity, and Pharma and Biotech while increased its exposure towards General Industries.

On the fixed income side, the fund significantly increased its exposure in Government papers to 66.3% from 29.2% at June 30, 2013 in order to capitalize on the downward adjustments in the yield curve that resulted in sizeable capital gains. Duration of fixed income portfolio was adjusted several times during the period to capitalize on the fluctuating liquidity and interest rates in the market. TFC exposure was reduced from 7.9% to 3.2% during the period.

The Net Asset of the Fund as at March 31, 2014 stood at Rs.780 million as compared to Rs 433 million as at June 30, 2013 registering a increase of 80.14%.

The Net Asset Value (NAV) per unit as at March 31, 2014 was Rs.76.7890 as compared to opening NAV of Rs.84.2804 per unit as at June 30, 2013 registering a decrease of Rs. 7.4914 per unit.

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.

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 31 MARCH 2014

	Note	31 March 2014 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
Assets			
Balances with banks	6	38,012	68,364
Investments	7	731,560	340,218
Dividend and profit receivables		12,935	3,687
Receivable against sale of investment		4,121	10,128
Advances, deposits and prepayments		4,316	4,284
Receivable from National Clearing Company of Pakistan Limited		-	12,764
Total assets		790,944	439,445
Liabilities			
Payable to the Management Company		2,280	1,094
Payable to Central Depository Company of Pakistan Limited - Trustee		119	59
Payable to Securities and Exchange Commission of Pakistan		454	233
Fair value of Derivative Liability		-	243
Accrued expenses and other liabilities	8	8,003	5,136
Total liabilities		10,856	6,765
Net assets		780,088	432,680
Unit holders' fund		780,088	432,680
Contingencies and commitments	9		
		(Number of units)	
Number of units in issue (face value of units is Rs. 100 each)		10,158,849	5,133,825
		(Rupees)	
Net asset value per unit		76.79	84.28

The annexed notes 1 to 14 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

	Nine months ended		Quarter ended	
Note	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	(Rupees in '000)			
Income				
Capital gain on sale of investments	13,349	23,729	10,848	6,527
Loss from spread transactions	-	(5,598)	-	(73)
Dividend income	13,273	7,089	1,980	1,170
Profit on bank deposits	6,980	2,669	2,538	742
Income from government securities	25,397	5,921	10,524	2,009
Income from term finance certificates	2,362	2,893	721	985
Other Income	17	39	6	32
	61,378	36,742	26,617	11,392
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	3,890	710	2,279	(1,612)
Total income	65,268	37,452	28,896	9,780
Expenses				
Remuneration of the Management Company	9,119	2,469	3,348	866
Sindh Sales tax and Federal Excise Duty on Management Fee	3,151	395	1,157	138
Remuneration of Central Depository Company of Pakistan Limited - Trustee	955	525	334	172
Annual fee to Securities and Exchange Commission of Pakistan	454	156	159	54
Brokerage and settlement charges	3,563	1,905	1,177	522
Amortisation of preliminary expenses	-	707	-	208
Auditor's remuneration	412	518	122	172
Other expenses	497	257	160	133
Total operating expenses	18,151	6,932	6,457	2,265
Net income from operating activities	47,117	30,520	22,439	7,515
Element of income and capital gains included in the prices of units issued less those in units redeemed	8,968	1,504	4,655	1,858
Provision for workers' welfare fund	8.2 (1,122)	-	(542)	-
Net income for the period before taxation	54,963	32,024	26,552	9,373
Taxation	10 -	-	-	-
Net income for the period after taxation	54,963	32,024	26,552	9,373
OTHER COMPREHENSIVE INCOME				
Net unrealised appreciation during the period in the market value of investment classified as 'available-for-sale'	120	-	120	-
Total other comprehensive income for the period	55,083	32,024	26,672	9,373

Earnings per unit

11

The annexed notes 1 to 14 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**

	Nine months ended		Quarter ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	----- (Rupees in '000) -----			
Accumulated loss brought forward	(80,704)	(41,637)	(242,148)	(58,470)
Other comprehensive income for the period	55,083	32,024	26,672	9,373
Element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing unrealized diminution	(143,882)	(45,064)	(20,322)	(5,580)
Final Distribution for the year ended 30 June 2013: Rs. 12.9135 (30 June 2012: nil)				
- Cash dividend	(87)	-	-	-
- Bonus distribution 927,719 units	(66,208)	-	-	-
Accumulated loss carried forward	<u>(235,798)</u>	<u>(54,677)</u>	<u>(235,798)</u>	<u>(54,677)</u>

The annexed notes 1 to 14 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)



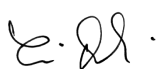
Director

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

	Nine months ended		Quarter ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	(Rupees in '000)			
Net assets at beginning of the period	432,680	100,404	702,768	218,267
Issue of 8,136,309* (2013: 2,785,943) units and 2,470,094 (2013: 536,767) units for the nine months and quarter ended respectively	599,354	207,110	188,328	43,106
Redemption of 3,111,285 (2013: 1,248,613) units and 1,760,367 (2013: 346,409) units for the nine months and quarter ended respectively	(231,766)	(96,940)	(133,025)	(27,794)
	367,588	110,170	55,303	15,312
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(8,968)	(1,504)	(4,655)	(1,858)
- amount representing (income) / loss and capital losses / (gains) transferred to distribution statement	143,882	45,064	20,322	5,580
	134,914	43,560	15,667	3,722
Element of (loss) / income and capital (losses) / gain that forms part of unit holders' fund transferred to distribution statement	(143,882)	(45,064)	(20,322)	(5,580)
Net unrealised appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	3,890	7,585	2,279	4,458
Net unrealised appreciation on re-measurement of investment classified 'financial assets as 'available-for-sale'	120	-	120	-
Capital gain on sale of investments - net	13,349	23,729	10,848	6,527
Net income for the period	37,724	710	13,425	(1,612)
Total comprehensive income for the period.	55,083	32,024	26,672	9,373
Distribution during the period	(66,295)	-	-	-
Net assets at the end of the period	780,088	241,094	780,088	241,094

* This includes 927,719 units (2012 : nil) issued as bonus units.

The annexed notes 1 to 14 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		Quarter ended	
Note	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	54,963	32,024	26,552	9,373
Adjustments				
Dividend income	(13,273)	(7,089)	(1,980)	(1,170)
Net unrealised appreciation on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	(3,890)	(710)	(2,279)	1,612
Amortization of preliminary expenses	-	707	-	208
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	(8,968)	(1,504)	(4,655)	(1,858)
	(26,131)	(8,596)	(8,914)	(1,208)
Net cash generated from operations before working capital changes	28,832	23,428	17,638	8,165
Working capital changes				
<i>(Increase) / decrease in assets</i>				
Investments - net	(387,332)	(99,590)	(311,040)	37,196
Advance against subscription of Term Finance Certificate	-	-	-	8,841
Receivable against sale of investment	6,007	-	(4,121)	-
Profits Receivable and Prepayment	(9,342)	975	(11,734)	926
Advances	(32)	-	16,850	-
Security deposits	12,764	(1,115)	19,148	(931)
	(377,935)	(99,730)	(290,897)	46,032
<i>Increase / (decrease) in liabilities</i>				
Payable to the Management Company	1,186	216	(582)	47
Payable to Central Depository Company of Pakistan Limited - Trustee	61	2	2	1
Payable to Securities and Exchange Commission of Pakistan	221	(94)	159	54
Fair value of Derivative Liability	(243)	-	-	-
Accrued expenses and other liabilities	2,867	(128)	1,381	(119)
	4,092	(4)	960	(17)
Dividend income received	13,366	6,019	1,980	100
Net cash used in operating activities	(331,645)	(70,287)	(270,319)	54,280
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	533,146	207,110	188,328	43,106
Payments against redemption of units	(231,766)	(96,899)	(133,025)	(27,753)
Distribution during the period	(87)	-	-	-
Net cash generated / (used in) from financing activities	301,293	110,211	55,303	15,353
Net increase / (decrease) in cash and cash equivalents	(30,352)	39,924	(215,016)	69,633
Cash and cash equivalents at beginning of the period	68,364	37,173	253,028	7,464
Cash and cash equivalents at end of the period	38,012	77,097	38,012	77,097

The annexed notes 1 to 14 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 Dynamic Allocation Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2007 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 17 December 2007. It was constituted under a Trust Deed dated 22 November 2007 between MCB Asset Management Company Limited (MCB-AMC) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

Pursuant to merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

The Management Company of the Fund has been licensed to act as Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

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.

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

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of "AM2" to the Management Company while the Fund has been assigned a stability short-term and long term rating of 4-star.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the 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 statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the period ended 31 March 2013.

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.

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

2.2 The Directors of the asset management company declare that this condensed interim financial information give 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. BALANCES WITH BANKS

		31 March 2014 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
Saving accounts	<i>6.1</i>	<u>38,012</u>	<u>68,364</u>

6.1 These carry mark-up at rates ranging from 6.5% to 9.25% per annum (2013: 6% to 11.5 % per annum).

7. INVESTMENTS

Financial assets at fair value through profit or loss

- Quoted equity securities	<i>7.1</i>	175,958	173,961
- Listed debt securities	<i>7.2</i>	25,330	35,219
- Government Securities	<i>7.3</i>	296,218	131,038
Available for Sale			
- Government Securities	<i>7.4</i>	234,054	-
Total Investments		<u>731,560</u>	<u>340,218</u>

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

7.1 Quoted equity securities

Name of investee company	As at 1 July 2013	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 March 2014	(Rupees in '000)					
						Carrying Cost as at 31 March 2014	Market value as at 31 March 2014	Appreciation/ (Diminution) as at 31 March 2014	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
Number of shares											
Construction & Materials											
D G Khan Cement Limited	-	1,125,500	-	1,110,500	15,000	1,292	1,380	88	0.18%	0.19%	0.003%
Maple Leaf Cement	-	1,357,000	-	1,082,000	275,000	8,188	8,094	(94)	1.04%	1.11%	0.052%
Fauji Cement Company Limited	384,500	455,000	-	839,500	-	-	-	-	-	-	-
Lucky Cement Limited	-	45,000	-	45,000	-	-	-	-	-	-	-
Cherat Cement Company Limited	-	111,000	-	111,000	-	-	-	-	-	-	-
Pioneer Cement Limited	-	469,000	-	469,000	-	-	-	-	-	-	-
Kohat Cement Company Limited	123,000	75,500	-	198,500	-	-	-	-	-	-	-
						9,480	9,474	(6)	1.22%	1.30%	
Chemicals											
Engro Corporation Limited	216,500	728,200	-	920,000	24,700	4,897	4,606	(291)	0.59%	0.63%	0.005%
Engro Fertilizer Limited	-	2,470	-	-	2,470	143	147	5	0.02%	0.02%	0.000%
Fatima Fertilizers Company Limited	446,500	683,000	-	751,000	378,500	11,033	11,915	882	1.53%	1.63%	0.018%
Fauji Fertilizer Company Limited	-	110,000	-	107,000	3,000	340	333	(7)	-	-	-
Fauji Fertilizer Bin Qasim Limited	152,000	131,500	-	283,500	-	-	-	-	-	-	-
						16,413	17,001	588	2.14%	2.28%	0.000%
Food Producers											
Engro Foods Company Limited	76,000	180,000	-	256,000	-	-	-	-	0.00%	0.00%	0.000%
						-	-	-	0.00%	0.00%	0.000%
Banks											
Bank Al-Habib Limited	138,000	394,500	-	532,500	-	-	-	-	0.00%	0.00%	-
Bank Al-Falah Limited	410,500	480,000	-	890,500	-	-	-	-	0.00%	0.00%	-
Allied Bank Limited	-	109,500	2,100	71,000	40,600	3,543	3,935	392	0.50%	0.54%	0.004%
Meezan Bank Limited	950	345,000	-	-	345,950	13,174	13,682	509	1.75%	1.87%	0.035%
National Bank of Pakistan Limited	-	637,500	-	597,500	40,000	2,135	2,162	28	0.28%	0.30%	0.002%
MCB Bank Limited	-	100,800	5,920	41,600	65,120	17,073	16,361	(712)	2.10%	2.24%	0.006%
Askari Bank Limited	15,528	-	-	15,528	-	-	-	-	-	-	-
The Bank of Punjab	-	7,500	-	7,500	-	-	-	-	-	-	-
Habib Metropolitan Bank	-	100,000	-	-	100,000	2,600	2,669	69	0.34%	0.36%	0.010%
Faysal Bank Limited	-	286,000	-	236,000	50,000	642	702	60	0.09%	0.10%	0.005%
United Bank Limited	4,000	296,200	-	300,200	-	-	-	-	-	-	-
						39,167	39,511	344	5.07%	5.40%	-

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.

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

Name of investee company	As at 1 July 2013	Number of shares			(Rupees in '000)						Par value as percentage of issued capital of the investee company	
		Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 March 2014	Carrying Cost as at 31 March 2014	Market value as at 31 March 2014	Appreciation/ (Diminution) as at 31 March 2014	Market value as percentage of net assets	Market value as percentage of total investments		
Oil and gas												
Pakistan Petroleum Limited	133,000	309,500	-	437,500	5,000	1,129	1,119	(10)	0.14%	0.15%	0.000%	
Pakistan State Oil Company Limited	66,000	561,400	-	580,400	47,000	19,848	20,055	207	2.57%	2.74%	0.019%	
National Refinery Limited	-	15,000	-	-	15,000	3,414	3,432	19	0.44%	0.47%	0.019%	
Oil and Gas Development Company Limited	14,600	271,700	-	169,600	116,700	29,997	28,140	(1,857)	3.61%	3.85%	0.003%	
Pakistan Oilfields Limited	15,000	75,400	-	54,000	36,400	19,436	19,808	372	2.54%	2.71%	0.015%	
Attock Refinery Limited	23,500	5,500	-	29,000	-	-	-	-	-	-	-	
Attock Petroleum Limited	13,500	77,550	10,570	101,620	-	-	-	-	-	-	-	
Non Life Insurance												
Adamjee Insurance Company Limited	11,500	50,500	-	62,000	-	-	-	-	-	-	-	
Pakistan Reinsurance Company Limited	28,500	-	-	28,500	-	-	-	-	0.00%	0.00%	0.000%	
Electricity												
The Hub Power Company Limited	150,000	1,735,000	-	1,839,000	46,000	2,758	2,446	(313)	0.31%	0.33%	0.004%	
Nishat Power Limited	-	895,500	-	478,500	417,000	12,980	13,181	202	1.69%	1.80%	0.118%	
Nishat Chunain Power Limited	-	600,000	-	600,000	-	-	-	-	-	-	-	
Pakgen Power Limited	-	405,000	-	405,000	-	-	-	-	-	-	-	
Kot Addu Power Company Limited	-	677,000	-	654,500	22,500	1,351	1,338	(11)	0.17%	0.18%	0.003%	
Multiutilities (Gas and Water)												
Sui Northern Gas Pipelines Limited	-	2,500	-	2,500	-	-	-	-	-	-	-	
Sui Southern Gas Pipelines Limited	-	1,000	-	1,000	-	-	-	-	-	-	-	
General Industries												
Packages Limited	-	83,000	-	40,200	42,800	11,804	14,711	2,907	1.89%	2.01%	0.051%	
Financial Services												
Arif Habib Limited	-	1,129,500	-	1,129,500	-	-	-	-	-	-	-	

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

Name of investee company	As at 1 July 2013	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 March 2014	(Rupees in '000)					Par value as percentage of issued capital of the investee company
						Carrying Cost as at 31 March 2014	Market value as at 31 March 2014	Appreciation/ (Diminution) as at 31 March 2014	Market value as percentage of net assets	Market value as percentage of total investments	
Auto mobile and Parts											
Pak Suzuki Motor Company Limited	19,000	-	-	19,000	-	-	-	-	-	-	-
Personal Goods											
Kohinoor textile Limited	-	47,500	-	47,500	-	-	-	-	-	-	-
Nishat Chunaim Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
Nishat Mills Limited	8,000	693,300	-	688,000	13,300	1,787	1,550	(236)	0.20%	0.21%	0.004%
						1,787	1,550	(236)	0.20%	0.21%	
Pharma and Bio Tech											
(Abbott Laboratories (Pakistan) Limited	-	10,000	-	-	10,000	4,213	4,192	(18)	0.54%	0.57%	0.010%
						4,213	4,192	(18)	0.54%	0.57%	
Fixed Line Telecommunication											
Pakistan Telecommunication Company Limited - Class "A"	257,000	1,434,500	-	1,691,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Software and Computer Technologies											
NetSol Technologies Limited	21,500	3,000	-	24,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Total - 31 March 2014											
						173,777	175,958	2,183	22.51%	24.01%	
Total - 30 June 2013											
						174,109	173,961	(148)	30.22%	8.45%	

7.1.1 Investments include shares with market value aggregating of Rs. 7.933 million (30 June 2013: 13.98 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.

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

7.2 Listed Debt Securities

Name of investee company	Issue Date	As at 1 July 2013	Purchased during the period	Sold / matured during the period	As at 31 March 2014	Carrying Cost as at 31 March 2013	Market value as at 31 March 2014	Appreciation/ (Diminution) as at 31 March 2013	Market value as a percentage of net assets	Market value as a percentage of total investments
Number of certificates										
(Rupees in '000)										
Certificates having a face value of Rs. 5,000 each unless stated otherwise										
Bank Alfalah Limited-V	20-Feb-13	2,000	-	-	2,000	10,153	10,192	39	1.31%	1.39%
NIB Bank Limited	5-Mar-08	2,000	-	2,000	-	-	-	-	-	-
Askari Bank Limited-III	18-Nov-09	2,998	-	-	2,998	15,105	15,138	33	1.94%	2.07%
Total - 31 March 2013						25,258	25,330	72	3.25%	3.46%
Total - 30 June 2013						35,860	35,219	(641)	8.14%	10.36%

7.3 Government Securities

Particulars	As at 1 July 2013	Purchased during the period	Sold during the period	Matured during the period	As at 31 March 2014	Carrying value as at 31 March 2014	Market Value as at 31 March 2014	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments
Face value										
(Rupees in '000)										
7.3.1 Treasury bills										
Treasury Bills - 3 Months	-	1,387,400	1,035,000	2,322,400	100,000	99,549	99,556	7	12.76%	13.61%
Treasury Bills - 1 year	7.3.1	85,000	330,000	285,000	130,000	-	-	-	0.00%	0.00%
Total - 31 March 2014						99,549	99,556	7	12.76%	13.61%
Total - 30 June 2013						78,380	78,571	191	18.16%	23.09%

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

Particulars	As at 1 July 2013	Purchased during the period	Sold during the period	Matured during the period	As at 31 March 2014	Carrying value	Market Value	Appreciation / (diminution)	Market value		
									as a percentage of net assets	as a percentage of total investments	
At fair value through profit and loss											
Pakistan Investment Bond											
PIB - 3 years	25,000	902,500	797,500	-	130,000	128,921	130,648	1,727	16.75%	17.86%	
PIB - 10 years	25,000	-	25,000	-	-	-	-	-	0.00%	-	
PIB - 5 years		65,000			65,000	66,113	66,014	(99)	8.46%	9.02%	
Total - 31 March 2014						195,034	196,662	1,628	25.21%	26.88%	
Available for sale Investments											
Pakistan Investment Bond											
PIB - 3 years	-	237,500	-	-	237,500	233,934	234,054	120	30.00%	31.99%	
Total - 31 March 2014						233,934	234,054	120	30.00%	31.99%	
Total - 30 June 2013						51,885	52,467	582	12.00%	15.00%	
Total Investment in Government Securities - 31 March 2014											
						528,517	530,272	1,755	42.76%	45.60%	
Total Investment in Government Securities - 30 June 2013						130,265	131,038	8	30.00%	38.00%	

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

8. ACCRUED EXPENSES AND OTHER LIABILITIES

		31 March 2014 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
Auditor's remuneration payable		360	400
Brokerage payable		370	366
Provision for Federal Excise Duty	8.1	1,750	58
Provision for Workers' Welfare Fund	8.2	5,087	3,965
Others		436	347
		8,003	5,136

8.1. 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 Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management 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 in this condensed interim financial information aggregating to Rs. 1.750 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 not been recorded in the books of account of the Fund, the Net Asset Value of the Fund would have been higher by Rs. 0.1723 per unit as at 31 March 2014.

8.2. 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.

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. 5.087 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. 0.5007 per unit.

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

9. Contingencies and commitments

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

10. TAXATION

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

11. EARNINGS PER UNIT

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

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by 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.

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

	Nine months ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
	(Unaudited)			
	(Rupees in '000)			
MCB-Arif Habib Savings and Investments Limited				
Remuneration of the Management Company (including indirect taxes)	<u>12,270</u>	<u>2,864</u>	<u>4,505</u>	<u>1,004</u>
Central Depository Company of Pakistan Limited				
Remuneration of the Trustee	<u>955</u>	<u>525</u>	<u>334</u>	<u>172</u>
CDC settlement charges	<u>215</u>	<u>20</u>	<u>68</u>	<u>4</u>
MCB Bank Limited				
Dividend income	<u>207</u>	<u>90</u>	<u>207</u>	<u>-</u>
Profit on bank deposits	<u>3,119</u>	<u>123</u>	<u>1,863</u>	<u>109</u>
Bank charges	<u>12</u>	<u>12</u>	<u>7</u>	<u>4</u>
Arif Habib Corporation				
Dividend income	<u>2,824</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

	Nine months ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
	----- (Unaudited) -----			
	----- (Rupees in '000) -----			
D.G. Khan Cement				
Dividend income	<u>335</u>	<u>436</u>	<u>-</u>	<u>-</u>
Nishat Chunian Power Limited				
Dividend income	<u>212</u>	<u>516</u>	<u>212</u>	<u>-</u>
Nishat Mills Limited				
Dividend income	<u>58</u>	<u>373</u>	<u>-</u>	<u>373</u>
Nishat Power Limited				
Dividend income	<u>426</u>	<u>-</u>	<u>417</u>	<u>-</u>
Arif Habib Limited				
Brokerage expense	<u>202</u>	<u>63</u>	<u>137</u>	<u>5</u>
Next Capital Limited				
Brokerage expense	<u>115</u>	<u>42</u>	<u>32</u>	<u>8</u>

12.2 Balance outstanding as at the period / year end

	31 March 2014 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
MCB-Arif Habib Savings and Investments Limited		
Remuneration payable to the Management Company	1,176	498
Sales tax payable on remuneration of Management	188	80
Sales load payable	916	516
Central Depository Company of Pakistan Limited		
Remuneration payable to the Trustee	119	59
CDC settlement charges	-	-
Security Deposits	100	100
MCB Bank Limited		
Bank deposits	25,539	10,902
Profit receivable	419	29
65,120 shares held by the Fund (30 June 2013: nil shares)	16,361	-
Fatima Fertilizers company Limited		
378,500 shares held by the Fund (30 June 2013: 446,500 shares)	11,915	11,087
Nishat Mills Limited		
13,300 shares held by the Fund (30 June 2013: 8,000 shares)	1,550	754
D.G Khan Cement Limited		
15,000 shares held by the Fund (30 June 2013: nil shares)	1,380	-
Nishat Power Limited		
417,000 shares held by the Fund (30 June 2013: Nil shares)	13,181	-

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

	31 March 2014 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
Adamjee Insurance Company Limited		
Nil shares held by the Fund (30 June 2013: 11,500)	-	875
Arif Habib Limited		
Brokerage *	71	23
Next Capital Limited		
Brokerage *	22	5

* 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.

	Nine months ended 31 March 2014		Nine months ended 31 March 2013	
	Units	(Rupees in '000)	Units	(Rupees in '000)
	(Unaudited)		(Unaudited)	
Units sold to:				
MCB-Arif Habib Savings and Investments Limited	1,299,132	95,000	1,406,839	103,000
Greensstar Social marketing Pakistan Limited.	1,536,822	117,500	-	-
Adamjee life Insurance Company Limited (Income Multiplier Fund)	261,587	20,000	-	-
Key management personnel	28,052	2,154	1,264	103
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	550,040	42,000	653,153	50,000
Bonus Units issued:				
MCB-Arif Habib Savings and Investments Limited	211,148	15,069	-	-
D. G Khan Cement Company Limited (Employees Provident Fund Trust)	4,032	288	-	-
Key management personnel	251	18	-	-


	Nine months ended 31 March 2014 (Unaudited)		Nine months ended 30 June 2013 (Audited)		Nine months ended 31 March 2014 (Unaudited)		Nine months ended 30 June 2013 (Audited)	
	Units		Units		(Rupees in '000)		(Rupees in '000)	
Units held by:								
MCB-Arif Habib Savings and Investments Limited	2,127,158	1,166,918	163,344	98,348				
D. G Khan Cement Company Limited (Employees Provident Fund Trust)	26,317	22,285	2,021	1,878				
Adamjee life Insurance Company Limited (Income Multiplier Fund)	261,587	-	20,087	-				
Greensstar Social marketing Pakistan Limited.	1,536,822	-	118,013	-				
Key management personnel	29,689	1,386	2,280	117				

13 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on **April 21, 2014** by the Board of Directors of the Management Company.

14 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.



Chief Executive Officer

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



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST)
Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908
URL: www.mcbah.com, Email: info@mcbah.com