



Bachat ka Doosra Naam

Quarterly Report

March 31, 2014
(Unaudited)



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

**PAKISTAN
CAPITAL MARKET 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-Habib Limited Standard Chartered (Pakistan) Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	JWAFFS Registrar Services (Private) Limited Kashif Centre, Room No. 505, 5th Floor, Near Hotel Mehran, Main Shahrah-e-Faisal, Karachi.	
Rating	AM2 - Management Quality Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Capital Market Fund's accounts review for the first 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 THENINE 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

During the period under review, the fund delivered a return of 16.75% as against its benchmark return of 19.30%. On the equities front fund changed its sector allocations several times in response to varying investment climate, however overall equity allocation was maintained around 57%. The fund maintained its exposure in Construction and Materials and Oil & Gas sectors, while exposure was increased in General Industrial sector.

On the fixed income side, the fund maintained its exposure in Government securities to 14.2% and TFC exposure to around 8%.

The Net Asset of the Fund as at March 31, 2014 stood at Rs.328.89 million as compared to Rs 400.54 million as at June 30, 2013 registering a decrease of 17.89%.

The Net Asset Value (NAV) per unit as at March 31, 2014 was Rs. 9.80 as compared to opening NAV of Rs.9.67 per unit as at June 30, 2013 registering a increase of Rs. 0.13 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.	32,176	37,294
Investments	7.	305,649	362,589
Dividend and profit receivable		3,269	4,093
Receivable against sale of investment		-	3,997
Advances, deposits and prepayments		5,327	4,146
Total assets		346,421	412,119
Liabilities			
Payable to the Management Company		661	782
Payable to Central Depository Company of Pakistan Limited - Trustee		60	89
Payable to Securities and Exchange Commission of Pakistan		230	322
Payable against purchase of investment		4,295	-
Dividend payable		2,783	2,783
Accrued expenses and other liabilities	9.	9,500	7,607
Total liabilities		17,529	11,583
Net assets		328,892	400,536
Unit holders' fund		328,892	400,536
Contingencies and commitments	10.		
		(Number of units)	
Number of units in issue (face value of units is Rs. 10 each)		33,549,593	41,414,596
		(Rupees)	
Net asset value per unit		9.80	9.67

The annexed notes 1 to 15 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 MONTH AND QUARTER ENDED 31 MARCH 2014

	Note	Nine month ended		Quarter ended	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013
		----- (Rupees in '000) -----			
Income					
Capital gain on sale of investments - net		13,124	32,579	5,759	15,101
Dividend income		10,586	16,914	3,306	6,164
Income from government securities		5,079	6,044	1,689	1,543
Income from term finance certificates		4,665	5,930	1,473	2,090
Profit on bank deposits		2,927	2,174	656	691
Income from preference shares		83	22	83	-
Other income		-	76	-	59
		36,464	63,739	12,966	25,648
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	7.1, 7.2.1 & 7.3	25,447	12,150	10,213	(5,520)
Reversal / (Provision) against term finance certificate		2	(2,520)	-	166
Total income		61,913	73,369	23,179	20,294
Expenses					
Remuneration of the Management Company		5,413	5,593	1,652	1,870
Sindh Sales tax and Federal Excise Duty on Management Fee		1,871	895	571	299
Remuneration of Central Depository Company of Pakistan Limited - Trustee		567	559	173	187
Annual fee - Securities and Exchange Commission of Pakistan		230	238	70	80
Brokerage expense		1,103	1,856	502	551
Legal and professional charges		168	296	31	99
Auditor's remuneration		436	406	130	129
Other expenses		462	456	117	41
Total operating expenses		10,250	10,299	3,246	3,256
Net operating income for the period		51,663	63,070	19,933	17,038
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(3,524)	(3,333)	(1,474)	(1,355)
Provision for Workers' Welfare Fund	9.2.	(963)	-	(369)	-
Net income for the period before taxation		47,176	59,737	18,090	15,683
Taxation	11.	-	-	-	-
Net income for the period after taxation		47,176	59,737	18,090	15,683
OTHER COMPREHENSIVE INCOME					
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'		13	-	13	-
Total comprehensive income for the period		47,189	59,737	18,103	15,683
Earnings per unit	12.				

The annexed notes 1 to 15 form an integral part of this condensed interim financial information.



Chief Executive Officer

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(Management Company)



Director

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

	Nine month ended		Quarter ended	
	31 March	31 March	31 March	31 March
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Accumulated losses brought forward	(13,667)	(117,912)	(26,432)	(66,070)
Total comprehensive income for the period	47,189	59,737	18,103	15,683
Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	12,663	10,468	1,669	2,680
Distribution to the unit holders of the Fund:				
Final distribution at the rate Rs. 1.2760 (2012: Rs. Nil) per unit for the year ended 30 June 2013 Declared on 4 July 2013 - Bonus distribution 6,298,573 units	(52,845)	-	-	-
	7,007	70,205	19,772	18,363
Accumulated loss carried forward	(6,660)	(47,707)	(6,660)	(47,707)

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Chief Executive Officer

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



Director

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

	Nine month 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	400,536	354,053	319,484	374,078
Issue of 4,968,952 units (2013: 82,132 units) and 3,091,997 units (2013: 82,132 units) for the nine month and quarter ended respectively	46,063	700	29,451	700
Issue of 6,298,573 bonus units (2013: nil units) for the nine month and quarter ended 31 March 2014	52,845	-	-	-
Redemption of 19,132,528 units (2013: 4,358,605 units) and 4,128,248 units (2013: 1,176,877 units) for the nine month and quarter ended respectively	(168,420)	(36,329)	(39,620)	(10,322)
	(69,512)	(35,629)	(10,169)	(9,622)
Net element of income and capital gains included in prices of units issued less those in units redeemed				
-amount representing loss and capital losses transferred to income statement	3,524	3,333	1,474	1,355
-amount representing income that forms part of unit holders' fund transferred to distribution statement	12,663	(10,468)	23,657	(2,680)
	16,187	(7,135)	25,131	(1,325)
Net element of income that forms part of unit holders' fund transferred to distribution statement	(12,663)	10,468	(23,657)	2,680
Net unrealised appreciation on re-measurement of investments classified as 'Available for Sale'	13	-	13	-
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	25,447	15,009	10,213	6,103
Capital gain on sale of investments - net	13,124	32,579	5,759	15,101
Net income / (loss) for the period	8,605	12,150	2,118	(5,520)
	47,176	59,738	18,090	15,684
Distribution during the period	(52,845)	-	-	-
Net assets at end of the period	328,892	381,495	328,892	381,495

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Chief Executive Officer

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(Management Company)




Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE NINE MONTH AND QUARTER ENDED 31 MARCH 2014

	Nine month 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	47,176	59,737	18,090	10,162
Adjustments for:				
Net unrealised appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(25,447)	(12,150)	(10,213)	5,520
Net element of loss and capital losses included in prices of units issued less those in units redeemed	3,524	3,333	1,474	1,355
Provision against non performing debt securities	-	(2,895)	-	(1)
Provision for Workers' Welfare Fund	963	-	369	-
Dividend Income	(10,586)	(16,914)	(3,306)	(6,164)
	(31,546)	(28,626)	(11,676)	710
Net cash generated from operations before working capital changes	15,630	31,111	6,414	10,872
Working capital changes				
<i>(Increase) / decrease in assets</i>				
Investments	82,458	4,907	7,599	(15,253)
Receivable against sale of investments	3,997	(22,289)	-	(2,289)
Dividend and profit receivable	2,700	2,076	98	231
Advances, deposits and prepayments	(1,181)	(403)	9,529	(4)
	87,974	(15,709)	17,226	(17,315)
<i>(Decrease) / increase in liabilities</i>				
Payable to the Management Company	(121)	78	17	11
Payable to Central Depository Company of Pakistan Limited - Trustee	(29)	7	-	1
Payable to Securities and Exchange Commission of Pakistan	(92)	(67)	70	79
Payable against redemption of units	-	198	-	-
Payable against purchase of investment	4,295	(2,798)	4,295	-
Dividend payable	-	(15)	-	-
Accrued expenses and other liabilities	930	(362)	(6,974)	85
	4,983	(2,959)	(2,592)	176
Dividend received	8,652	12,334	1,275	1,584
Net cash generated from operating activities	117,239	24,777	22,323	(4,683)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments against redemption of units	(168,420)	(36,329)	(39,620)	(10,322)
Receipts against issuance of units	46,063	700	29,451	700
Net cash used in financing activities	(122,357)	(35,629)	(10,169)	(9,622)
Net decrease in cash and cash equivalents	(5,118)	(10,852)	12,154	(14,305)
Cash and cash equivalents at beginning of the period	37,294	26,595	20,022	30,048
Cash and cash equivalents at end of the period	32,176	15,743	32,176	15,743

The annexed notes 1 to 15 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 MONTH AND QUARTER ENDED 31 MARCH 2014

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Capital Market Fund (PCMF) was established under a trust deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Adviser of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003.

During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme. The Fund is listed on all three stock exchanges in Pakistan. The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a 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, Pakistan.

The Board of Directors have approved that the Fund should be categorised as "Balanced 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 Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 (positive outlook) dated March 21, 2013 to the Management Company and Fund has been assigned a stability short-term and long term rating of 3-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 PRESENTATION

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 nine month ended 31 March 2013.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTH AND QUARTER 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 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

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)	30 June 2013 (Audited)
		(Rupees in '000)	
Saving accounts	<i>6.1</i>	29,395	34,512
Current accounts		2,781	2,782
		32,176	37,294

6.1 These carry mark-up at rates ranging between 6.5% to 9% per annum (30 June 2013: 6% to 11% per annum).

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

7. INVESTMENTS

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

- Quoted equity securities
- Term Finance and sukuk certificates
- Government securities

Available for Sale

- Government securities

Total Investment

7.1 Quoted equity securities

Name of the investee company	As at 1 July 2013	Purchases during the period	Bonus / right issue during the period	Sales 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 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 ----- Rupees in '000 -----											
OIL AND GAS											
Attock Petroleum Limited	23,417	-	4,683	13,000	15,100	7,061	8,168	1,107	2.48%	2.67%	0.02%
National Refinery Limited	-	32,900	-	-	32,900	7,484	7,528	44	2.29%	2.46%	0.04%
Oil & Gas Development Company Limited	84,700	133,000	-	120,000	97,700	25,904	23,558	(2,346)	7.16%	7.71%	0.00%
Pakistan Oilfields Limited	42,681	6,500	-	42,650	6,531	3,274	3,554	280	1.08%	1.16%	0.00%
Pakistan Petroleum Limited	154,525	55,000	29,505	136,900	102,130	19,982	22,853	2,871	6.95%	7.48%	0.01%
Pakistan State Oil Company Limited	33,331	38,500	-	35,000	36,831	11,439	15,716	4,277	4.78%	5.14%	0.01%
						75,144	81,377	6,233	24.74%	26.62%	
CHEMICALS											
Fatima Fertilizer Company Limited	949,000	-	-	469,000	480,000	11,918	15,110	3,192	4.59%	4.94%	0.02%
Fauji Fertilizer Company Limited	-	40,000	-	40,000	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Bin Qasim Limited	271,000	-	-	271,000	-	-	-	-	0.00%	0.00%	0.00%
Engro Fertilizer Company Limited	-	1,810	-	-	1,810	105	108	3	0.03%	0.04%	0.00%
Engro Corporation Limited	-	116,100	-	98,000	18,100	3,271	3,375	104	1.03%	1.10%	0.00%
						15,294	18,593	3,299	5.65%	6.08%	
INDUSTRIAL METALS AND MINING											
International Industries	-	85,500	-	-	85,500	4,401	4,899	498	0.00%	1.60%	0.07%
						4,401	4,899	498	0.00%	1.60%	
CONSTRUCTION AND MATERIAL											
Cheer Cement Company Limited	281,000	-	6,100	220,000	67,100	3,550	4,983	1,433	1.52%	1.63%	0.06%
D. G. Khan Cement Company Limited	17,500	256,500	-	236,000	38,000	2,919	3,497	578	1.06%	1.14%	0.01%
Kohat Cement Company Limited	141,000	25,500	21,500	85,000	103,000	7,416	12,053	4,637	3.66%	3.94%	0.07%
Lucky Cement Limited	48,215	15,100	-	48,215	15,100	4,673	4,786	113	1.46%	1.57%	0.00%
Maple Leaf Cement Limited	-	420,000	-	150,000	270,000	7,007	7,946	939	2.42%	2.60%	0.05%
Pioneer Cement Limited	-	132,000	-	132,000	-	-	-	-	0.00%	0.00%	0.00%
Lafarge Pakistan Cement Limited	-	290,000	-	290,000	-	-	-	-	0.00%	0.00%	0.00%
						25,565	33,265	7,700	10.12%	10.88%	
GENERAL INDUSTRIES											
Thal Limited	-	59,000	-	-	59,000	9,613	10,015	402	3.05%	3.28%	0.15%
Tri-Pack Limited	-	30,000	-	-	30,000	6,116	5,944	(172)	1.81%	1.94%	0.10%
Packages Limited	-	30,000	-	-	30,000	7,975	10,312	2,337	3.14%	3.37%	0.04%
						23,704	26,271	2,567	8.00%	8.59%	

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

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

Name of the investee company	As at 1 July 2013	Purchases during the period	Bonus / right issue during the period	Sales 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 percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
AUTOMOBILE AND PARTS											
Pak Suzuki Motor Company Limited	38,500	-	-	38,500	-	-	-	-	0.00%	0.00%	0.00%
FOOD PRODUCERS											
Engro Foods Limited	-	55,000	-	55,000	-	-	-	-	0.00%	0.00%	0.00%
PERSONAL GOODS											
Nishat Mills Limited	64,500	87,000	-	151,500	-	-	-	-	0.00%	0.00%	0.00%
Kohinoor Textile Limited	-	38,000	-	-	38,000	1,010	974	(36)	0.30%	0.32%	0.02%
Sapphire Fibre	-	9,800	-	9,800	-	-	-	-	0.00%	0.00%	0.00%
						1,010	974	(36)	0.30%	0.32%	
PHARMA AND BIO TECH											
Abbot Lab (Pakistan) Limited	-	8,000	-	-	8,000	3,364	3,353	(11)	1.02%	1.10%	0.01%
						3,364	3,353	(11)	1.02%	1.10%	
ELECTRICITY											
The Hub Power Company Limited	334,513	299,000	-	539,000	94,513	5,923	5,025	(898)	1.53%	1.64%	0.01%
Pakistan Power Limited	-	150,000	-	150,000	-	-	-	-	0.00%	0.00%	0.00%
Kot Addu Power Company Limited	-	622,500	-	540,000	82,500	4,834	4,907	73	1.49%	1.61%	0.01%
Nishat Power Limited	-	267,000	-	217,000	50,000	1,563	1,581	18	0.48%	0.52%	0.01%
Nishat Chumian Power Limited	-	185,000	-	108,500	76,500	2,697	2,761	64	0.84%	0.90%	0.02%
						15,017	14,274	(743)	4.34%	4.67%	
FIXED LINE TELECOMMUNICATION											
Pakistan Telecommunication Limited Class "A"	-	147,500	-	145,000	2,500	70	76	6	0.02%	0.02%	0.00%
						70	76	6	0.02%	0.02%	
BANKS											
Allied Bank Limited	-	54,500	4,450	10,000	48,950	3,649	4,745	1,096	1.44%	1.55%	0.00%
Askari Bank Limited	47	-	-	47	-	-	-	-	0.00%	0.00%	0.00%
Bank Al Habib Limited	271,000	204,000	10,000	375,000	110,000	4,100	4,082	(18)	1.24%	1.34%	0.01%
Bank Alfalah Limited	233,000	400,000	483,000	150,000	150,000	4,110	4,008	(102)	1.22%	1.31%	0.01%
Faysal Bank Limited	-	232,000	-	-	232,000	3,110	3,257	147	0.99%	1.07%	0.02%
Habib Bank Limited	17,600	-	1,260	5,000	13,860	1,502	2,416	914	0.73%	0.79%	0.00%
MCB Bank Limited	-	26,000	2,600	-	28,600	7,336	7,185	(151)	2.18%	2.35%	0.00%
Meezan Bank Limited	40,720	135,000	-	-	175,720	6,375	6,950	575	2.11%	2.27%	0.02%
United Bank Limited	63,000	92,000	-	115,000	40,000	5,031	6,473	1,442	1.97%	2.12%	0.00%
National Bank of Pakistan	-	170,000	170,000	-	-	-	-	-	0.00%	0.00%	0.00%
						35,213	39,116	3,903	11.88%	12.80%	
NON LIFE INSURANCE COMPANIES											
Adamjee Insurance Company Limited	67,000	-	-	67,000	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Reinsurance Limited	315,000	-	-	100,000	215,000	5,080	7,144	2,064	2.17%	2.34%	0.07%
						5,080	7,144	2,064	2.17%	2.34%	
Total as at 31 March 2014						203,862	229,342	25,480	68.24%	72.32%	
Total as at 30 June 2013						206,843	237,521	30,678			

7.1.1 Investments include quoted equity security with market value of Rs. 19,722 million (2012 : Rs. 16,896) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

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

7.2 Term finance and sukuk certificates - 'at fair value through profit or loss'

Name of Investee company	Number of certificate				Balance as at 31 March 2014			Market Value		Percentage in relation to size of issue
	As at 1 July 2013	Purchases during the year	Sales / matured during the	As at 31 March 2014	Carrying Value	Market Value	Appreciation / (diminution)	As a percentage of total	As a percentage on net assets	
	----- (Rupees in '000) -----									
Unless stated otherwise, the holdings are in certificates having face value of Rs. 5,000 each.										
Listed debt securities										
Bank Alfalah Limited V	4,000	-	-	4,000	20,305	20,384	79	6.67%	6.20%	0.40%
NIB Bank Limited	4,000	-	4,000	-	-	-	-	0.00%	0.00%	0.00%
United Bank Limited III	7,020	-	-	7,020	5,955	5,852	(103)	1.91%	1.78%	1.76%
					26,260	26,236	(24)	8.58%	7.98%	2.16%
Unlisted Sukuk Bonds										
Maple Leaf Cement Factory limited										
Sukuk - I (Refer note 7.2.2)	2,000	-	-	2,000	736	736	-	0.24%	0.22%	0.13%
					736	736	-	0.24%	0.22%	0.13%
Total as at 31 December 2013					26,996	26,972	(24)	8.82%	8.20%	2.29%
Total as at 30 June 2013					55,724	53,569	(2,155)			

7.2.1 Security listed below have been classified as non performing in accordance with SECP circular 33 of 2013 and the Fund's provisioning policy for non-performing exposure. The Fund has suspended further accrual of markup there against.

As at June 30, 2013	Charged during the period	Reversed during the period	As at March 31, 2014
----- (Rupees in '000) -----			
4,302	-	2	4,300
4,302	-	2	4,300

7.2.2 Movement in provision against debt securities-unlisted

Maple Leaf Cement Factory Limited Sukuk - I	4,302	-	2	4,300
	4,302	-	2	4,300

7.2.3 Significant terms and conditions of Term Finance Certificate and Sukuk Certificate outstanding are as follows:

Name of security	Mark-up rate (per annum)	Issue date	Maturity date
Bank Al-Falah	6 month KIBOR 1.25%	20 February 2013	20 February 2021
UBL Bank Limited	6 month KIBOR 1.70%	8 September 2006	8 September 2014
Mapple Leaf Cement Limited	6 month KIBOR 1.00%	3 December 2007	3 December 2018

7.3 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	Appreciation / (diminution)	As a percentage of total investments	As a percentage on net assets
						----- (Rupees in '000) -----				
Designated at fair value through profit or loss- Government Securities (face value of Rs. 100,000 each)										
Pakistan Investment Bonds										
	3 Years	25,000	37,500	62,500	-	-	-	-	0.00%	0.00%
Total - 31 March 2014						-	-	-		
Total - 30 June 2013						25,580	25,962	382	8.49%	7.89%
Market Treasury Bill										
	12 Months	-	71,000	71,000	-	-	-	-		
	3 Months	-	185,000	160,000	25,000	24,707	24,698	(9)	8.08%	7.51%
Total - 31 March 2014						24,707	24,698	(9)		
Total - 30 June 2013						-	-	-	0.00%	0.00%
Government of Pakistan Ijara Sukuk										
	3 Years	40,000	-	40,000	-	-	-	-	0.00%	0.00%
Total - 30 June 2013						40,020	40,060	40	13.11%	12.18%
Total of investment in Government Securities - 31 March 2014						24,707	24,698	(9)	16.57%	7.51%
Total of investment in Government Securities - 30 June 2013						65,600	66,022	422	21.60%	20.07%

7.4 Government Securities - 'Available for Sale'

Pakistan Investment Bonds									
3 Years	-	25,000	-	25,000	24,624	24,637	13	8.77%	7.49%
Total - 31 March 2014					24,624	24,637	13		
Total - 30 June 2013					-	-	-	0.00%	0.00%

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

8. DETAILS OF NON-COMPLIANT INVESTMENTS WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated 6 March 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. The Board of Directors of Management Company has approved the category of the fund as a "Balanced Scheme".

In accordance with clause (iv) of the investment criteria laid down for 'Balanced Scheme' in circular 7 of 2009, the Fund is not allowed to invest in any debt security having a rating lower than A- (A minus). However, as at 31 March 2014, the Fund is non-compliant with the above mentioned requirement in respect of the following:

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in debt securities	Maple Leaf Cement Factory Limited - Term Finance Certificate (03-Dec-2007)	5,036	4,300	736	0.22%	0.21%

* At the time of purchase, the said term finance certificate was in compliance of the said circular (i.e. investment grade) and was subsequently downgraded to non-investment grade.

9. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 March 2014 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
Brokerage payable	127	154
Auditor's remuneration payable	411	400
Credit rating fee payable	77	110
Legal and professional charges payable	120	80
Printing and related expenditures payable	164	300
FED payable on Management Fees	9.1 1,079	74
Workers' welfare fund	9.2 7,160	6,197
Others	362	292
	9,500	7,607

- 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 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. 1.079 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. 0.03 per unit as at 31 March 2014.

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

- 9.2. 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. 7.160 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. 0.21 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 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. We have been given to understand that the management intends to distribute sufficient accounting income of the Fund for the year ended 30 June 2014 in order to comply with the above stated clause. Accordingly, no tax provision has been made in these condensed interim financial information.

12. EARNING 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.

13. 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.

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

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

	-----Unaudited-----			
	Nine month ended		Quarter ended	
	31 March		31 March	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings & Investment Limited (Formerly Arif Habib Investment Limited)				
Remuneration to Management Company (including indirect taxes)	7,284	6,488	2,223	2,169
Arif Habib Limited- Brokerage House				
Brokerage expense	60	75	10	18
MCB Bank Limited				
Bank charges	10	10	4	2
Profit on bank deposit	2,393	910	413	515
Dividend income	91	-	-	-
Nishat Mills Limited				
Dividend income	-	490	-	-
Adamjee Insurance Company Limited				
Dividend income	166	-	-	-
D. G. Khan Cement Limited				
Dividend income	746	-	-	-
Nishat Chunian Power Limited				
Dividend income	135	1,202	135	-
Nishat Power Limited				
Dividend income	50	-	50	-
Central Depository Company of Pakistan Limited				
Remuneration for the period	567	559	173	187
CDC settlement charges	95	204	78	190
Next Capital Limited				
Brokerage paid during the period	-	45	-	9

13.2 Balance outstanding as at the period / year end

	31 March 2014 (Unaudited)	30 June 2013 (Audited)
	(Rupees in '000)	
MCB-Arif Habib Savings & Investment Limited (Formerly Arif Habib Investment Limited)		
Sind sales tax on remuneration of management company	569	670
Sales load payable	91	107
MCB Bank Limited	1	5
28,600 shares held by the Fund (2013: nil shares)	23,739	23,767
Nishat Mills Limited	199	26
Nil shares held by the Fund (2013: 64,500 shares)	7,185	
Nishat Power Limited		
50,000 shares held by the Fund (2013: nil shares)	1,581	3,169
Nishat Chunian Power Limited	2,761	
76,500 shares held by the Fund (2013: nil shares)		
Fatima Fertilizer Company Limited	15,110	23,564
480,000 shares held by the Fund (2013: 949,000 shares)		
D. G. Khan Cement Company Limited	3,497	1,465
38,000 shares held by the Fund (2013: 17,500 shares)		
Adamjee Insurance Company Limited	-	5,911
Nil shares held by the Fund (2013: 67,000 shares)		
Central Depository Company of Pakistan Limited		
Trustee fee payable	60	64
CDC Settlement charges payable	-	2
Security deposit	300	300

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

13.3 Transactions during the period with the connected persons / related party in the units of the Fund

	-----Unaudited-----			
	Nine month ended 31 March 2014		Quarter ended 31 March 2013	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Bonus units issued to:				
National Logistic Cell	1,714,915	14,388	-	-
Key management personnel	2,784	23	-	-
Units redeemed by:				
Key management personnel	-	-	1,283	10
National Logistic Cell	12,990,887	12,991	-	-
	31 March 2014	30 June 2013	31 March 2014	30 June 2013
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
	Units		(Rupees in '000)	
Units held by:				
National Logistic Cell	-	11,275,972	-	109,039
Key management personnel	21,087	18,303	207	177

14. 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.

15. 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)

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