

Quarterly Report

September 30, 2014
(Unaudited)



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited

Vision

To become synonymous with Savings.

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

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MCB
DYNAMIC CASH FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. 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 & Remuneration Committee	Dr. 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 Bank Islami Pakistan Limited Allied Bank Limited Habib Metropolitan Bank Limited United Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidhat Hyder, Progressive Plaza, Beaumont Road, P.O Box 15541 Karachi, Sindh 75530, Pakistan	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Dynamic Cash Fund's** accounts review for the first quarter ended September 30th 2014.

ECONOMY AND MONEY MARKET OVERVIEW

Delay in implementation of fiscal reforms and phasing out of subsidies on tariffs, in the presence of lower commodity prices, helped contain inflation, with CPI averaging at 7.52% during 1QFY15. If oil prices, which eased down to a five-year low in October, stays at the current level, inflation is likely to remain on the lower side during FY15.

Surge in imports, mainly petroleum products, along with a slowdown in exports, widened the country's current account deficit to \$1.37 billion during 2MFY15, significantly higher than the deficit of around \$0.58 billion incurred during the same period last fiscal year. Poor law and order situation and energy crisis are the major culprits behind negative growth in exports. At the same time, financial account registered a surplus of \$0.45 billion as compared to a surplus of \$0.19 billion recorded during the corresponding period last year. Improvement in financial account is mainly due to sell-off of financial assets abroad.

The recent political disruption has stalled progress on the completion of economic and fiscal targets set by International Monetary Fund. This along with wide current account deficit and absence of foreign inflows contributed to a drop in foreign reserves to \$13.21 billion as on 26-Sep-14, after touching a high of \$14.6 billion in July. Therefore, the local currency fell by more than 3.2 percent against dollar during 1QFY15.

Although, the government is optimistic on the economic front on the back of tepid inflationary pressures, contained government borrowings and improved debt profile, fragile political situation in the country has been forcing the policy makers to err on the side of caution to arrest decline in foreign reserves. This is evident from the recent monetary policy announcement in which policy makers kept the discount rate unchanged at around 10 percent.

On the heels of structural reforms, the country's performance on the fiscal side improved in FY14 as the country recorded a fiscal deficit of 5.5 percent lower than the year's target of 6.3 percent and the previous year's level of 8.8 percent (included one-off adjustment for circular debt). The major improvement in fiscal account came on the account of abnormal increase in Non-Tax revenue and restrained development expenditures.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. M2 has contracted by 1.52 percent in the 1QFY15 (till 26th Sep) as opposed to the contraction of 0.65 percent during the same period last year. While Borrowing from SBP increased marginally by Rs19 billion as compared to net increase in borrowing of around Rs 444.7 billion during the same period last year.

PIB rates inched up, as the government looks to move its borrowing from central bank to commercial banks, causing the yield curve to rise sharply upwards from 2 years. Moreover, unprecedented participation was seen with major concentration in a 2-year instrument. The rates are on slightly longer end, albeit higher have shown a rising trend despite controlled inflation because of unprecedented supply.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 10.45% as against its benchmark return of 10.00%. The fund exposure towards government securities stood at 65% at quarter end with T-Bills and PIB's exposure of 8.5% and 56.5% respectively. The exposure towards GoP Ijarah Sukuk went down significantly to 0% along with the TFCs, which also went down to the tune of around 12.4%. Around 16.6% of the fund was invested in cash and bank deposits at quarter-end.

The Net Asset of the Fund as at September 30, 2014 stood at Rs 12,312 million as compared to Rs 11,102 million as at June 30 2014 registering an increase of 11%. The Net Asset Value (NAV) per unit as at September 30, 2014 was Rs. 103.7652.

FUTURE OUTLOOK

The country's import bill is likely to ease off after a lag of few months on the account of lower oil prices. Conversely, weak cotton prices might annul the benefit arising from lower oil prices on the country's trade balance. Although the government is eyeing increase

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on the country's political condition.

In the near-term, realization of expected inflows-through divestment of shares of OGDCL and HBL and issuance of dollar-denominated Sukuks would be crucial.

We believe that the sustainability of external account, in the presence of subdued inflationary pressures, would be a key factor in shaping up interest rate direction. Lower commodity price, in the presences of stable local currency and higher base effect, is likely to keep inflationary pressure on the lower side during the year.

With the market expecting interest rates to remain stable and oil prices lower, profitability of power intensive companies such as: Textile and Cement are expected to improve. On the contrary, lower oil prices bode ill for Exploration and Production and Oil Marketing Companies. In the face of stable fundamentals and better expectation of financial results of manufacturing companies, we expect the bourse to remain range bound in short term amid lack of clarity on the future of the current government.

Above all, the equity market will continue to attract foreign investors owing to divestment of the government's holding in the listed companies and increase in the country's weight in MSCI FM Index.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Yasir Qadri

Chief Executive Officer

Dated: October 20, 2014

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2014

	Note	Unaudited September 30, 2014	Audited June 30, 2014
(Rupees in '000)			
ASSETS			
Balances with banks		2,069,096	2,404,638
Investments	4	10,091,248	8,406,950
Income from investment and other receivables		250,321	377,624
Advance against Subscription of TFCs		79,000	77,500
Security deposits and prepayments		3,280	3,301
Total assets		12,492,945	11,270,013
LIABILITIES			
Payable to Management Company		17,397	15,781
Payable to Trustee		1,660	767
Annual fee payable to the Securities and Exchange Commission of Pakistan		2,202	8,167
Accrued expenses and other liabilities	5	159,438	143,313
Total liabilities		180,697	168,028
NET ASSETS		12,312,248	11,101,985
Unit holders' fund (as per statement attached)		12,312,248	11,101,985
(Number of units)			
NUMBER OF UNITS IN ISSUE		118,654,886	109,808,608
(Rupees)			
NET ASSET VALUE PER UNIT		103.7652	101.1030

The annexed notes form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	Note	September 30, 2014	September 30, 2013
		----- (Rupees in '000) -----	
INCOME			
Capital loss on sale of investments		(5,253)	(10,965)
Profit on bank deposits and term deposit receipts		24,540	38,692
Income from term finance certificates		51,925	50,199
Income from government securities		249,441	178,552
Other Income		241	51
		<u>320,894</u>	<u>256,529</u>
(Provision) / Reversal against debt securities		(1,666)	6,450
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	4.1.4	<u>26,049</u>	<u>(11,292)</u>
Total income		<u>345,277</u>	<u>251,687</u>
EXPENSES			
Remuneration of Management Company	5.2	44,032	40,703
Sale tax and Federal Excise Duty on remuneration of Management Company		14,707	14,067
Remuneration of Trustee		2,458	2,303
Annual fee - Securities and Exchange Commission of Pakistan		2,202	2,035
Brokerage and settlement charges		510	536
Auditors' remuneration		179	190
Other expenses		203	278
Total expenses		<u>64,291</u>	<u>60,112</u>
Net income from operating activities		<u>280,986</u>	<u>191,575</u>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		9,967	(5,462)
Provision for Workers' Welfare Fund	5.1	(5,819)	(3,722)
Net income for the period before taxation		<u>285,134</u>	<u>182,391</u>
Taxation	7	-	-
Net income for the period after taxation		<u>285,134</u>	<u>182,391</u>
Other comprehensive income for the period			
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'		29,979	-
Total comprehensive income for the period		<u>315,113</u>	<u>182,391</u>
Earnings per unit	8		

The annexed notes form an integral part of these condensed interim financial statements.

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


Chief Executive Officer


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September 30, 2014	September 30, 2013
	----- (Rupees in '000) -----	
Undistributed income brought forward	117,865	398,934
Final Distribution at the rate of Rs. 2.6526 per unit declared on 04 July, 2013		
- Bonus distribution	-	(289,686)
Interim distribution for the quarter ended September 30, 2013		
at Rs 1.7440 per unit (Date of distribution September 27, 2013)		
- Bonus distribution	-	(178,366)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income	10,546	(5,019)
Total comprehensive income for the period	315,113	182,391
Undistributed income carried forward	<u>443,524</u>	<u>108,254</u>

The annexed notes form an integral part of these condensed interim financial statements.


 Chief Executive Officer

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


 Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September 30, 2014	September 30, 2013
	------(Rupees in '000)-----	
Net assets at beginning of the period	11,101,985	11,319,750
Issue of 21,215,011 units (2013: 18,844,958 units)	2,173,474	1,915,598
Issue of Nil bonus units (2013: 4,634,182 Units)	-	468,052
Redemption of 12,368,733 units (2013: 28,497,671 units)	(1,268,357)	(2,895,983)
	905,117	(512,333)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(9,967)	5,462
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	(10,546)	5,019
	(20,513)	10,481
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	10,546	(5,019)
Net unrealised (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	26,049	(11,292)
Income from other operating activities	259,085	193,683
Net income for the period	285,134	182,391
Final Distribution at the rate of Rs. 2.6526 per unit declared on 04 July, 2013		
- Bonus distribution	-	(289,686)
Interim distribution during the quarter ended September 30, 2013 at Rs. 1.7440		
- Bonus distribution	-	(178,366)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	29,979	-
Net Assets	12,312,248	10,527,218

The annexed notes form an integral part of these condensed interim financial statements.

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


Chief Executive Officer


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Note	September 30, 2014	September 30, 2013
	------(Rupees in '000)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	285,134	182,391
Adjustments		
Net unrealised (diminution) in the fair value of investments classified as 'financial assets at fair value through profit or loss'	(26,049)	11,292
Reversal/ Provision on debt securities	(1,666)	6,450
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	(9,967)	5,462
	<u>247,452</u>	<u>205,595</u>
Working capital changes		
(Increase)/decrease in assets		
Investments - net	(1,626,604)	357,452
Security deposits and prepayments	21	20
Advance against Subscription of TFCs	(1,500)	
Income from investment and other receivables	127,303	35,087
	(1,500,780)	392,559
(decrease)/Increase in liabilities		
Remuneration payable to the Management Company	1,616	5,406
Remuneration payable to the Trustee	893	(53)
Annual fee payable to the Securities and Exchange Commission of Pakistan	(5,965)	(4,975)
Accrued expenses and other liabilities	16,125	11,992
	12,669	12,370
Net cash inflow from operating activities	(1,240,659)	610,524
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipt against issue of units	2,173,474	1,915,598
Net payments on redemption of units	(1,268,357)	(2,832,107)
Net cash from financing activities	905,117	(916,509)
Net (decrease) / increase in cash and cash equivalents during the period	(335,542)	(305,985)
Cash and cash equivalents at beginning	2,404,638	2,668,887
Cash and cash equivalents as at closing	<u>2,069,096</u>	<u>2,362,902</u>

The annexed notes form an integral part of these condensed interim financial statements.

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


Chief Executive Officer


Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Cash Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 on December 12, 2006.

Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed 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 Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 (positive outlook) dated April 10, 2014 to the Management Company and a rating of "A+(f)" dated February 20, 2014 to the Fund.

The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.

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 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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

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

The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2014, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2013.

2.2 Basis of measurement

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

2.3 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 2014.

		Unaudited September 30, 2014	Audited June 30, 2014
	Note	Rupees in '000	
4 INVESTMENTS			
Financial assets at fair value through profit or loss	4.1	6,301,903	4,499,696
Available for sale	4.2	3,289,345	3,407,254
Loans and receivables - Term Deposit Receipt	4.3	500,000	500,000
		10,091,248	8,406,950
4.1 Financial assets at fair value through profit or loss			
Listed debt securities	4.1.1	805,300	816,633
Unlisted debt securities	4.1.2	723,578	663,159
Government securities	4.1.3	4,833,292	3,019,904
		6,362,170	4,499,696
Less: Provision against term finance certificates - Unlisted	4.1.5	60,267	58,601
		60,267	58,601
		6,301,903	4,441,095
4.2 Available for sale			
Government securities		3,289,345	3,407,254
4.3 Loans and receivables		500,000	500,000

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

4.1.1 Listed debt securities - term finance certificates

Certificates have a face value of Rs. 5,000/- each unless stated otherwise.

Name of investee company	Number of Certificates					Balance as at Sept 30, 2014			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2014	Purchased during the period	Matured during the period	Disposed during the period	As at Sept 30, 2014	Carrying value	Market value	Appreciation / (diminution)		
-----Rupees in '000-----										
Commercial banks										
Allied Bank Limited (December 6, 2006, issue)	10,800	-	-	-	10,800	13,492	13,478	(14)	0.11	0.13
Allied Bank Limited (August 28, 2009, issue)	9,000	-	-	-	9,000	43,934	43,934	-	0.36	0.44
Askari Bank Limited (November 18, 2009, issue)	23,000	-	-	-	23,000	111,785	114,306	2,521	0.93	1.13
Bank Alfalah Limited - V (February 20, 2013, issue)	72,631	-	-	-	72,631	367,744	364,068	(3,676)	2.96	3.61
Faysal Bank Limited TFC - I (November 12, 2007)	7,515	-	-	-	7,515	9,398	9,382	(16)	0.08	0.09
United Bank Limited - I (September 8, 2006, issue)	15,000	-	15,000	-	-	-	-	-	-	-
Fertilizer										
Engro Chemical Pakistan Limited (November 30, 2007, issue)	50,162	-	-	-	50,162	247,959	248,425	466	2.02	2.46
Leasing Companies										
Saudi Pak Leasing Company Limited	10,000	-	-	-	10,000	11,707	11,707	-	0.10	0.12
Total - September 30, 2014						806,019	805,300	(719)	6.56	7.98
Total - June 30, 2014						824,530	817,834	(6,696)	7.37	9.73

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

4.1.2 Unlisted debt securities - term finance certificates

Certificates have a face value of Rs. 5,000/- each unless stated otherwise.

Name of investee company	Number of Certificates				Balance as at Sept 30, 2014		Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2014	Purchased during the period	Matured during the period	Disposed during the period	As at Sept 30, 2014	Carrying value	Market value	Appreciation / (diminution)
Bank Alfalah Limited TFC (December 02, 2009, issue)	8,500	-	-	-	8,500	43,752	44,677	925
Standard Chartered Bank Pakistan Limited PPTFC	41,000	-	-	-	41,000	205,410	202,834	(2,576)
Askari Bank Limited - IV (PPTFC)	95	-	-	-	95	99,810	102,652	2,842
Engro Chemical Pakistan Limited - Perpetual TFC IV (March 18, 2008)	2,419	-	-	-	2,419	11,870	12,065	195
Maple Leaf Cement Factory Limited - I (December 03, 2009)	68,000	-	-	-	68,000	190,970	198,004	7,034
New Allied Electronics Industries (Pvt) Limited (May 15, 2007)	10,400	-	-	-	10,400	22,337	22,337	-
New Allied Electronics Industries (Pvt.) Limited - Sukuk (July 25, 2007)	112,000	-	-	-	112,000	35,063	35,063	-
Security Leasing Corporation Limited - Sukuk (March 18, 2010)	5,000	-	-	-	5,000	2,385	2,385	-
Security Leasing Corporation Limited - PPTFC (March 28, 2010)	10,000	-	-	-	10,000	4,651	4,651	-
Bank Alfalah Limited TFC (December 02, 2009, issue Fixed)	18,235	-	-	-	18,235	98,169	98,910	741
Total - September 30, 2014						714,417	723,578	9,161
								5.87
Total - June 30, 2014						678,329	720,559	42,230
								6.49
								8.57

Investment in government securities - 'At fair value through profit or loss'

4.1.3

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

4.3 Loans and receivables

Particulars	Maturity date	Closing balance as at September 30, 2014	Value as a percentage of net assets	Value as a percentage of investment
Rs in '000				
Term deposit receipts	November 14, 2014	500,000	4.06	4.95
Total - September 30, 2014		500,000	4.06	4.95
Total - June 30, 2014		500,000	4.42	5.85
		Unaudited September 30,	Audited June 30,	

(Rupees in '000)

5 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration		594	520
Withholding tax payable		174	557
Provision for Workers' Welfare Fund	5.1	104,462	98,643
Federal Excise Duty on remuneration of Management Company	5.2	39,981	31,880
Others		14,227	11,713
		159,438	143,313

5.1 PROVISION FOR WORKERS' WELFARE FUND

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.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010, the Ministry filed its response against the Constitutional Petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

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.

In view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court, the Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF. During the quarter the Fund charged Rs.5.819 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2014 is Rs. 104.462 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.88 per unit.

5.2 FEDERAL EXCISE DUTY ON REMUNERATION OF MANAGEMENT COMPANY

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 Company services after the eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this financial information aggregating to Rs. 39.981 million as at 30 September 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 Rs. 0.34 per unit as at 30 September 2014.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

6 COMPLIANCE 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 March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. MCB Asset Management Company Limited (Management Company) classified MCB Dynamic Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at March 31, 2011, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than investment grade:

Category of non-compliant investment	Type of Investment / Name of Company	Outstanding face value	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							
	c) New Allied Electronics Industries (Pvt) Limited	22,337	22,337	22,337	-	-	-
	d) New Allied Electronics Industries Pvt. Limited - Sukuk	35,063	35,063	35,063	-	-	-
	e) Security Leasing Corporation Limited Sukuk	6,208	2,385	-	2,385	0.02	0.02
	f) Security Leasing Corporation Limited TFC	7,445	4,651	-	4,651	0.04	0.04
	g) Saudi Pak Leasing Company Limited TFC	25,148	11,707	-	11,707	0.10	0.09

- 6.1 At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

7 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 by way of cash dividend. 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 intends to distribute the income earned by the Fund during the year to the unit holders in the manner as explained above accordingly no provision for taxation has been made in these financial statements.

8 EARNINGS PER UNIT

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

9 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

- 9.1 Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.
- 9.2 The transactions with connected persons are in the normal course of business and at contracted rates.
- 9.3 Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

9.4 Details of transactions with connected persons are as follows:

Quarter ended	
September 30, 2014	September 30, 2013
----- (Rupees '000) -----	

MCB - Arif Habib Savings & Investments Limited

Remuneration of management company including indirect taxes	58,739	54,770
Issue of Nil units (2013: Nil units)	-	-
Redemption of 1,126,673 units (2013: 177,520 units)	115,000	18,000
Distribution of Nil Bonus units (2013: 180,414 units)	-	18,222

MCB Bank Limited

Profit on deposit account	2,165	1,028
Bank charges	8	3

MCB Employees Provident Fund

Distribution of Nil Bonus units (2013: 40,163 units)	-	4,056
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MCB Employees Pension Fund

Distribution of Nil Bonus units (2013: 40,163 units)	-	4,056
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Central Depository Company of Pakistan Limited - Trustee

Remuneration and settlement charges for the period	2,461	2,352
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Adamjee Insurance Company Limited

Issue of Nil units (2013: 4,196,803 units)	-	425,501
Redemption of Nil units (2013: 4,196,803 units)	-	425,501
Distribution of Nil Bonus units (2013: 421,401 units)	-	42,561

D.G Khan Cement Company Limited Employees Provident Fund Trust

Distribution of Nil Bonus units (2013: 121 units)	-	12
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Staff Provident Fund of Management Company

Redemption of Nil units (2013: 20,185 units)	-	2,051
Distribution of Nil Bonus units (2013: 517 units)	-	52

Adamjee Insurance Company Limited - Employees Provident Fund

Distribution of Nil bonus units (2013: 22,218 units)	-	2,244
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Adamjee Life Assurance Company Limited - NUIL Fund

Issue of Nil units (2013: 207,180 units)	-	21,000
Redemption of Nil units (2013: 946,742 units)	-	96,370
Distribution of Nil Bonus units (2013: 18,926 units)	-	1,912

Adamjee Life Assurance Company Limited - Investment Multiplier Fund

Issue of Nil Units (2013: 64,172 units)	-	6,500
Redemption of Nil units (2013: 182,226 units)	-	18,545
Distribution of Nil Bonus units (2013: 3,021 units)	-	305

Adamjee Life Assurance Company Limited - Investment Secure Fund

Issue of Nil Units (2013: 457,642 units)	-	46,400
Redemption of Nil units (2013: 1,158,435 units)	-	117,912
Distribution of Nil Bonus units (2013: 17,934 units)	-	1,811

Adamjee Life Assurance Company Limited ISF - Investment Secure Fund II

Issue of Nil Units (2013: 88,853 units)	-	9,000
Redemption of Nil units (2013: 577,590 units)	-	58,774
Distribution of Nil Bonus units (2013: 12,507 units)	-	1,263

Mandate Under Discretionary Portfolio Services

Issue of 117,680 Units (2013: Nil units)	12,165	-
Redemption of 75,786 units (2013: Nil units)	7,666	-
Distribution of Nil Bonus units (2013: 3,067 units)	-	310

Key management personnel

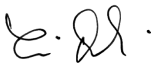
Issue of 19,258 units (2013: 99,042 units)	1,981	10,125
Redemption of 24,978 units (2013: 34,205 units)	2,559	3,498
Distribution of Nil Bonus units (2013: 11,488 units)	-	1,150

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

9.5	Amount outstanding as at period / year end	Septmber 30, 2014 (Rupees in '000)	June 30, 2014
	MCB - Arif Habib Savings & Investments Limited		
	Remuneration payable to management company	15,128	13,604
	Sale tax payable on management fee	2,269	2,177
	Sale load Payable	13,341	10,583
	1,458,123 units held as at Septmeber 30 2014 (June 30, 2014: 2,584,796 units)	151,302	261,331
	MCB Bank Limited		
	Bank balance	3,617	164,712
	Profit receivable on deposit accounts	359	303
	Adamjee Insurance Company Limited		
	10,882,364 units held as at Septmeber 30 2014 (June 30, 2014: 10,882,364 units)	1,129,211	1,100,240
	MCB Employees Provident Fund		
	1,037,174 units held as at Septmeber 30 2014 (June 30, 2014: 1,037,174 units)	107,623	104,861
	MCB Employees Pension Fund		
	1,037,174 units held as at Septmeber 30 2014 (June 30, 2014: 1,037,174 units)	107,623	104,861
	D.G Khan Cement Company Limited Employees Provident Fund Trust		
	3,120 units held as at Septmeber 30 2014 (June 30, 2014: 3,120 units)	324	315
	Central Depository Company of Pakistan Limited - Trustee		
	Security deposit	200	200
	Remuneration and settlement charges payable	1,660	767
	Mandate Under Discretionary Portfolio Services		
	121,108 units held as at Septmeber 30 2014 (June 30 2014: 79,214 units)	12,567	8,009
	Key management personnel		
	92,593 units held as at September 30, 2014 (June 30, 2014: 98,313 units)	9,608	9,940

10 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on October 20, 2014 by the Board of Directors of the Management Company.


For MCB-Arif Habib Savings and Investments Limited
(Management Company)
Chief Executive Officer


Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

Head Office: 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

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