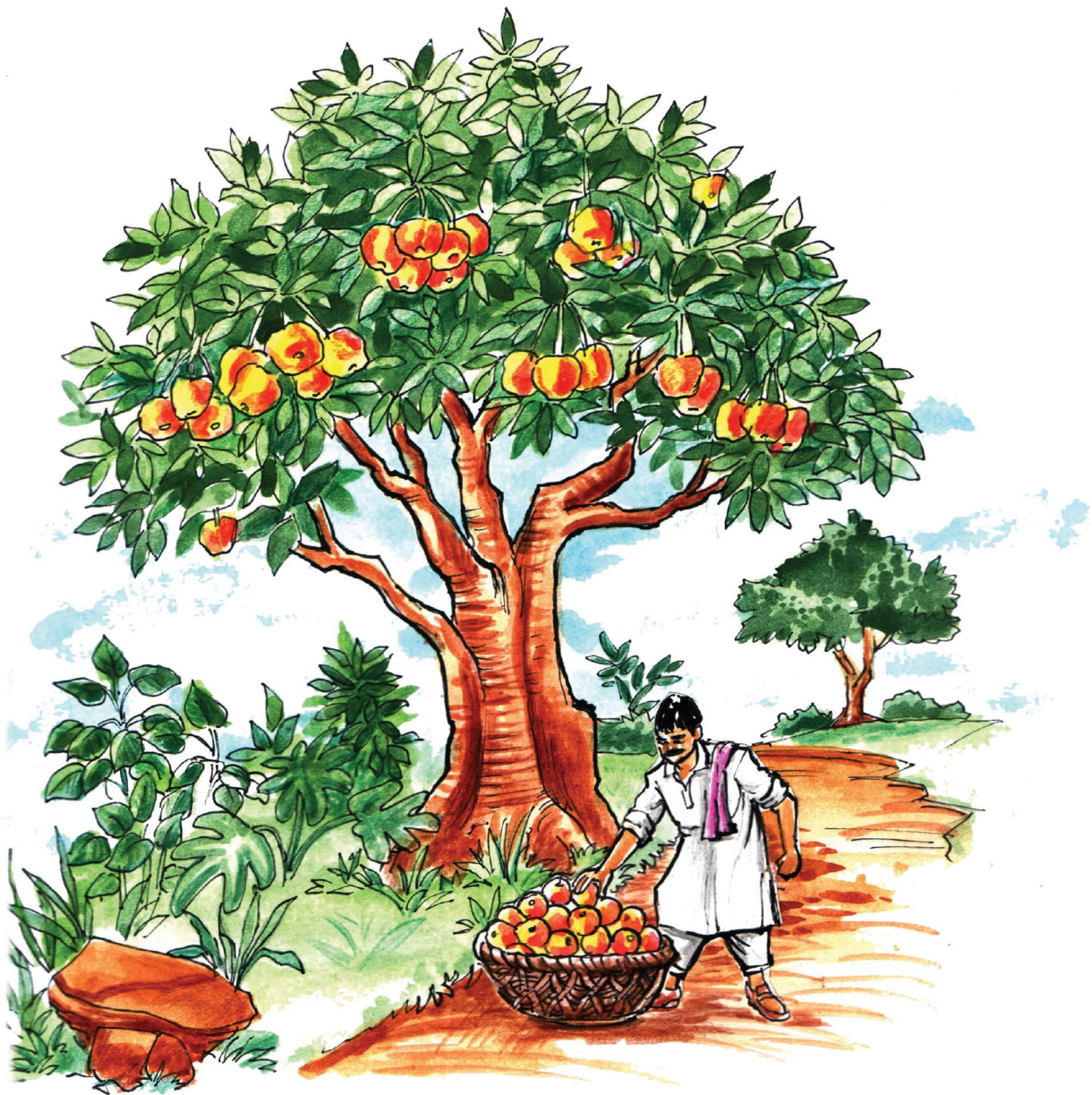


Quarterly Report
March 31, 2016
(Unaudited)



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

MCB PAKISTAN SOVEREIGN FUND
(FORMERLY: METROBANK PAKISTAN SOVEREIGN FUND)

CONTENTS

Fund's Information	52
Report of the Directors of the Management Company	53
Condensed Interim Statement of Assets and Liabilities	55
Condensed Interim Income Statement (Un-audited)	56
Condensed Interim Statement of Comprehensive Income (Unaudited)	57
Condensed Interim Distribution Statement (Un-audited)	58
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	59
Condensed Interim Cash Flow Statement (Un-audited)	60
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	61

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman 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	Chairman Member Member Member
Company Secretary & Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Muhammad Asif Mehdi	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 + Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Pakistan Sovereign Fund's [Formerly: Metro-bank Pakistan Sovereign Fund] accounts review for the nine months ended March 31st, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

Economic trajectory kept on improving with each passing month of this year. The blessing in disguise came from further plunge in oil prices, which succumbed to expanding supply glut lead by weaker global demand, increase inflows from Iran post removal of sanctions and resilience of shale producers. The lower oil prices helped curtail the inflationary pressures along with the import bill.

Inflation continued to remain on the lower side supported by a dip in transportation charges, with its trickledown effect on food inflation. However, it is pertinent to note that the inflation has started to increase largely induced by withering of low base effect evident from 3QFY16 average of 3.76%, against 1HFY16 average of 2.06%. As the outlook of crude oil prices remains bearish, the inflation is expected to average below 3% for the year.

External account continued to show stability triggered by narrower current account and stable financial flows. Petroleum Group Imports during the 8MFY16 reduced by approximately \$3.5 billion (down 40%) compared to 8mFY15. However, the savings in oil weren't visible in the current account position as it reduced by meager 4.5%. Lower commodity prices induced by weak global demand, slowdown in target markets and relatively unfavorable rupee-dollar parity vs competitors pushed exports down by 9.9% in 8MFY16. On the other hand, import bill worsened due to higher import of machinery for power and infrastructure while significantly lower cotton production also had to be filled with imports. Remittances remained resilient to weak economic outlook of gulf economies posting an increase of ~6%. Overall Balance of payment account however remained in surplus of near USD 1.04 billion due to improved multilateral flows.

Positive balance of foreign flows, improved external account outlook and strong foreign exchange reserves balance of near USD 20.5 billion along with strict vigilance of SBP kept the rupee relatively stable.

M2 growth gained traction with FY16TD growth of 5.27%. Net Domestic Assets, supported by continual net government borrowing, increased by PKR 472 billion whereas Net Foreign Assets contributed PKR 114 billion.

State Bank of Pakistan conducted Ijara Sukuk auction based on fixed rate rental arrangement providing yields of 6.10% and 5.59% in the successive auctions allowing comparatively lucrative avenue for Islamic financial industry.

Yield Curve shifted downward further which remains more influenced by outlook for improved fiscal deficit, better foreign inflows, issuance of Ijara Sukuk (near Rs. 300 Billion) and potential rollover risk on upcoming maturity of PIBs worth PKR 1.4 trillion.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 7.78% as against its benchmark return of 6.93%, registering an outperformance of 0.85%.

At period-end, the fund was 13.9% invested in cash and bank deposits and 84.6% in PIBs.

The Net Assets of the Fund as at March 31, 2016 stood at Rs. 9087 million as compared to Rs. 3,193 million as at June 30, 2015 registering an increase of 184.59%.

The Net Asset Value (NAV) per unit as at March 31, 2016 was Rs. 56.17 as compared to opening NAV of Rs. 53.06 per unit as at June 30, 2015 registering an increase of Rs. 3.11 per unit.

FUTURE OUTLOOK

Given current global economic environment, the local economic scorecard is expected to remain stable. The oil prices are expected to remain range bound with Iran having ample ability to pump more crude, along with low probability of major oil producers reaching any agreement to curtail supply. The weak global outlook evident from slow down in China, Bank of Japan and European Central

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

Bank adopting negative interest rates is also a concern for the commodities market. The weak global commodity outlook would keep import bill on the lower end, but as a result recovery in exports may also be delayed.

The average Consumer Price Index is expected to remain below 3% for the year. Whereas, stability in oil prices & exchange rate would allow inflation over the next few quarters to remain well anchored in the range of 4.5%-5.0% thus a stable monetary policy environment with potential for slight easing subject to stability in external flows looks likely.

Fiscal deficit is expected to remain within target and economic growth seems achievable with enough room for the government to bring required structural changes in the economy.

The Pakistani rupee is expected to show further resilience backed by strong foreign inflows lined up for next year.

Although, remittances have shown resilience but potential threat is present if any trouble of gulf economies is passed on to labor markets. Similarly, the incumbent government's aggressive plans for power sector would also weigh on the import bill with extensive import of power machinery keeping current account in check.

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,



Muhammad Saqib Saleem

Chief Executive Officer

April 18, 2016

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2016

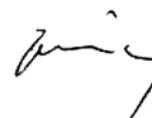
		(Un-Audited) March 31, 2016	(Audited) June 30, 2015
	Note	----- (Rupees in '000) -----	
ASSETS			
Balance with banks	5	1,283,228	1,382,582
Investments	6	7,840,004	2,875,829
Profit receivable		138,366	96,842
Advance and prepayments		2,237	2,086
Total assets		9,263,835	4,357,339
LIABILITIES			
Payable to the Management Company		13,078	8,290
Payable to Central Depository Company of Pakistan Limited - Trustee		736	462
Payable to Securities and Exchange Commission of Pakistan		4,595	4,624
Payable against purchase of investments		62,805	1,069,911
Payable against redemption of units		-	-
Accrued expenses and other liabilities	7	95,671	81,068
Total liabilities		176,884	1,164,355
NET ASSETS		9,086,951	3,192,984
Unit holders' fund (as per statement attached)		9,086,951	3,192,984
Contingencies and commitments	8		
NUMBER OF UNITS IN ISSUE			
		161,762,031	60,180,807
NET ASSET VALUE PER UNIT			
		56.17	53.06

The annexed notes from 1 to 14 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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

		Nine months ended		Quarter ended	
		March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Note		(Rupees in '000)			
Income					
Capital gain on sale of government securities - net		68,464	227,902	6,992	167,520
Income from government securities		546,734	384,643	271,307	206,451
Profit on bank deposits		18,280	20,988	6,209	8,671
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss - held-for-trading'	6.1.3	24	39,609	140	(42,082)
Total income		633,502	673,142	284,648	340,560
Expenses					
Remuneration of the Management Company		60,364	44,405	23,238	23,379
Sales tax and Federal Excise Duty on remuneration of Management Company		19,462	14,831	7,493	7,809
Expenses allocated by Management Company and related sales tax	9	3,667	-	2,626	-
Remuneration of Central Depository Company of Pakistan Limited - Trustee		5,159	3,470	1,915	1,772
Sales tax on Remuneration of Central Depository Company of Pakistan Limited - Trustee	10	722	-	268	-
Annual fee - Securities and Exchange Commission of Pakistan		4,596	2,907	1,728	1,587
Auditors' remuneration		522	415	141	123
Brokerage expenses		1,563	2,003	706	1,085
Other expenses		914	1,085	376	503
Total operating expenses		96,969	69,116	38,491	36,258
Net income from operating activities		536,533	604,026	246,157	304,302
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed					
arising from capital gain and unrealised gain		18,068	1,339,688	15,422	(677,101)
arising from other income		26,289	(959,690)	7,710	812,186
Provision for Workers' Welfare Fund	7.1	-	(19,680)	-	(8,787)
Net income for the period before taxation		580,890	964,344	269,289	430,600
Taxation	11	-	-	-	-
Net income for the period after taxation		580,890	964,344	269,289	430,600
Earnings per unit	12				

The annexed notes from 1 to 14 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 COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

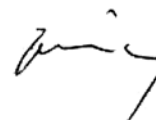
		Nine months ended		Quarter ended	
		March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Note		(Rupees in '000)			
	Net income for the period after taxation	580,890	964,344	269,289	430,600
	Other comprehensive income:				
	Items that are or may be reclassified subsequently to income statement				
	Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	6.2	(64,028)	81,008	(64,028)
	Less: Net unrealised (appreciation) / diminution in value of investment at the beginning of the period	6.2	(27,403)	-	(31,114)
	Total comprehensive income for the period		489,459	1,045,352	174,147
					466,538

The annexed notes from 1 to 14 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 DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**


	Nine months ended		Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	----- (Rupees in '000) -----			
Undistributed income brought forward	183,855	2,194	793,544	593,827
Total comprehensive income for the period	489,459	1,045,352	174,147	466,538
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	325,455	26,415	31,078	13,596
Undistributed income carried forward	998,769	1,073,961	998,769	1,073,961

The annexed notes from 1 to 14 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' FUNDS (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

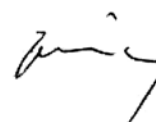
	Nine months ended		Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rupees in '000)			
Net assets at beginning of the period	3,192,984	2,496,461	8,332,011	7,193,952
Issue of 248,600,258 units (2015: 181,813,980 units) and 62,877,349 units (2015: 70,488,097 units) for the nine months and quarter ended respectively	12,848,580	9,802,374	2,819,932	3,912,633
Redemption of 147,019,034 units (2015: 70,516,333 units) and 51,883,038 units (2015: 41,267,632 units) for the nine months and quarter ended respectively	(7,399,715)	(3,831,079)	(2,216,007)	(2,304,928)
	5,448,865	5,971,295	603,925	1,607,705
Net 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				
- arising from capital gain and unrealised gain	(18,068)	(1,339,688)	(15,422)	677,101
- arising from other income	(26,289)	959,690	(7,710)	(812,186)
- amount representing income that forms part of unit holder's fund transferred to distribution statement	(325,455)	(26,415)	(31,078)	(13,596)
	(369,812)	(406,413)	(54,210)	(148,681)
Net element of income and capital losses included in prices of units issued less those in units redeemed - transferred to distribution statement	325,455	26,415	31,078	13,596
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)	512,402	696,833	262,157	305,162
Capital gain / (loss) on sale of investments - net	68,464	227,902	6,992	167,520
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	24	39,609	140	(42,082)
Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	(91,431)	81,008	(95,142)	35,938
Total comprehensive income for the period	489,459	1,045,352	174,042	466,538
Net assets at end of the period	9,086,951	9,133,110	9,086,951	9,133,110
Net assets value per unit as at beginning of the period	53.06	50.04	54.41	51.45
Net assets value per unit as at end of the period	56.17	56.66	56.17	56.66

The annexed notes from 1 to 14 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 CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

	Nine months ended		Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
Note	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	580,890	964,344	269,289	430,600
Adjustments for non cash and other items:				
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(24)	(39,609)	(140)	42,082
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- arising from capital gain and unrealised gain	(18,068)	(1,339,688)	(15,422)	677,101
- arising from other income	(26,289)	959,690	(7,710)	(812,186)
	(44,381)	(419,607)	(23,272)	(93,003)
	536,509	544,737	246,017	337,597
(Increase) / decrease in assets				
Investments	(5,055,583)	(6,404,523)	(624,136)	(2,382,803)
Profit receivable	(41,524)	(50,690)	143,294	97,597
Advances and prepayments	(151)	(56)	(201)	252
	(5,097,258)	(6,455,269)	(481,043)	(2,284,954)
Increase / (decrease) in liabilities				
Payable to the Management Company	4,788	8,120	1,113	3,090
Payable to the Central Depository Company of Pakistan - Trustee	274	435	(22)	208
Annual fee payable to Securities and Exchange Commission of Pakistan	(29)	2,013	1,727	1,587
Payable against purchase of investments	(1,007,106)	-	62,805	(898,198)
Payable against redemption of units	-	-	(102,470)	-
Accrued expenses and other liabilities	14,603	32,632	25,109	(57,746)
	(987,470)	43,200	(11,738)	(951,059)
Net cash (used in) / generated from operating activities	(5,548,219)	(5,867,332)	(246,764)	(2,898,416)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	12,848,580	9,802,374	2,819,932	3,912,633
Payments against redemption of units	(7,399,715)	(3,831,079)	(2,216,007)	(2,304,928)
Net cash generated from / (used in) financing activities	5,448,865	5,971,295	603,925	1,607,705
Net (decrease) / increase in cash and cash equivalents	(99,354)	103,963	357,161	(1,290,711)
Cash and cash equivalents at beginning of the period	1,382,582	684,905	926,067	2,079,579
Cash and cash equivalents at end of the period	1,283,228	788,868	1,283,228	788,868

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



Chief Executive Officer

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



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Sovereign Fund (Formerly: 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 December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 07, 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)].
- 1.2 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 no. 7 of 2009 dated March 06, 2009.
- 1.3 During the year ended June 30, 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 November 23, 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 November 03, 2009.
- 1.4 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.
- 1.5 The registered office of the Management Company is currently situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.6 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 Pakistan Stock Exchange Limited (formerly: Islamabad Stock Exchange (Guarantee) Limited).
- 1.7 Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM 2+ (AM two plus) to the MCB-Arif Habib Savings and Investments Limited, the Asset Management Company on April 07, 2015 and has assigned stability rating of "A+ (f)" (A plus: fund rating) to the Fund on December 31, 2015.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements, have been prepared in accordance with the requirements of International Accounting Standard 34: 'Interim Financial Reporting', the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and directives issued by SECP. In case where requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP prevail.
- 2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2015.
- 2.3 Figures for the quarters ended March 31, 2016 and March 31, 2015 as reported in these condensed interim financial statements are un-audited and have been included to facilitate comparison.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

2.4 This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

3. ACCOUNTING POLICIES AND ESTIMATES

3.1 The accounting policies and methods of computation adopted in preparation of this condensed interim financial statements are same as those applied in preparation of financial statements of the Fund for the year period ended December 31, 2015.

4. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2015.

		(Un-Audited) March 31, 2016	(Audited) June 30, 2015
	Note	----- (Rupees in '000) -----	
5. BALANCE WITH BANKS			
Saving accounts	5.1	1,281,636	1,376,360
Current account		1,592	6,222
		<u>1,283,228</u>	<u>1,382,582</u>
6. INVESTMENTS			
'At fair value through profit or loss' - held-for-trading			
Pakistan Investment Bonds	6.1	2,180	2,156
Market Treasury Bills	6.1	-	247,687
		2,180	249,843
Available-for-sale			
Pakistan Investment Bonds	6.2	7,837,824	2,625,986
		<u>7,840,004</u>	<u>2,875,829</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

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

	Face value			Balance as at March 31, 2016			Market value		
	As at July 01, 2015	Purchases during the period	Sales / matured during the period	As at March 31, 2016	Carrying value	Market value	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
		(Rupees in '000)			(Rupees in '000)			%	%
Pakistan Investment Bonds									
PIB - 5 years	1,975	-	-	1,975	2,156	2,180	24	0.02%	0.03%
Total - March 31, 2016					2,156	2,180	24		
Total - June 30, 2015					2,024	2,156	132		
Market Treasury Bills									
Treasury bills - 2 months	250,000	355,000	605,000	-	-	-	-	-	-
Treasury bills - 3 months	-	4,269,400	4,269,400	-	-	-	-	-	-
Treasury bills - 6 months	-	8,940,100	8,940,100	-	-	-	-	-	-
Treasury bills - 12 months	-	5,819,000	5,819,000	-	-	-	-	-	-
Total - March 31, 2016					-	-	-		
Total - June 30, 2015					247,706	247,687	(19)		
Total of investments in Government Securities - March 31, 2016					2,156	2,180	24		
Total of investments in Government Securities - June 30, 2015					249,730	249,843	113		

(Un-Audited)
March 31,
2016

(Audited)
June 30,
2015

Note

6.1.2 Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held-for-trading'

Carrying value investments
Market value investments

6.1
6.1

2,156
2,180
24

249,730
249,843
113

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

6.2 Government securities - 'available-for-sale'

	Face value			Balance as at 31 March 2016		Market value	
	As at July 01, 2015	Purchases during the period	Sales / matured during the period	As at March 31, 2016	Carrying value	Market value	As a percentage of net assets
					(Rupees in '000)	(Rupees in '000)	As a percentage of total investments
Pakistan Investment Bonds							
PIB - 3 years	363,770	8,407,300	3,784,900	4,986,170	5,213,459	5,159,838	56.78%
PIB - 5 years	786,550	7,449,200	6,635,000	1,600,750	1,727,874	1,725,125	18.98%
PIB - 7 years	101,000	-	92,000	9,000	9,414	9,205	0.10%
PIB - 10 years	1,219,450	1,000,000	1,324,400	895,050	945,493	937,542	10.32%
PIB - 20 years	5,500	-	-	5,500	5,612	6,114	0.07%
Total - March 31, 2016					7,901,852	7,837,824	(64,028)
Total - June 30, 2015					2,598,583	2,625,986	27,403
Total of investments in Government Securities - March 31, 2016					7,901,852	7,837,824	(64,028)
Total of investments in Government Securities - June 30, 2015					2,598,583	2,625,986	27,403

7. ACCRUED EXPENSES AND OTHER LIABILITIES

	(Un-Audited) March 31, 2016	(Audited) June 30, 2015	Note
Provision for Workers' Welfare Fund	42,253	42,253	7.1
Provision for Federal Excise Duty and related taxes on remuneration to Management Company	25,899	14,891	7.2
Provision for Federal Excise Duty and related taxes on sales load	3,759	1,708	
Withholding tax payable	1,238	20,552	
Auditors' remuneration payable	266	368	
Brokerage payable	1,323	1,199	
Printing related expenses payable	108	97	
Other Payable	20,375	-	
Other	450	-	
	95,671	81,068	

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

7.1 Provision for Workers' Welfare Fund

There is no change in the status of the petition pending with the Honourable Sindh High Court (SHC) as reported in note 11.2 to the annual financial statements of the Fund for the year ended June 30, 2015.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs.42.253 million (June 30, 2015: Rs.42.253 million) in these condensed interim financial statements. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Re.0.26 per unit (June 30, 2015: Re.0.70 per unit).

7.2 Federal Excise Duty on Remuneration of Management Company

There is no change in the status of petition with SHC as reported in note 11.1 to the annual financial statements of the Fund for the year ended June 30, 2015. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re.0.16 per unit as at March 31, 2016 (June 30, 2015: Re.0.25 per unit).

8. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at March 31, 2016.

9. EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY AND RELATED SALES TAX

The SECP via SRO 1160 dated November 25, 2015 amended clause 60 of NBFC Regulations, 2008. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less.

10. SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services of shares, securities and derivatives and included custodianship services as well. Accordingly, Sindh Sales Tax of 14% on such services is also chargeable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill, 2010 amended upto 2015.

11. TAXATION

- 11.1** The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. 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 capital gains to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders. Accordingly, no provision has been made in this condensed interim financial statement.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

- 11.2** As reported in note 14.2 of the annual financial statements for the year ended 2015 during the quarter the Fund withdrew the application from High Court as Commission Income Tax (appeals) had decided the matter in favour of the Fund.
- 11.3** During the current quarter, FBR has issued notice for applicability of Super Tax @ 3% under section 4B of income tax ordinance 2001 for tax year 2015 against the fund. The management, based on the advice obtained from various tax advisors and legal counsels considers that Mutual Funds are exempt for the applicability of super tax u/s 4B (4) of the Income Tax Ordinance, 2001 due to the Clause 99 of the part 1 of the 2nd Schedule of the Income Tax Ordinance, 2001; therefore the management has decided to file the case against the notice.

12. 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.

13. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Un-audited			
	Nine months ended		Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rupees in '000)			
Transactions during the period:				
MCB-Arif Habib Savings and Investments Limited - Management Company				
Remuneration of the Management Company including indirect taxes	79,826	59,236	30,731	31,188
Expenses allocated by Management				
Company and related sales tax	3,667	-	2,626	-
Legal and professional charges	48	-	46	-
Issue of 11,131,185 units (2015: 5,113,215) and 1,397,952 units (2015: 4,624,265) for the nine months and quarter ended respectively	605,000	301,287	78,000	30,000
Redemption of 6,631,802 units (2015: 2,092,773) and 2,052,463 units (2015: 2,092,773) for the nine months and quarter ended respectively	364,277	117,600	115,000	8,000
Central Depository Company of Pakistan Limited - Trustee				
Remuneration including sales tax	5,881	3,470	2,183	1,772
Group / Associated Companies				
Arif Habib Limited				
Brokerage expense *	21	6	-	4
Next Capital				
Brokerage expense *	294	312	140	312
Summit Capital (Pvt.) Limited				
Brokerage expense *	26	-	18	-
MCB Bank Limited				
Profit on bank deposits	2,719	8,900	209	7,132
Bank charges	71	42	14	34
Sale of Securities Face Value 1,800,000,000 (2015: 100,000,000) and Face Value 1,200,000,000 (2015: 100,000,000) for the nine months and quarter ended respectively	3,537,846	103,495	1,660,918	103,495
Purchase of Securities Face Value 450,000,000 (2015: 627,000,000) and Face Value 200,000,000 (2015: 625,000,000) for the nine months and quarter ended respectively	491,436	588,079	219,034	585,938

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016**

	----- Un-audited -----			
	Nine months ended		Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	----- (Rupees in '000) -----			
Silk Bank Limited				
Sale of Securities Face Value 400,000,000 (2015: Nil) and Face Value 400,000,000 (2015: Nil) for the nine months and quarter ended respectively	391,461	-	391,461	-
Purchase of Securities Face Value 1,100,000,000 (2015: 150,000,000) and Face Value 200,000,000 (2015: 150,000,000) for the nine months and quarter ended respectively	1,117,753	174,692	227,466	174,692
Adamjee Insurance Company Limited				
Issue of 28,507,432 units (2015: 18,689,835) and 12,223,690 units (2015: 11,301,466) for the nine months and quarter ended respectively	1,548,455	985,890	677,926	-
Redemption of 3,581,021 units (2015: 6,411,244) and 3,581,021 units (2015: 1,932,741) for the nine months and quarter ended respectively	200,000	325,000	200,000	-
Adamjee Life Assurance Company Limited - Employees Provident Fund				
Issue of 1,521,455 units (2015: 1,383,832) and Redemption of 1,521,455 units (2015: 1,383,832) for the nine months and quarter ended respectively	84,060	75,000	-	-
Adamjee Life Assurance Company Limited - IMF				
Issue of 1,350,378 units (2015: 580,720) and 1,350,338 units (2015: 580,720) for the nine months and quarter ended respectively	75,000	30,000	75,000	-
Redemption of 1,727,310 units (2015: Nil) and Nil units (2015: Nil) for the nine months and quarter ended respectively	96,799			
Adamjee Life Assurance Company Limited - Investment Department				
Issue of 12,223,690 units (2015: Nil) and Nil units (2015 : Nil units) for the nine months and quarter ended respectively	677,804	-	677,804	-
Redemption of 12,223,690 units (2015: Nil) Nil units (2015 : Nil units) for the nine months and quarter ended respectively	677,926	-	677,926	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

	Un-audited			
	Nine months ended		Quarter ended	
	March 31, 2016	March 31, 2015	March 31, 2016	March 31, 2015
	(Rupees in '000)			
Adamjee Life Assurance Company Limited - ISF				
Issue of 3,809,872 units (2015: 2,083,635) and 900,252 units (2015: 2,083,635) for the nine months and quarter ended respectively	210,000	134,000	50,000	26,000
Redemption of 2,407,548 units (2015: Nil) and Nil Units (2015: Nil) for the nine months and quarter ended respectively.	135,000		135,000	
Adamjee Life Assurance Company Limited - ISF II				
Issue of 1,665,777 units (2015: 946,491) and 1,350,378 Units (2015: 946,491) for the nine months and quarter ended respectively	92,000	74,000	75,000	24,000
Redemption of 655,152 units (2015: 58,856) and Nil units (2015: 58,856) for the nine months and quarter ended respectively	36,000	6,200	-	3,000
Adamjee Life Assurance Company Limited - NUIL				
Issue of Nil units (2015: 1,428,968) and Nil units (2015: 1,428,968) for the nine months and quarter ended respectively	-	74,500	-	-
D.G. Khan Cement Company Limited				
Issue of 23,700,644 units (2015: Nil) and 5,395,683 units (2015: Nil) for the nine months and quarter ended respectively	1,300,000	-	300,000	-
Redemption of 18,304,961 units (2015: Nil) and 18,304,961 units (2015: Nil) for the nine months and quarter ended respectively	1,009,336	-	-	-
Mandate under Discretionary Portfolio Services				
Issue of 3,738,541 units (2015: 660,949) and 1,191,485 units (2015: 318,565) for the nine months and quarter ended respectively	204,180	87,234	66,512	52,625
Redemption of 3,062,749 units (2015: 435,777) and 744,723 units (2015: 342,384) for the nine months and quarter ended respectively	168,833	119,405	41,427	96,574
Key Management Personnel				
Issue of 212,996 units (2015: 160,305) and 149,319 units (2015: 160,305) for the nine months and quarter ended respectively	11,722	3,308	8,272	(5,240)
Redemption of 119,721 units (2015: 155,502) and 29,443 units (2015: 150,553) for the nine months and quarter ended respectively	6,543	3,166	1,639	(5,135)

* 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 NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

	(Un-Audited) March 31, 2016	(Audited) June 30, 2015
	----- (Rupees in '000) -----	
Amount outstanding as at period / year end:		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable to Management Company	7,875	4,994
Sales tax payable on remuneration to Management Company	1,103	748
Sales load payable including related taxes	2,554	2,448
Legal and professional charges payable	-	100
Expenses allocated by Management Company and related sales tax	1,546	-
4,499,382 units held (2015: Nil units)	252,730	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	646	462
Sales tax on remuneration	90	-
Group / Associated Companies		
Adamjee Insurance Company Limited		
24,926,411 units held (2015: Nil units)	1,400,117	-
Adamjee Insurance Company Limited - Employees Provident Fund		
1,521,455 units held (2015: 1,521,455 units)	85,460	80,728
Adamjee Life Assurance Company Limited - IMF		
Nil units (2015: 376,932 units)	-	20,000
Adamjee Life Assurance Company Limited - ISF		
6,241,712 units held (2015: 4,839,388 units)	350,597	256,778
Adamjee Life Assurance Company Limited - ISF II		
3,223,964 units held (2015: 2,213,339 units)	181,090	117,440
Adamjee Life Assurance Company Limited - NUIL		
3,462,102 units held (2015: 3,462,102 units)	194,466	183,699
MCB Bank Limited		
Bank balance	3,844	1,213,765
Profit receivable on deposit accounts	179	1,885
Next Capital		
Brokerage expense payable*	17	-
D.G. Khan Cement Company Limited		
5,395,683 units held (2015: Nil Units)	303,076	-
Mandate under discretionary portfolio services		
4,442,953 units held (2015: 3,767,160 units)	249,561	199,886
Key Management Personnel		
293,111 units held (2015: 199,836 units)	16,464	7,126

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2016

- * 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.


14. DATE OF AUTHORIZATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 18, 2016 by the Board of Directors of the Management Company.



Chief Executive Officer

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



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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