

Quarterly Report

March 31, 2014
(Unaudited)



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

METROBANK
PAKISTAN SOVEREIGN FUND

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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	Habib Metropolitan Bank Limited MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited Allied 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 **Metro-bank Pakistan Sovereign 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.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 9.68% as against its benchmark return of 8.74%, an out performance of 0.94% due to well-timed accumulation of Government papers well ahead of the adjustments in the yield curve.

In order to capitalize on the increasing interest rate scenario that lasted up to the end of 1HY14, fund decreased its portfolio duration by increasing allocation in T-Bills. After realizing the capital gains, the fund gradually started to switch its exposure from short-end papers to PIBs. At period-end, the fund was 70.7% invested in PIBs and 6.5% in TFCs.

The Net Asset of the Fund as at March 31, 2014 stood at Rs.1488.0 million as compared to Rs.1270.0 million as at June 30,

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

2012 registering an increase of 17.13%.

The Net Asset Value (NAV) per unit as at March 31, 2014 was Rs. 50.03 as compared to opening NAV of Rs.51.38 per unit as at June 30, 2013 registering an decrease of Rs. 1.35 per unit.

Income Distribution

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

Date of distribution	Per unit distribution
	Rs.
September 27, 2013	1.8266
December 27, 2013	2.3551
March 27, 2014	2.3654

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

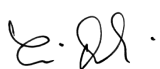
Karachi: April 21, 2014

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			
Balance with banks	6	321,738	195,220
Investments	7	1,179,395	1,271,200
Income from investments and other receivables		24,941	17,861
Advance and prepayments		2,111	2,046
Total assets		1,528,185	1,486,327
Liabilities			
Payable to the Management Company		1,463	2,569
Payable to Central Depository Company of Pakistan Limited - Trustee		116	211
Annual fee payable to Securities and Exchange Commission of Pakistan		451	3,848
Payable against purchase of Investments		-	174,013
Accrued expenses and other liabilities	8	38,131	35,298
Total liabilities		40,161	215,939
Contingencies and commitments	9		
Net assets		1,488,024	1,270,388
Unit holders' fund		1,488,024	1,270,388
		(Number of Units)	
Number of units in issue		29,739,940	24,724,228
		(Rupees)	
Net asset value per unit		50.03	51.38

The annexed notes from 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

	Note	Nine months ended		Quarter ended	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
		(Rupees in '000)			
Income					
Capital (loss) / gain on sale of government securities - net		(2,790)	182,280	5,811	2,169
Income from government securities		55,515	408,403	16,269	100,087
Income from reverse repurchase transactions in government securities		48	-	-	-
Profit on bank deposits		3,597	37,089	1,387	10,519
		56,370	627,772	23,467	112,775
Net unrealised appreciation /(diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		7,626	(419)	9,272	(11,615)
Total income		63,996	627,353	32,739	101,160
Expenses					
Remuneration of the Management Company		5,716	44,371	1,853	10,679
Sindh Sales Tax and Federal Excise Duty on Management Fee		1,976	7,099	641	1,708
Remuneration of Central Depository Company of Pakistan Limited - Trustee		881	3,832	241	1,070
Annual Fee - Securities and Exchange Commission of Pakistan		451	3,272	123	884
Auditors' remuneration		620	751	168	163
Brokerage expenses		359	1,931	251	334
Other expenses		369	455	113	69
Total operating expenses		10,372	61,711	3,390	14,907
Net income from operating activities		53,624	565,642	29,349	86,253
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		25,990	15,189	30,837	(15,513)
Provision for workers' welfare fund	8.2	(1,592)	(11,617)	(1,203)	(1,401)
Net income for the period before taxation		78,022	569,214	58,983	69,339
Taxation	10	-	-	-	-
Net income for the period after taxation		78,022	569,214	58,983	69,339
OTHER COMPREHENSIVE INCOME					
Unrealised diminution on re-valuation of investments classified as 'available-for-sale' - net		(392)		(392)	
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		77,630	569,214	58,591	69,339

Earnings per unit

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The annexed notes from 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) -----			
Undistributed income brought forward	34,174	8,591	346	18,747
Total comprehensive income for the period	77,630	569,214	58,591	69,339
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution)	-	(2,607)	-	(3,550)
Distributions to the unit holders of the Fund:				
Final distribution at the rate Rs. 1.38 (2012: Rs. nil) per unit for the year ended 30 June 2013 Declared on 4 July 2013 - Bonus distribution 682,389 units	(34,119)	-	-	-
Interim distribution at the rate of Rs. 0.53 (2012: Rs. 2.51) per unit for the quarter ended 30 September 2013 Declared on 27 September 2013 - Bonus distribution 173,914 units - Cash distribution	(8,696) -	(308,409) (24,058)	- -	- -
Interim distribution at the rate Rs. 0.96 (2012: Rs.1.20) for the period ended 31 December 2013 Declared on 26 December 2013 - Bonus distribution 201,043 units	(10,052)	(158,195)	-	-
Interim distribution at the rate Rs. 2.04 (2013 Rs.0.86) for the period ended 31 March 2014 Declared on 27 March 2014 Bonus distribution 1,158,223 units	(57,911)	(71,567)	(57,911)	(71,567)
	(110,778)	(562,229)	(57,911)	(71,567)
Undistributed income carried forward	1,026	12,969	1,026	12,969

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive Officer

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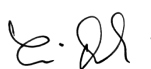

Director

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

	Nine months ended		Quarter ended	
	31 March 2014	31 March 2013	31 March 2014	31 March 2013
	----- (Rupees in '000) -----			
Net assets at beginning of the period	1,270,388	6,103,531	533,949	6,788,841
Issue of 30,297,846* units (2013: 40,436,666 units) and 29,005,358 units (2013: 5,422,711 units) for the nine months and quarter ended	1,557,060	2,067,302	1,492,422	273,006
Redemption of 25,282,134 units (2013: 77,683,269 units) and 9,937,453 units (2013: 56,172,538 units) for the nine months and quarter ended respectively	(1,280,285)	(3,917,060)	(508,190)	(2,829,563)
	276,775	(1,849,758)	984,232	(2,556,557)
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	(25,990)	(15,189)	(30,837)	15,513
- amount representing (income) / loss that forms part of unit holder's fund transferred to distribution statement	-	2,607	-	1,662
	(25,990)	(12,582)	(30,837)	17,175
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale	(392)		(392)	
Net element of income / (loss) and capital losses / (gains) included in prices of units issued less those in units redeemed - transferred to distribution statement	-	(2,607)	-	(1,662)
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gains / (loss) on sale of investments)	73,185	387,353	43,900	78,785
Capital (loss) / gain on sale of investments - net	(2,790)	182,280	5,811	2,169
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	7,626	(419)	9,272	(11,615)
	78,021	569,214	58,983	69,339
Distribution during the period	(110,778)	(562,229)	(57,911)	(71,567)
Net assets at end of the period	1,488,024	4,245,569	1,488,024	4,245,569

* This includes 2,215,569 units (2013: 10,748,370 units) and 1,158,224 units (2013: 1,429,338 units) issued as bonus units for the half year and quarter ended respectively.

The annexed notes from 1 to 14 form an integral part of this condensed interim financial information.


Chief Executive Officer


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


Director

CONDENSED INTERIM CASH FLOW 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)-----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	78,022	569,21	58,983	69,339
Adjustments for non cash and other items:				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	(7,626)	419	(9,272)	11,615
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	(25,990)	(15,189)	(30,837)	15,513
	(33,616)	(14,770)	(40,109)	27,128
	44,406	554,444	18,874	96,467
Decrease / (Increase) in assets				
Investments	99,038	(211,461)	(636,276)	369,132
Income from investments and other receivables	(7,080)	273	(19,265)	8,980
Advances and prepayments	(65)	(136)	(144)	(146)
	91,893	(211,324)	(655,685)	377,966
Increase / (decrease) in liabilities				
Payable to the Management Company	(1,106)	(2,476)	664	(2,442)
Payable to the Central Depository Company of Pakistan - Trustee	(95)	(83)	40	(151)
Annual fee payable to Securities and Exchange Commission of Pakistan	(3,397)	(544)	123	976
Payable against redemption of units	-	-	-	-
Payable against purchase of Investments	(174,013)	-	-	-
Accrued expenses and other liabilities	2,833	12,652	1,604	2,280
	(175,778)	9,549	2,431	663
Net cash generated from operating activities	(39,479)	352,669	(634,380)	475,096
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	1,446,282	1,529,131	1,434,511	201,439
Payments against redemption of units	(1,280,285)	(3,917,060)	(508,190)	(2,829,563)
Cash distribution	-	(24,058)	-	-
Net cash (used in) / generated from financing activities	165,997	(2,411,987)	926,321	(2,628,124)
Net (decrease) / increase in cash and cash equivalents	126,518	(2,059,318)	291,941	(2,153,028)
Cash and cash equivalents at beginning of the period	195,220	4,159,874	29,797	4,253,584
Cash and cash equivalents at end of the period	321,738	2,100,556	321,738	2,100,556

The annexed notes from 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

MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on 24 December 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7 January 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)].

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

During the year ended 30 June 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from 23 November 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated 3 November 2009.

Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

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 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 an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

MetroBank Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Fund can also invest in sub-scheme of the Fund.

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 Fund is listed on the Islamabad Stock Exchange.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' to the MCB-Arif Habib Savings and Investments Limited, the Asset Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) to the Fund.

The Fund consists of a 'Perpetual' (the scheme). In addition, the Fund had also issued other sub-scheme which matured as follows:

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	31 December 2012
MetroBank - Pakistan Sovereign Fund - (December 2007)	31 December 2007
MetroBank - Pakistan Sovereign Fund - (December 2005)	31 December 2005
MetroBank - Pakistan Sovereign Fund - (December 2003)	31 December 2003

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.

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

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 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. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance.

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 have 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

3.1 The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2013.

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 result in change to the Fund's operation or a change in accounting policies of the Fund.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 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 2014 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
Saving accounts	6.1	321,733	195,215
Current account		5	5
		<u><u>321,738</u></u>	<u><u>195,220</u></u>

6.1 These carry mark-up at rates ranging between 6.5% to 10.4% per annum (30 June 2013: 6% to 12.25% per annum).

7. INVESTMENTS

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

Pakistan Investment Bonds	7.1	856,135	408,386
Market Treasury Bills	7.1	99,061	697,919
Government of Pakistan Ijara Sukuks	7.1	-	164,895

'Available for Sale'

Pakistan Investment Bonds	7.2	224,199	-
		<u><u>1,179,395</u></u>	<u><u>1,271,200</u></u>

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

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

		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	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
		----- (Rupees in '000) -----				----- (Rupees in '000) -----				
Pakistan Investment Bond										
PIB - 3 years	7.1.1	225,000	2,753,000	2,128,000	850,000	848,515	856,135	7,620	57.54%	72.59%
PIB - 5 years		25,000	25,000	50,000	-	-	-	-	-	-
PIB - 10 years	7.1.1	147,700	-	147,700	-	-	-	-	-	-
Total - 31 March 2014						848,515	856,135	7,620		
Total - 30 June 2013						402,305	408,386	6,081		
Market Treasury Bills										
Treasury bills - 3 months	7.1.2	175,000	3,643,000	3,718,000	100,000	99,055	99,061	6	6.66%	8.40%
Treasury bills - 6 months		-	1,437,500	1,437,500	-	-	-	-	-	-
Treasury bills - 1 year		554,400	810,500	1,364,900	-	-	-	-	-	-
Total - 31 March 2014						99,055	99,061	6		
Total - 30 June 2013						697,204	697,919	715		
Government of Pakistan Ijara Sukuk										
Ijarah sukuk VIII - 3 years		164,500	-	164,500	-	-	-	-	-	-
Total - 31 March 2014						-	-	-		
Total - 30 June 2013						164,582	164,895	313		
Total of investments in Government Securities - 31 March 2014						947,570	955,196	7,626		
Total of investments in Government Securities - 30 June 2013						1,264,091	1,271,200	7,109		

7.2 Government securities - 'Available for sale'

	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	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
	----- (Rupees in '000) -----				----- (Rupees in '000) -----				
Pakistan Investment Bond									
PIB - 3 years	-	227,500	-	227,500	224,591	224,199	(392)	15.07%	19.01%
Total - 31 March 2014					224,591	224,199	(392)		
Total - 30 June 2013					-	-	-		

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)	30 June 2013 (Audited)
		(Rupees in '000)	
Auditor's remuneration payable		639	470
Brokerage payable		190	129
Legal fee payable		100	100
Federal Excise Duty payable	8.1	1,291	198
Provision for Workers' Welfare Fund	8.2	35,807	34,215
Printing and publication charges payable		57	75
Others		47	79
		38,131	35,266

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 High Court of Sindh (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment . The SHC in its short order of 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. 1.291 million as at March 31, 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 were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re. 0.04 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), whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds 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 Collective Investment Schemes (CISs) through their trustees in the Honorable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

Subsequent to the year ended June 30, 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. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions 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 in 2013, the Larger Bench of the SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

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. 35.807 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. 1.20 per unit.

9. CONTINGENCIES AND COMMITMENTS

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED 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 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. Since the management has distributed the income earned by the Fund during the period to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these condensed interim financial information.

The income tax returns till the tax year 2013 have been filed under self assessment scheme and are deemed final under section 120 of the Income Tax Ordinance except for tax year 2012 for which Order under section 122(5A) of the Ordinance have been received and Management Company will be filling appeal with the appellate authorities against the order. The Management is of the view that there is no need for any provision for the same.

11. EARNINGS PER UNIT

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

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the management company, the Trustees, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

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 Transactions during the period with connected persons / related parties 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 to Management Company (including indirect taxes)	7,692	51,470	2,494	12,387
Central Depository Company of Pakistan Limited				
Remuneration for the period	881	3,832	241	1,070
Habib Metropolitan Bank Limited				
Profit on bank deposits	123	8,195	55	3,344
Bank charges	103	292	39	58
MCB Bank Limited				
Profit on bank deposits	163	2,607	61	47
Bank charges	5	5	2	1

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

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

	31-Mar 2014 (Unaudited) (Rupees in '000)	30 June 2013 (Audited)
MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited)		
Management fee payable	935	2,114
Sindh sales tax payable on management fee	150	338
Sales load payable	379	117
Central Depository Company of Pakistan Limited		
Remuneration payable	116	211
Habib Metropolitan Bank Limited		
Bank balances	1,613	842
Profit receivable	56	6
MCB Bank Limited		
Bank balances	35,680	4,200
Profit receivable	153	22

	-----Unaudited-----			
	Nine months ended 31 March 2014		Nine months ended 31 March 2013	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
MCB-Arif Habib Savings and Investments Limited	488,091	25,000	642,005	32,522
Habib Metropolitan Bank Limited	2,849,620	145,000	3,965,107	203,000
*Adamjee Insurance Company Limited	1,937,609	100,000	-	-
*Adamjee Life Assurance Company Limited - IMF	57,648	3,000	-	-
*Adamjee Life Assurance Company Limited - NUIL FUND	422,918	22,000	-	-
*Adamjee Life Assurance Company Limited - ISF	307,456	16,000	-	-
*Adamjee Life Assurance Company Limited - ISF II	345,999	18,000	-	-
GreenStar Social Marketing Pakistan (G) Ltd.	3,858,025	200,000	-	-
Gul Ahmed Energy Limited	6,754,066	350,000	-	-
Jubilee General Insurance Company Limited	-	-	1,902,602	100,000
Key management personnel	45,639	2,342	66,264	3,444
Bonus units issued to:				
MCB-Arif Habib Savings and Investments Limited	51,333	2,567	27,806	1,392
Habib Metropolitan Bank Limited	325,701	16,285	3,081,342	154,283
MCB Bank Limited	-	-	6,657,202	333,326
Suraj Cotton Mills Limited	107,997	5,400	-	-
Staff Provident Fund of Management Company	1,031	52	-	-
*Adamjee Insurance Company Limited	577,659	28,883	-	-
*Adamjee Life Assurance Company Limited - IMF	2,352	118	-	-
*Adamjee Life Assurance Company Limited - NUIL FUND	20,380	1,019	-	-
*Adamjee Life Assurance Company Limited - ISF	14,892	745	-	-
*Adamjee Life Assurance Company Limited - ISF II	14,117	706	-	-
GreenStar Social Marketing Pakistan (G) Ltd.	157,407	7,870	-	-
Gul Ahmed Energy Limited	260,295	13,015	-	-
Jubilee General Insurance Company Limited	155,196	7,760	178,797	8,952
Mandate Under Discretionary Portfolio Services	1,083	54	-	-
Key management personnel	4,047	202	8,419	422

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

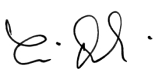
	-----Unaudited-----			
	Nine months ended 31 March 2014		Nine months ended 31 March 2013	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	823,262	41,491	669,811	33,792
Habib Metropolitan Bank Limited	5,092,532	258,039	11,270,105	571,317
MCB Bank Limited	-	-	42,246,603	2,127,961
Suraj Cotton Mills Limited	4,020,946	201,369	-	-
Staff Provident Fund of Management Company	38,373	1,923	-	-
*Adamjee Life Assurance Company Limited - NUIL FUND	79,936	4,000	-	-
*Adamjee Life Assurance Company Limited - ISF	59,952	3,000	-	-
Gul Ahmed Energy Limited	4,341,880	219,940	-	-
Jubilee General Insurance Company Limited	4,187,054	211,279	-	-
Mandate Under Discretionary Portfolio Services	40,314	2,019	-	-
Key management personnel	8,205	410	73,450	3,726
	31 March 2014	30 June 2013	31 March 2014	30 June 2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Units		(Rupees in '000)	
Units held by:				
MCB-Arif Habib Savings and Investments Limited	508,005	791,845	25,415	40,685
Habib Metropolitan Bank Limited	2,515,759	4,432,969	125,863	227,766
Suraj Cotton Mills Limited	-	3,912,948	-	201,047
Staff Provident Fund of Management Company	-	37,343	-	1,919
Adamjee Insurance Company Limited	7,422,039	4,906,771	371,325	252,110
*Adamjee Life Assurance Company Limited - NUIL Fund	441,932	137,532	22,110	7,066
*Adamjee Life Assurance Company Limited - IMF	60,000	-	3,002	-
*Adamjee Life Assurance Company Limited - ISF	321,358	58,962	16,078	3,029
*Adamjee Life Assurance Company Limited - ISF II	360,116	-	18,017	-
GreenStar Social Marketing Pakistan (G) Ltd.	4,015,432	-	200,892	-
Gul Ahmed Energy Limited	5,000,782	2,328,301	250,189	119,628
Jubilee General Insurance Company Limited	-	4,031,857	-	207,157
Mandate Under Discretionary Portfolio Services	-	39,231	-	2,016
Key management personnel	41,480	58,288	2,075	2,995

13. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised 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**

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