

Half Year Report

December 31, 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.

METROBANK - PAKISTAN SOVEREIGN FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & 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 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 Ltd. CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi.	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited Faysal Bank Limited	
Auditors	KPMG Taseer Haidi & 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 & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM 2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 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 first half ended December 31st 2014.

ECONOMY AND MONEY MARKET OVERVIEW

In the wake of decline in oil prices in the international market, the country witnessed significant improvement in the macroeconomic indicators. Oil prices fell by 48 percent during the first half of the current fiscal year, aided by increase in global oil production amid weak demand.

Consequently, inflation remained subdued with CPI averaging around 6.11 percent during the 1H FY15. If oil prices, which eased down to a five-year low in December, stabilize below \$60 per barrel, inflation is likely to persist in lower ranges during the second half of the current fiscal year.

Despite decline in oil prices, the country's trade deficit widened to \$ 9.7 billion during 1H FY15 as opposed to deficit of \$ 8.6 billion during the corresponding period last year. Exports remained subdued perhaps due to lower cotton prices and disruptive power supplies. With oil imports accounting for one-third of the country's total import bill, trade deficit is forecasted to narrow down in the coming months reflecting significant drop in oil prices.

At the same time, financial account registered a surplus of \$ 2.4 billion as compared to a surplus of \$ 0.24 billion recorded during the same period last year. This is mainly due to increase in portfolio investments after the government successfully raised \$ 1 billion through Sukuk auction. However, foreign direct investment yet failed to pick up pace during the first half.

The country's foreign reserve balance also improved towards the end of the year after the country received \$1 billion through Sukuk auction in November and IMF released 4th and 5th tranche amounting to \$1.1 billion in December. The country's reserve balance totaled to \$14.9 billion at the end of December 2014.

Keeping in view lower inflationary pressure and stable foreign reserves position, the government had announced 50 bps cut in the discount rate in the monetary policy held in November, bringing the discount rate to 9.5 percent. Moreover, the gap between discount rate and inflation is still hovering above 5 percent which supports the case for further monetary easing down the line.

M2 has expanded by 3.08 percent during the 1H FY15 (till 26th December) as opposed to expansion of 4.76 percent during the same period last year. While borrowing from the banking system stood at Rs 243 billion as opposed to borrowing of around Rs 539 billion during the same period last year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. PIB rates moved downwards in anticipation of cut in the discount rate. Major activity was witnessed in the longer tenor bonds causing the yield curve to move sharply in the downward direction.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 17.68% as against its benchmark return of 10.27%, an outperformance of 7.41%.

The fund remained significantly invested in PIBs almost throughout the period with a focus on keeping its portfolio duration at a higher level in order to capitalize on the declining interest rates scenario. After realizing the capital gains, the fund gradually started to switch its exposure from PIBs to T-Bills. At period-end, the fund was 10.6% invested in Treasury Bills, 25.9% in cash and bank deposits, and 60.6% in PIBs.

The Net Asset of the Fund as at December 31, 2014 stood at Rs.7,194 million as compared to Rs.2,496 million as at June 30 2014 registering a increase of 188.2%.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014

The Net Asset Value (NAV) per unit as at December 31, 2014 was Rs.54.5 as compared to opening NAV of Rs. 50.04 per unit as at June 30, 2014 registering a increase of Rs.4.46 per unit.

FUTURE OUTLOOK

Economic activity is expected to gain momentum in 2015. The manufacturing activity will be driven by lower energy cost, weak raw material prices, improvement in gas supply situation and progress on the political front. In a major positive development, the government is planning to import LNG to ease off gas shortage in the country.

Although the government is eyeing increase in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on volatile law and order situation. In the near-term, realization of expected inflows-through divestment of shares of HBL would be crucial, where the country is expected to raise around \$1 billion. 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.

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

February 02, 2015

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

METROBANK PAKISTAN SOVEREIGN FUND

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Metrobank Pakistan Sovereign Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2014 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Aftab Ahmed Diwan
Officiating Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2015



AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

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Report on review of Condensed Interim Financial Information to the Unit Holders

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Metrobank Pakistan Sovereign Fund – Perpetual** ("the Fund") as at 31 December 2014 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

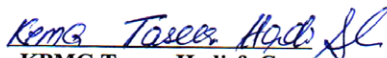
Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other matters

The figures for the quarter ended 31 December 2014 and 31 December 2013 in the condensed interim financial information have not been reviewed by us and we do not express a conclusion on them.

Date: 02 February 2015

Karachi


KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT 31 DECEMBER 2014

	<i>Note</i>	31 December 2014 (Unaudited) (Rupees in '000)	30 June 2014 (Audited)
Assets			
Balance with banks	6	2,079,579	684,905
Investments	7	5,910,953	1,762,472
Income from investments and profit receivable		239,656	91,369
Advance and prepayments		2,363	2,055
Total assets		8,232,551	2,540,801
Liabilities			
Payable to the Management Company		8,190	3,160
Payable to Central Depository Company of Pakistan Limited - Trustee		440	213
Payable to Securities and Exchange Commission of Pakistan		1,320	894
Payable against purchase of investments		898,198	-
Accrued expenses and other liabilities	8	130,451	40,073
Total liabilities		1,038,599	44,340
Net assets		7,193,952	2,496,461
Unit holders' fund		7,193,952	2,496,461
Contingencies and commitments	9		
		(Number of Units)	
Number of units in issue (face value of units is Rs. 50 each)		132,002,432	49,885,250
		(Rupees)	
Net asset value per unit		54.50	50.04

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

	Note	Half year ended		Quarter ended	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
----- (Rupees in '000) -----					
Income					
Capital gain / (loss) on sale of government securities - net		60,382	(8,601)	62,785	704
Income from government securities		178,192	39,246	105,233	15,784
Income from reverse repurchase transactions in government securities		-	48	-	-
Profit on bank deposits		12,317	2,210	9,437	743
		250,891	32,903	177,455	17,231
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		81,691	(1,646)	65,364	(654)
Total income		332,582	31,257	242,819	16,577
Expenses					
Remuneration of the Management Company		21,026	3,863	12,548	1,667
Sindh Sales tax and Federal Excise Duty on Management Fee		7,022	1,335	4,191	576
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,698	640	993	254
Annual Fee - Securities and Exchange Commission of Pakistan		1,320	328	804	131
Auditors' remuneration		292	452	94	226
Brokerage expenses		918	108	610	12
Other expenses		582	256	419	109
Total operating expenses		32,858	6,982	19,659	2,975
Net income from operating activities		299,724	24,275	223,160	13,602
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		244,913	(4,847)	229,975	(3,508)
Provision for workers' welfare fund	8.2	(10,893)	(389)	(9,063)	(202)
Net income for the period before taxation		533,744	19,039	444,072	9,892
Taxation	10	-	-	-	-
Net income for the period after taxation		533,744	19,039	444,072	9,892
Earnings per unit	11				

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

	<i>Note</i>	Half year ended		Quarter ended	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
		----- (Rupees in '000) -----			
Net income for the period after taxation		533,744	19,039	444,072	9,892
Other comprehensive income:					
<i>Items that are or may be reclassified subsequently to income statement</i>					
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'		45,070	-	42,589	-
Total comprehensive income for the period		578,814	19,039	486,661	9,892

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


 Chief Executive Officer

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


 Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
Undistributed income brought forward	2,194	34,174	95,442	506
Total comprehensive income for the period	578,814	19,039	486,661	9,892
Net element of income and capital gains included in prices of units issued less those in units redeemed				
- amount representing unrealised appreciation	12,819	-	11,724	-
Distributions to the unit holders of the Fund:				
Final distribution at the rate Rs. nil (2013: Rs. 1.38) per unit for the year ended 30 June 2014 / 30 June 2013 Declared on 4 July 2013 - Bonus distribution 682,389 units	-	(34,119)	-	-
Interim distribution at the rate of Rs. nil (2013: Rs. 0.53) per unit for the quarter ended 30 September 2014 / 30 September 2013 Declared on 27 September 2013 - Bonus distribution 173,914 units	-	(8,696)	-	-
Interim distribution at the rate Rs. nil (2013: Rs. 1.20) for the period ended 31 December 2014 / 31 December 2013 Declared on 26 December 2013 - Bonus distribution 201,043 units	-	(10,052)	-	(10,052)
	-	(52,867)	-	(10,052)
Undistributed income carried forward	593,827	346	593,827	346

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	(Rupees in '000)			
Net assets at beginning of the period	2,496,461	1,270,388	3,390,007	828,796
*Issue of 111,365,883 units (2013: 1,292,488 units) and 89,231,581 units (2013: 203,507 units) for the half year and quarter ended respectively	5,889,741	64,637	4,764,106	10,175
Redemption of 29,248,701 units (2013: 15,344,681 units) and 23,120,373 units (2013: 6,097,206 units) for the half year and quarter ended respectively	(1,526,151)	(772,095)	(1,216,847)	(308,370)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:	4,363,590	(707,458)	3,547,259	(298,195)
- amount representing (income) / loss and capital (gains) / losses transferred to income statement	(244,913)	4,847	(229,975)	3,508
- amount representing income that forms part of unit holder's fund transferred to distribution statement	(12,819)	-	(11,724)	-
	(257,732)	4,847	(241,699)	3,508
Net element of income and capital losses included in prices of units issued less those in units redeemed - transferred to distribution statement	12,819	-	11,724	-
Net income for the period (excluding net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gains on sale of investments)	391,671	29,286	315,923	9,842
Capital gain / (loss) on sale of investments - net	60,382	(8,601)	62,785	704
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	81,691	(1,646)	65,364	(654)
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	45,070	-	42,589	-
Total comprehensive income for the period	578,814	19,039	486,661	9,892
Distribution during the period	-	(52,867)	-	(10,052)
Net assets at end of the period	7,193,952	533,949	7,193,952	533,949
Net assets value per unit as at beginning of the period	50.04	51.38	51.45	50.03
Net assets value per unit as at end of the period	54.50	50.03	54.50	50.03

* This includes nil units (2013: 1,057,345 units) and nil units (2013: 201,042 units) issued as bonus units for the half year and quarter ended respectively.

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

	Half year ended		Quarter ended	
	31 December	31 December	31 December	31 December
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	533,744	19,039	444,072	9,892
Adjustments for non cash and other items:				
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(81,691)	1,646	(65,364)	654
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(244,913)	4,847	(229,975)	3,508
	(326,604)	6,493	(295,339)	4,162
	207,140	25,532	148,733	14,054
(Increase) / decrease in assets				
Investments	(4,021,720)	735,314	(2,646,168)	161,372
Income from investments and profit receivable	(148,287)	12,185	(180,069)	(484)
Advances and prepayments	(308)	79	(339)	52
	(4,170,315)	747,578	(2,826,576)	160,940
Increase / (decrease) in liabilities				
Payable to the Management Company	5,030	(1,770)	3,485	109
Payable to the Central Depository Company of Pakistan - Trustee	227	(135)	186	(41)
Annual fee payable to Securities and Exchange Commission of Pakistan	426	(3,520)	804	131
Payable against purchase of investments	898,198	(174,013)	898,198	-
Accrued expenses and other liabilities	90,378	1,229	87,487	381
	994,259	(178,209)	990,160	580
Net cash (used in) / generated from operating activities	(2,968,916)	594,901	(1,687,683)	175,574
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	5,889,741	11,771	4,764,106	124
Payments against redemption of units	(1,526,151)	(772,095)	(1,216,847)	(308,370)
Net cash generated from / (used in) financing activities	4,363,590	(760,324)	3,547,259	(308,246)
Net increase / (decrease) in cash and cash equivalents	1,394,674	(165,423)	1,859,576	(132,672)
Cash and cash equivalents at beginning of the period	684,905	195,220	220,003	162,469
Cash and cash equivalents at end of the period	2,079,579	29,797	2,079,579	29,797

The annexed notes from 1 to 13 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 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, 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 minus ; 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

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 2014.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2014, 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 half year ended 31 December 2013.

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

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 2014
- 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 2014.

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 2014.

		31 December 2014 (Unaudited) (Rupees in '000)	30 June 2014 (Audited)
6. BALANCE WITH BANKS			
Saving accounts	6.1	2,079,574	684,900
Current account		5	5
		<u>2,079,579</u>	<u>684,905</u>

- 6.1** These carry mark-up at rates ranging between 6.5% to 10.35% per annum (30 June 2014: 6.5% to 10.35% per annum).

7. INVESTMENTS

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

Pakistan Investment Bonds	7.1	2,666,961	1,189,794
Market Treasury Bills	7.1	879,159	24,659
		3,546,120	1,214,453

'Available-for-Sale'

Pakistan Investment Bonds	7.2	2,364,833	548,019
		<u>5,910,953</u>	<u>1,762,472</u>

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

7.1.1 These Pakistan Investment Bonds have a cost of Rs. 1,190 million (30 June 2014: Rs. 1,190 million) carry interest at the rate of 9.6% to 12% (30 June 2014: 11.25%) per annum. These will mature latest by 17 July 2024 (30 June 2014: 18 July 2016)

7.1.2 These Treasury bills have a cost of Rs. 876,424 million (30 June 2014: Rs. 24,486 million) carry effective yield ranging between 9.5% to 9.95% (30 June 2014 : 9.74%) per annum. These will mature latest by 19 February 2015 (30 June 2014 : 21 August 2014).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

7.2 Government securities - 'available for sale'

	Face value			Balance as at 31 December 2014		Market value	
	As at 1 July 2014	Purchases during the period	Sales / Matured during the period	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
	----- (Rupees in '000) -----						
Pakistan Investment Bond							
PIB - 3 years	7.2.1 555,500	610,050	300,000	876,114	890,178	12.37%	15.06%
PIB - 5 years	7.2.1 -	137,500	-	142,775	145,969	2.03%	2.47%
PIB - 10 years	7.2.1 -	1,294,300	50,000	1,300,874	1,328,686	18.47%	22.48%
Total - 31 December 2014				2,319,763	2,364,833		
Total - 30 June 2014				547,849	548,019		
Total of investments in Government Securities - 31 December 2014				2,319,763	2,364,833		
Total of investments in Government Securities - 30 June 2014				547,849	548,019		

7.2.1 These Pakistan Investment Bonds have a cost of Rs.2,319 million (30 June 2014: Rs. 547.84 million) carry interest at the rate of 9.6% to 12% (June 2014: 11.25%) per annum. These will mature latest by 17 July 2024 (30 June 2014: 18 July 2016)

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	31 December 2014	30 June 2014
	(Unaudited)	(Audited)
	(Rupees in '000)	
Auditor's remuneration payable	251	364
Brokerage payable	525	265
Provision for Federal Excise Duty and related taxes	6,344	2,567
Provision for Workers' Welfare Fund	47,555	36,662
Advances against issuance of units	75,400	-
Others	376	215
	130,451	40,073

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

- 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 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 statements aggregating to Rs. 6.344 million as at 31 December 2014. In case the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re. 0.05 per unit.
- 8.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending for adjudication.

On 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal council 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.

The Management company, as a matter of abundant precaution, decided to retain the entire provision for Workers' Welfare Fund in this condensed interim financial information.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

9. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2014 except as disclosed in note 10 of these condensed interim financial information.

10. TAXATION

10.1 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. Accordingly no provision for taxation has been made in these condensed interim financial information.

10.2 The income tax returns till the tax year 2013 have been filed under self assessment scheme and are deemed to be assessed under section 120 of the Income Tax Ordinance except for tax year 2012 for which Order under section 122(1) of the Ordinance has been received that the fund is not entitled to the exemption from income tax. The Tax Department considers that distribution of bonus units should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. The Fund filed an appeal before Commissioner (Appeals). However, as a matter of abundant caution the fund has also obtained stay against the said orders.

The management, based on the tax advice obtained by Mutual Funds Association of Pakistan from various tax advisors and under legal guidance of more than one legal counsels considers that if any orders are passed by the department those would be incorrect and based on erroneous understanding of the law. Further, the Commissioner Inland Revenue (Appeals), in case of certain mutual funds including one of the said funds being managed by the Management Company Limited has also given decision in favour of these funds. Therefore, no provision is required to be made in these condensed interim financial information..

11. EARNINGS PER UNIT

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms at contracted rates.

12.1 Transactions during the period with connected persons / related parties are as follows:

	Half year ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	----- (Unaudited) -----			
	----- (Rupees in '000) -----			
MCB-Arif Habib Savings and Investments Limited				
Remuneration to the Management Company (including indirect taxes)	28,048	5,198	16,739	2,243
Central Depository Company of Pakistan Limited				
Remuneration of the Trustee	1,698	640	993	254
Habib Metropolitan Bank Limited				
Profit on bank deposits	136	68	47	34
Bank charges	165	64	119	21
MCB Bank Limited				
Profit on bank deposits	5,865	102	4,097	43
Bank charges	20	3	12	1
Arif Habib Limited - Brokerage House				
Brokerage expense***	2	-	1	-

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

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

	31 December 2014 (Unaudited) (Rupees in '000)	30 June 2014 (Audited)
MCB-Arif Habib Savings and Investments Limited		
Management fee payable	<u>5,593</u>	<u>2,086</u>
Sindh sales tax payable on management fee	<u>839</u>	<u>334</u>
Sales load payable	<u>1,758</u>	<u>740</u>
Central Depository Company of Pakistan Limited		
Remuneration payable	<u>440</u>	<u>213</u>
Habib Metropolitan Bank Limited		
Bank deposits*	<u>1,758</u>	<u>165,268</u>
Profit receivable	<u>15</u>	<u>40</u>
MCB Bank Limited		
Bank deposits**	<u>1,059</u>	<u>4,497</u>
Profit receivable	<u>1,972</u>	<u>85</u>
Arif Habib Limited - Brokerage House		
Brokerage payable***	<u>1</u>	<u>-</u>

* This includes Rs 1.753 million (30 June 2014: 165.263 million) in saving accounts carrying profit at the rate of 7% to 7.5% (30 June 2014: 6% to 7.5%) per annum.

** These represent saving accounts carrying profit at the rate of 8.5% to 9.2% (30 June 2014: 8% to 9%) per annum.

*** The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014

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

	Half year ended 31 December 2014		Half ended 31 December 2013	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
	(Unaudited)		(Unaudited)	
Units sold to:				
MCB-Arif Habib Savings and Investments Limited	5,113,215	271,287	-	-
Suraj Cotton Mills Limited	3,758,859	200,835	-	-
Adamjee Insurance Company Limited				
- Investment Department	18,689,835	985,890	-	-
Adamjee Insurance Company Limited Staff				
Provident Fund	1,383,832	75,000	-	-
Adamjee Life Assurance Company Limited (IMF)	580,720	30,000	-	-
Adamjee Life Assurance Company Limited (ISF)	2,083,635	108,000	-	-
Adamjee Life Assurance Company Limited (ISF-II)	946,491	50,000	-	-
Adamjee Life Assurance Company Limited				
- NUIL Fund	1,428,968	74,500	-	-
Habib Sugar Mills Limited ****	18,719,583	1,000,000	-	-
Gul Ahmed Energy Limited	10,701,488	566,138	6,754,066	350,000
Key management personnel	160,305	8,548	-	-
Mandate under Discretionary Portfolio Services	660,949	34,609	-	-
Bonus units issued to:				
MCB-Arif Habib Savings and Investments Limited	-	-	31,418	1,571
Habib Metropolitan Bank Limited	-	-	227,082	11,354
Suraj Cotton Mills Limited	-	-	107,997	5,400
MCB AMC Staff Provident Fund	-	-	1,030	52
Adamjee Insurance Company Limited				
- Investment Department	-	-	286,711	14,336
Adamjee Life Assurance Company Limited (ISF)	-	-	2,294	115
Adamjee Life Assurance Company Limited				
- NUIL Fund	-	-	3,055	153
Jubilee General Insurance Company Limited	-	-	155,196	7,760
Gul Ahmed Energy Limited	-	-	288,048	14,402
Key management personnel	-	-	2,421	121
Mandate under Discretionary Portfolio Services	-	-	1,083	54
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	2,092,773	109,600	494,951	25,000
Habib Metropolitan Bank Limited	169,339	9,024	1,594,881	81,133
MCB AMC Staff Provident Fund	-	-	38,373	1,923
Suraj Cotton Mills Limited	-	-	4,020,945	201,369
Adamjee Insurance Company Limited				
- Investment Department	6,411,244	325,000	-	-
Adamjee Life Assurance Company Limited (ISF)	-	-	59,952	3,000
Adamjee Life Assurance Company Limited (ISF-II)	58,856	3,200	-	-
Adamjee Life Assurance Company Limited				
- NUIL Fund	-	-	79,936	1,060
Jubilee General Insurance Company Limited	-	-	4,187,053	211,279
Gul Ahmed Energy Limited	9,361,370	493,625	1,949,318	100,250
Key management personnel	155,502	8,301	8,206	410
Mandate under Discretionary Portfolio Services	435,777	22,831	40,314	2,019

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2014**

	31 December 2014 (Unaudited) (Units)	30 June 2014 (Audited)	31 December 2014 (Unaudited) (Rupees in '000)	30 June 2014 (Audited)
Units held by:				
MCB-Arif Habib Savings and Investments Limited	<u>4,589,584</u>	<u>1,569,144</u>	<u>250,132</u>	<u>78,520</u>
Habib Metropolitan Bank Limited	<u>4,425,947</u>	<u>4,595,286</u>	<u>241,214</u>	<u>229,948</u>
Suraj Cotton Mills Limited	<u>3,758,859</u>	<u>-</u>	<u>204,858</u>	<u>-</u>
Adamjee Insurance Company Limited				
- Investment Department	<u>22,436,114</u>	<u>10,157,603</u>	<u>1,222,768</u>	<u>508,286</u>
Adamjee Insurance Company Limited Staff				
Provident Fund	<u>1,383,832</u>	<u>-</u>	<u>75,419</u>	<u>-</u>
Adamjee Life Assurance Company Limited (IMF)	<u>1,246,811</u>	<u>666,090</u>	<u>67,951</u>	<u>33,331</u>
Adamjee Life Assurance Company Limited (ISF)	<u>3,968,233</u>	<u>1,884,598</u>	<u>216,269</u>	<u>94,305</u>
Adamjee Life Assurance Company Limited (ISF-II)	<u>1,662,471</u>	<u>774,837</u>	<u>90,605</u>	<u>38,773</u>
Adamjee Life Assurance Company Limited				
- NUIL Fund	<u>3,134,321</u>	<u>1,705,353</u>	<u>170,820</u>	<u>85,336</u>
Jubilee General Insurance Company Limited	<u>3,046,282</u>	<u>3,046,282</u>	<u>166,022</u>	<u>152,436</u>
Habib Sugar Mills Limited ****	<u>18,719,583</u>	<u>-</u>	<u>1,020,217</u>	<u>-</u>
Gul Ahmed Energy Limited	<u>6,432,915</u>	<u>5,092,796</u>	<u>350,594</u>	<u>254,844</u>
Key management personnel	<u>87,600</u>	<u>82,797</u>	<u>4,774</u>	<u>4,143</u>
Mandate under Discretionary Portfolio Services	<u>4,931,739</u>	<u>4,706,567</u>	<u>268,780</u>	<u>235,517</u>

**** These persons became connected persons / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

13. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 02 February, 2015 by the Board of Directors of the Management Company.

Please find us on



by typing: **Bachat Ka Doosra Naam**

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