

**Half Year Report**  
**December 31, 2016**  
**(Unaudited)**



**Funds Under Management**  
**of**  
**MCB-Arif Habib Savings and Investments Limited**  
Rated: AM2++ by PACRA

# **MCB PAKISTAN STOCK MARKET FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	Mian Mohammad 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 Ahmed	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Abdul Basit	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited Standard Chartered Bank of Pakistan Limited Summit Bank Limited	
<b>Auditors</b>	<b>A.F. Ferguson &amp; Co.</b> Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	AM2++ Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Stock Market Fund** accounts review for half year ended December 31, 2016.

## EQUITIES MARKET OVERVIEW

Pakistan Stock Exchange (PSX) continued its positive momentum of 1QFY17 by posting another 16.64% return in 2QFY16 to conclude the period 26.53% higher (47,807 points). In calendar year 2016, the local bourse remained the best performing market in the region and stood 5th in global ranking with a USD based return of 45%. This was despite an aggressive selling from the foreign investors, who remained net sellers of USD 298mn in 1HFY16, compared to USD 240 mn in the corresponding period last year. This heavy selling was absorbed mostly by Mutual Funds and NBFCs with net buying of USD 307mn and USD 102mn, respectively.

Auto Parts Manufacturers and Auto Assemblers remained the best performing sectors during 1HFY17 with returns of 83% and 77%, respectively. Among the mainstream sectors, Banks outperformed the rest with a 33% return during the period under review, mainly on account of improving advances, rising deposits and bottomed out interest rate outlook. Cements also posted a 30% return during the period under review as strong demand coupled with healthy margins kept the investors' interest alive in the sector. Improving crude oil prices also made a mark on the E&Ps, which posted a healthy 27% return during 1HFY17. Fertilizers on the other hand, underperformed the index by posting a modest 2% return, as rising inventories coupled with discounts on urea prices took their toll on the sector.

We expect the positive momentum to continue going ahead as market draws close to its graduation to MSCI EM Index. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. PSX is currently trading at a forward multiple of 11.99x, still trading at a 10.5% discount to the MSCI EM, reflecting further room for re-rating from here.

## FUND PERFORMANCE

During the period, PSM generated a return of 28.77% as compared to a return of 26.53% witnessed by the KSE100 Index, outperforming the benchmark by 2.24%. Overall equity exposure remained above 90% during 6MFY17. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments. Changes in sector level allocation include increase in exposure in Oil and Gas Exploration sector and Banks while allocation was decreased in Fertilizer and Power Generation and Distribution.

The Net Assets of the fund as at December 31st, 2016 stood at Rs. 10,983 million as compared to Rs. 8,018 million as at June 30 2016 registering an increase of 36.98%.

The Net Asset Value (NAV) per unit as at December 31, 2016 was Rs. 112.15 as compared to opening NAV of Rs. 87.09 per unit as at June 30, 2016 registering an increase of 25.06 per unit.

## FUTURE OUTLOOK

The reversal in crude oil prices is expected to wither of the fiscal space previously available amid growing import bill. The recent decision by government to revise up petroleum prices in its latest fortnightly decision points towards constricting fiscal liberty.

The recently announced textile package is expected to provide support to the export sector. However, the overvalued currency as depicted from REER still remains a blockade for export competitiveness of the country however the same may remain deferred till the government continues to fund the gap through borrowing.

The inflationary pressures are also expected to succumb to expected increments in petroleum prices along with its trickle down impact on food inflation. We expect inflation for the year to average ~4.3%. It is pertinent to note inflation for next half of the year is expected to average around 4.8% with inflation for closing months of the year to exceed 5%.

While, we expect interest rates to remain stable in the short term given the stable inflationary trends, exchange rate overvaluation along with weak external account suggest a close review of emerging trends with potential for inflection on either side though biased in favor of monetary tightening.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The MSCI specific companies are expected to gain limelight as formal inclusion nears. However, the volatility in global markets lead by uncertainty in global economies after Trump's induction as US President and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our positive stance on the market.

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

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### **ACKNOWLEDGMENT**

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

For and on behalf of the Board,



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**Muhammad Saqib Saleem**  
Chief Executive Officer  
February 2, 2017

## عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ کے 31 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

## ایکویٹیز مارکیٹ کا مجموعی جائزہ

پاکستان اسٹاک ایکسچینج (PSX) نے مالی سال 2016ء کی پہلی سہ ماہی کی مثبت رفتار جاری رکھتے ہوئے مالی سال 2016ء کی دوسری سہ ماہی میں ایک اور 16.64% منافع کمایا اور مدت کی تکمیل 26.53% زیادہ (47,807 پوائنٹس) پر کی۔ امریکی ڈالر پر مبنی 45% منافع کے ساتھ مقامی اسٹاک مارکیٹ کیلنڈر سال 2016ء میں خطے میں بہترین کارکردگی کا مظاہرہ کرنے والی مارکیٹ بنی رہی اور عالمی درجہ بندی میں پانچویں نمبر پر تھی۔ یہ کامیابی غیر ملکی سرمایہ کاروں کی طرف سے جارحانہ فروخت کے باوجود تھی، جو 2016ء کی پہلی ششماہی میں 298 ملین ڈالر کے net فروخت کا رہنے رہے، بالمقابل گزشتہ سال کی پہلی ششماہی میں 240 ملین ڈالر کے۔ اس بھاری فروخت کے اثر کا بڑا حصہ میوچل فنڈز اور NBFCs نے جذب کیا، بالترتیب 307 ملین ڈالر اور 102 ملین ڈالر کی net خریداری کے ساتھ۔

گاڑیوں کے پُر زہ جات کے تیار کنندگان اور گاڑیوں کے اسمبلرز 2017ء کی پہلی ششماہی کے دوران بہترین کارکردگی کا مظاہرہ کرنے والے شعبے بنے رہے، بالترتیب 83% اور 77% منافع کے ساتھ۔ بڑے شعبوں میں سے ٹیکسٹائل نے زیر جائزہ مدت کے دوران 33% منافع کما کر سب سے عمدہ کارکردگی کا مظاہرہ کیا، جس کی بنیادی وجوہات ایڈوانسز میں بہتری، بڑھتے ہوئے ڈپازٹس اور انٹریسٹ پست ترین شرحیں ہیں۔ سینٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران 30% منافع کمایا کیونکہ بھرپور مانگ اور اس کے ساتھ صحتمند margins نے اس شعبے میں سرمایہ کاروں کی دلچسپی برقرار رکھی۔ خام تیل کی قیمتوں میں بہتری سے بھی E&Ps پر مثبت اثرات مرتب ہوئے جس نے 2017ء کے پہلی ششماہی کے دوران صحتمند 27% منافع کمایا۔ دوسری جانب کھاد کے شعبے نے صرف 2% منافع کما کر انڈیکس سے کم کارکردگی کا مظاہرہ کیا، جس کی وجوہات انوینٹریز میں اضافہ اور اس کے ساتھ یورپ کی قیمتوں پر ڈسکاؤنٹس نے اس شعبے کو متاثر کیا۔

ہم اُمید کرتے ہیں کہ جوں جوں مارکیٹ MSCI EM انڈیکس تک اپنی گریجویٹیشن کے قریب پہنچ رہی ہے، یہ مثبت رفتار جاری رہے گی۔ علاوہ ازیں، انٹریسٹ کی پست شرحیں بھی فکسڈ آمدنی کے منافع کو پست رکھے ہوئے ہیں جس سے ایکویٹی مارکیٹ میں liquidity کا رجحان مزید بڑھ رہا ہے۔ PSX موجودہ طور پر 11.99x کے فارورڈ ملٹپل پر، اور ابھی تک MSCI EM کے 10.5% ڈسکاؤنٹ پر تجارت کر رہا ہے، اور اس سے عکاسی ہوتی ہے کہ یہاں ری-ریٹنگ کی مزید گنجائش ہے۔

## فنڈ کی کارکردگی

دوران مدت فنڈ کا منافع 28.77% تھا، جبکہ KSE100 انڈیکس کا منافع 26.53% تھا، یعنی فنڈ کی کارکردگی مقررہ معیار سے 2.24% بہتر تھی۔ 6MFY17 کے دوران ایکویٹی میں مجموعی شمولیت 90% سے زیادہ رہی۔ فنڈ خارجی عناصر کے حوالے سے چوکنا رہا اور بنیادی ترقیاتی اقدامات کو مد نظر رکھتے ہوئے سرمایہ کاری کی حکمت عملی میں ضروری ترمیمات کی گئیں۔ شعبہ جاتی سطح کی تبدیلیوں میں آئل اینڈ گیس سیکٹر اور بینکوں میں شمولیت میں اضافہ، اور کھاد اور توانائی کی پیداوار اور تقسیم میں شمولیت میں کمی شامل ہیں۔

31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 10,983 ملین روپے تھی، جو 30 جون 2016ء پر 8,018 ملین روپے مالیت کے مقابلے میں 36.98% زیادہ ہے۔ 31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 112.15 روپے تھی، جو 30 جون 2016ء پر 87.09 روپے فی یونٹ قدر کے مقابلے میں 25.09 روپے فی یونٹ زیادہ ہے۔

## مستقبل کا منظر

خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بل کے ماحول میں دستیاب مالیاتی خلاء کے بتدریج ختم ہوجانے کا امکان ہے۔ حکومت کے تازہ ترین پندرہ روزہ فیصلہ جاتی نکات میں پٹرول

کی قیمتوں پر نظر ثانی کا حالیہ فیصلہ مالیاتی آزادی پر قدغن کی طرف اشارہ کر رہا ہے۔ حالیہ اعلان کردہ ٹیکسٹائل پیکیج سے برآمدات کے شعبے کو معاونت فراہم ہونے کی توقع ہے۔ تاہم مطلوبہ سے زیادہ قدر کا حامل روپیہ، جیسا کہ REER سے ظاہر ہوتا ہے، ابھی تک ملک کی برآمداتی مسابقت کی صلاحیت کے لئے ایک رکاوٹ ہے۔ تاہم ممکن ہے کہ یہ نوبت تب تک نہ آئے جب تک حکومت قرض کی حصول کے ذریعے اس خلیج کو پُر کرنا جاری رکھے گی۔

پٹرول کی قیمتوں میں اضافوں اور اشیائے خورد و نوش کے افراط زر پر ان کے اثر سے متوقع طور پر افراط زر کے دباؤ کا بھی زور ٹوٹ جائے گا۔ ہماری توقع ہے کہ اس سال کے افراط زر کا اوسط 4.3% ہوگا۔ یہاں یہ بات قابل ذکر ہے کہ دوسری ششماہی میں افراط زر کا اوسط تقریباً 4.8% متوقع ہے، اور سال کے اختتامی مہینوں میں افراط زر 5% سے زیادہ ہوگا۔

اگرچہ ہمیں اُمید ہے کہ افراط زر کے مستحکم رجحانات کے پیش نظر مختصر میعاد میں انٹریسٹ کی شرحیں مستحکم رہیں گی، لیکن زرمبادلہ کی شرح کی مطلوبہ سے زیادہ قدر، اور اس کے ساتھ کمزور خارجی اکاؤنٹ سے مستقبل میں اُبھرنے والے رجحانات کا باریک بین جائزے کا اندازہ ہوتا ہے، وہ رجحانات جو مالیاتی عناصر کو گس دینے کی حمایت کی طرف جھکے ہونے کے باوجود دونوں جانب مرض پھیلا سکتے ہیں۔ چین پاکستان معاشی راہداری سے ترقی کے لیے بے حد مطلوب قوت حاصل ہونے کا امکان ہے؛ 50 بلین ڈالر سے زائد کا یہ پروگرام متوقع طور پر تعمیرات اور توانائی کی خلاء میں سرگرمیاں پیدا کرنے کا محرک بنے گا اور اس کے اثرات دیگر شعبوں پر بھی مرتب ہوں گے۔ تاہم مختصر میعاد میں درآمداتی بل میں اضافے کے ساتھ غیر ملکی براہ راست سرمایہ کاریوں کی آمدات سے کرنٹ اکاؤنٹ میں مزید انحطاط متوقع ہے۔ طویل میعاد میں منافع کی وطن واپسی بھی ادائیگیوں کے توازن کی صورتحال کے لیے ایک خدشہ ہوگی۔

پاکستان انٹریسٹ کی پست / مستحکم شرح کے ماحول اور اس کے ساتھ چین پاکستان معاشی راہداری کی صورت میں ترقی کے محرک کے باعث بہتر مقام بنانے اور معاشی توسیعی چکر میں ہونے کی وجہ سے اُبھرتی ہوئی مارکیٹ کی دیگر معیشتوں کے مقابلے میں بہتر کارکردگی کا مظاہرہ کرے گا۔ اُمید کی جارہی ہے کہ اس پروگرام سے تعمیرات اور متعلقہ صنعتی شعبوں کو معاونت فراہم ہوگی۔ بیکاری کے شعبے کو بھی ایڈوانسز کی مضبوط ترقی اور انٹریسٹ کی مستحکم شرح کے ماحول سے متوقع طور پر فائدہ ہوگا۔ باقاعدہ شمولیت کے قریب آنے پر MSCI سے مخصوص کمپنیوں کا منظر عام پر آنا متوقع ہے۔ تاہم ٹرمپ کے امریکی صدر بننے کے بعد عالمی معیشتوں میں غیر یقینی حالات کے نتیجے میں عالمی مارکیٹس میں عدم استحکام اور اُبھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر المیعا دکا رکردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیوں کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹر مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے بورڈ اور بورڈ کی جانب سے



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

02 فروری 2017ء

## 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 Shahr-e-Faisal,  
Karachi - 74400, Pakistan.  
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## TRUSTEE REPORT TO THE UNIT HOLDERS

### MCB PAKISTAN STOCK MARKET 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 MCB Pakistan Stock Market 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, 2016 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**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 17, 2017



# AUDITOR'S REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



A.F.FERGUSON&CO.

## INDEPENDENT AUDITORS' 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 **MCB Pakistan Stock Market Fund** (the Fund) as at December 31, 2016 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' funds and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2016. The Management Company (MCB-Arif Habib Savings and Investments Limited) 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. The figures of the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cash flow statement for the quarters ended December 31, 2016 and December 31, 2015 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2016.

### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of 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 as of and for the half year ended December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### *Other matter*

The condensed interim financial information of the Fund for the half year ended December 31, 2015 was reviewed and the financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who had expressed an unmodified conclusion and opinion thereon vide their reports dated February 4, 2016 and August 5, 2016 respectively.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: February 17, 2017

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD

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

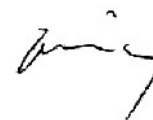
		(Un-audited)	(Audited)
		As at December 31, 2016	As at June 30, 2016
	Note	-----Rupees in '000-----	
ASSETS			
Balances with banks	4	724,426	711,745
Investments	5	10,845,947	7,476,465
Receivable against sale of investments		91,369	159,109
Receivable against issue of units		20,518	-
Dividend and profit receivable	6	10,422	23,678
Advances and security deposits	7	7,331	7,152
Total assets		11,700,013	8,378,149
LIABILITIES			
Payable to the Management Company	8	22,274	17,015
Payable to the Central Depository Company of Pakistan Limited - Trustee		1,102	824
Payable to the Securities and Exchange Commission of Pakistan		4,383	6,712
Payable against purchase of investments		383,758	137,105
Payable against redemption of units		90,459	386
Accrued expenses and other liabilities	9	215,042	198,221
Total liabilities		717,018	360,263
NET ASSETS		10,982,995	8,017,886
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		10,982,995	8,017,886
CONTINGENCIES AND COMMITMENTS			
	10		
-----Number of units-----			
NUMBER OF UNITS IN ISSUE		97,933,519	92,063,013
-----Rupees-----			
NET ASSET VALUE PER UNIT	11	112.1500	87.0913

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

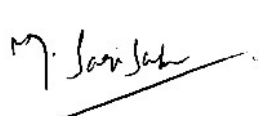


Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

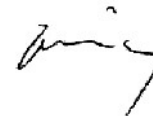
		Half year ended		Quarter ended	
		December 31,		December 31,	
		2016	2015	2016	2015
Note		Rupees in '000			
<b>INCOME</b>					
Capital gain on sale of investments - net		1,034,302	147,253	665,140	14,084
Dividend income		227,462	149,412	137,278	70,937
Income from government securities		7,453	2,389	3,608	1,449
Profit on bank deposits		12,039	10,698	5,888	6,000
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.3	307,759	110,653	309,937	87,096
<b>Total income</b>		1,589,015	420,405	1,121,851	179,566
<b>EXPENSES</b>					
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	8.1	92,283	68,983	49,093	35,786
Sindh Sales Tax on remuneration of the Management Company	8.2	11,997	22,240	6,382	11,537
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		5,118	3,952	2,706	2,041
Sindh Sales Tax on remuneration of the Trustee		665	553	351	285
Annual fee of the Securities and Exchange Commission of Pakistan		4,383	3,276	2,331	1,699
Allocated expenses	13	5,214	782	2,774	782
Auditors' remuneration		408	523	167	270
Securities transaction cost		22,307	6,662	16,594	2,855
Settlement and bank charges		1,499	1,265	706	583
Fees and subscriptions		(49)	148	(249)	78
Others		361	153	233	26
<b>Total expenses</b>		144,186	108,537	81,088	55,942
<b>Net income from operating activities</b>		1,444,829	311,868	1,040,763	123,624
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		34,560	61,486	26,134	36,477
- Arising from other income		(1,154)	(5,554)	946	(2,806)
		33,406	55,932	27,080	33,671
<b>Net income for the period before taxation</b>		1,478,235	367,800	1,067,843	157,295
Taxation	14	-	-	-	-
<b>Net income for the period after taxation</b>		1,478,235	367,800	1,067,843	157,295
<b>Earnings per unit</b>	15				

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive Officer

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




Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

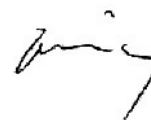
		Half year ended		Quarter ended	
		December 31,		December 31,	
		2016	2015	2016	2015
Note		(Rupees in '000)			
Net income for the period after taxation		1,478,235	367,800	1,067,843	157,295
Other comprehensive income:					
Items that may be reclassified subsequently to income statement					
Unrealised appreciation / (diminution) in investments classified as 'available for sale'	5.4	968,762	(602,529)	673,156	213,292
Total comprehensive income for the period		2,446,997	(234,729)	1,740,999	370,587

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive Officer

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




Director

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

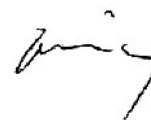
	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	Rupees in '000			
<b>Undistributed income brought forward</b>	2,990,795	2,232,950	3,445,288	2,758,939
Net income for the period after taxation	1,478,235	367,800	1,067,843	157,295
Net element of income and capital gains included in the prices of units issued less those in units redeemed - transferred to the Distribution Statement	224,598	570,912	180,497	255,428
Undistributed income carried forward	<u>4,693,628</u>	<u>3,171,662</u>	<u>4,693,628</u>	<u>3,171,662</u>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

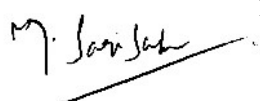


Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

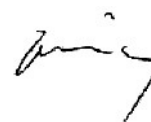
	Half year ended December 31,		Quarter ended December 31,	
	2016	2015	2016	2015
	-----Rupees in '000-----			
Net assets at the beginning of the period	8,017,886	6,075,006	8,840,982	6,266,068
Issue of 42,550,240 (2015: 39,947,785) units and 28,043,118 (2015: 21,651,628) units for the half year and quarter ended respectively	4,172,735	3,252,074	2,849,646	1,738,339
Redemption of 36,679,734 (2015: 21,931,015) units and 23,632,792 (2015: 13,252,717) units for the half year and quarter ended respectively	(3,621,217)	(1,724,392)	(2,421,551)	(1,029,296)
	551,518	1,527,682	428,095	709,043
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 the Income Statement:				
- arising from capital (gain) and unrealised (gain)	(34,560)	(61,486)	(26,135)	(36,477)
- arising from other loss / (income)	1,154	5,554	(946)	2,806
- amount representing unrealised capital (gains) - transferred to the Distribution Statement	(224,598)	(570,912)	(180,497)	(255,428)
	(258,004)	(626,844)	(207,578)	(289,099)
Net element of income and capital gains included in prices of units issued less those in units redeemed - transferred to the Distribution Statement	224,598	570,912	180,497	255,428
Capital gain on sale of investments - net	1,034,302	147,253	665,140	14,084
Net unrealised appreciation on remeasurement of investments classified as 'financial assets at fair value through profit or loss'	307,759	110,653	309,937	87,096
Other income (net of expenses)	136,174	109,894	92,766	56,115
Unrealised appreciation / (diminution) in fair value of investments classified as 'available for sale during the period' - net	968,762	(602,529)	673,156	213,292
Total comprehensive income for the period	2,446,997	(234,729)	1,740,999	370,587
<b>Net assets at the end of the period</b>	<b>10,982,995</b>	<b>7,312,027</b>	<b>10,982,995</b>	<b>7,312,027</b>

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

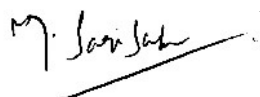


Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

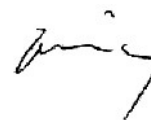
		Half year ended December 31, 2016	2015	Quarter ended December 31, 2016	2015
	Note	Rupees in '000			
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the period before taxation		1,478,235	367,800	1,067,843	157,295
Adjustments for:					
Unrealised (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(307,759)	(110,653)	(309,937)	(87,096)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed					
- arising from capital (gain) / loss and unrealised (gain) / loss		(34,560)	(61,486)	(26,134)	(36,477)
- arising from other loss / (income)		1,154	5,554	(946)	2,806
		1,137,070	201,215	730,826	36,528
(Increase) / decrease in assets					
Investments		(2,092,961)	(1,390,994)	(1,271,418)	(316,402)
Receivable against sale of investments		67,740	17,819	225,509	(27,255)
Receivable against issue of units		(20,518)	-	(20,518)	-
Dividend and profit receivable		13,256	7,371	80,297	68,787
Advances and security deposits		(179)	524	(37)	426
		(2,032,662)	(1,365,280)	(986,167)	(274,444)
Increase / (decrease) in liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		5,259	789	4,607	1,913
Payable to the Central Depository Company of Pakistan Limited -Trustee		278	199	199	79
Payable to the Securities and Exchange Commission of Pakistan		(2,329)	(1,205)	2,331	1,699
Payable against purchase of investments		246,653	(118,310)	62,798	21,743
Payable against redemption of units		90,073	(453)	90,073	286
Accrued expenses and other liabilities		16,821	(8,713)	13,576	8,473
		356,755	(127,693)	173,584	34,193
Net cash used in operating activities		(538,837)	(1,291,758)	(81,757)	(203,723)
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts from issue of units		4,172,735	3,252,074	2,849,646	1,738,339
Payments against redemption of units		(3,621,217)	(1,724,392)	(2,421,551)	(1,029,296)
Net cash generated from financing activities		551,518	1,527,682	428,095	709,043
Net increase in cash and cash equivalents during the period		12,681	235,924	346,338	505,320
Cash and cash equivalents at the beginning of the period		711,745	390,276	378,088	120,880
Cash and cash equivalents at the end of the period	4	724,426	626,200	724,426	626,200

The annexed notes 1 to 19 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

## 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Stock Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)].
- 1.2 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 24th Floor, Centrepoin, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi, Pakistan.
- 1.3 The Fund has been categorised as equity 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 them to the Fund. The units are listed on the Pakistan Stock Exchange. The Fund primarily invests in listed equity securities. However, it also invests in cash instruments and treasury bills not exceeding 90 days in maturities.
- 1.4 The Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2++ dated June 8, 2016 to the Management Company.
- 1.5 The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund. The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document of the Fund.

## 2 BASIS OF PREPARATION

### 2.1 Statement of Compliance

- 2.1.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.
- 2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the published annual audited financial statements of the Fund for the period ended June 30, 2016.
- 2.1.3 This condensed interim financial information is unaudited. However, a limited scope review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance. In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund as at December 31, 2016.
- 2.1.4 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at December 31, 2016 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2016, whereas the comparatives in the condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement have been extracted from the unaudited condensed interim financial information of the Fund for the half-year ended December 31, 2015.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

## 3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGMENTS AND CHANGES THEREIN

3.1 The accounting policies adopted for the preparation of the condensed interim financial information for the half year and quarter ended December 31, 2016 are the same as those applied in the preparation of the published annual audited financial statements for the year ended June 30, 2016.

3.2 The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that applied to the published annual audited financial statements as at and for the year ended June 30, 2016. The development in relation to estimation of provision in respect of Workers' Welfare Fund is given in note 9.1.

3.3 The financial risk management objectives and policies are consistent with those disclosed in the published annual audited financial statements of the Fund for the year ended June 30, 2016.

### 3.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain amended standards and interpretations that are mandatory for the accounting periods beginning on or after July 1, 2016 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

### 3.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain amended standards and interpretations that are mandatory for the accounting periods beginning on or after July 1, 2017 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

	Note	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
		-----Rupees in '000-----	
<b>4 BALANCES WITH BANKS</b>			
Profit and loss sharing accounts	4.1 & 4.2	710,925	693,250
Current accounts	4.2	13,501	18,495
		<u>724,426</u>	<u>711,745</u>

4.1 These carry profits at rates ranging from 3.75% to 6.18% (June 30, 2016: 3.75% to 6.95%) per annum.

4.2 Deposits of Rs. 3.61 million (2016: Rs. 97.97 million) in profit and loss sharing accounts and Rs. 0.31 million (2016: Rs. 8.97 million) in current accounts are maintained with MCB Bank, a related party of the Fund.

	Note	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
		-----Rupees in '000-----	
<b>5 INVESTMENTS</b>			
<b>Financial assets 'at fair value through profit or loss'</b>			
- Listed equity securities	5.1	4,732,643	230,191
<b>Available for sale</b>			
- Listed equity securities	5.2	6,113,304	7,246,274
		<u>10,845,947</u>	<u>7,476,465</u>

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

## 5.1 Listed equity securities at fair value through profit or loss - held for trading

All shares have a nominal value of Rs.10 each except as stated otherwise.

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus / Right Issue	Sales during the period	As at December 31, 2016	As at December 31, 2016			Market value as a percentage of		Holding as a percentage of Paid up capital of the investee company
						Carrying Value	Market value as at December 31, 2016	Appreciation / (Diminution)	Net assets	Total investments	
No. of shares.....						Rupees in '000			%		
AUTOMOBILE ASSEMBLER											
Indus Motor Company Limited	-	116,000	-	-	116,000	186,760	187,285	525	1.71	1.73	0.15
Pak Suzuki Motor Company Limited	-	2,900	-	-	2,900	1,517	1,777	260	0.02	0.02	0.00
						188,277	189,062	785	1.73	1.75	
Automobile Parts & Accessories											
Thal Limited (Par value of Rs.5 each)	93,600	-	-	93,600	-	-	-	-	-	-	0.00
						-	-	-	-	-	
Cable and Electrical Goods											
Pak Elektron Limited	-	3,189,500	-	-	3,189,500	228,005	227,348	(657)	2.07	2.10	6.41
TPL Trakker Limited	-	1,000,000	-	-	1,000,000	16,925	17,630	705	0.16	0.16	4.60
						244,930	244,978	48	2.23	2.26	
Cement											
Dewan Cement Limited	-	5,200,000	-	1,100,000	4,100,000	150,587	160,064	9,477	1.46	1.48	8.47
* D G Khan Cement Company Limited	-	1,940,000	-	-	1,940,000	395,928	430,156	34,228	3.92	3.97	4.43
Fauji Cement Company Limited	-	997,500	-	997,500	-	-	-	-	-	-	0.00
Lucky Cement Limited	-	542,950	-	-	542,950	413,193	470,336	57,143	4.28	4.34	1.68
						959,708	1,060,556	100,848	9.66	9.79	
Chemicals											
Engro Polymer and Chemicals Limited	-	3,614,500	-	3,614,500	-	-	-	-	-	-	0.00
						-	-	-	-	-	
Commercial Banks											
Allied Bank Limited	-	1,355,500	-	-	1,355,500	149,611	161,589	11,978	1.47	1.49	0.12
Bank Alfalah Limited	-	2,741,500	-	725,000	2,016,500	71,194	76,546	5,352	0.70	0.71	0.13
Faysal Bank Limited	-	4,325,000	-	1,925,000	2,400,000	41,074	52,272	11,198	0.48	0.48	0.20
Habib Bank Limited	-	456,200	-	-	456,200	109,961	124,657	14,696	1.14	1.15	0.03
Habib Metropolitan Bank Limited	-	596,000	-	-	596,000	22,101	22,052	(49)	0.20	0.20	0.06
* MCB Bank Limited	-	361,000	-	149,000	212,000	49,601	50,418	817	0.46	0.46	0.02
National Bank of Pakistan	-	650,000	-	-	650,000	48,622	48,679	57	0.44	0.45	0.03
United Bank Limited	-	1,209,300	-	-	1,209,300	269,444	288,902	19,458	2.63	2.66	0.10
						761,608	825,115	63,507	7.52	7.60	
Engineering											
* Aisha Steel Limited	-	4,966,500	-	22,500	4,944,000	68,227	77,769	9,542	0.71	0.72	1.82
International Industries Limited	-	493,000	-	-	493,000	92,708	100,439	7,731	0.91	0.93	0.41
						160,935	178,208	17,273	1.62	1.65	
Fertilizers											
Dawood Hercules Corporation Limited	-	61,800	-	-	61,800	8,725	8,920	195	0.08	0.08	0.01
Engro Corporation Limited	51,700	139,000	-	190,700	-	-	-	-	-	-	0.00
Engro Fertilizer	-	3,337,000	-	-	3,337,000	225,095	226,849	1,754	2.07	2.09	0.25
* Fatima Fertilizer Company Limited	-	1,581,000	-	1,581,000	-	-	-	-	-	-	0.00
Fauji Fertilizer Company Limited	-	381,000	-	381,000	-	-	-	-	-	-	0.00
						233,820	235,769	1,949	2.15	2.17	
Insurance											
IGI Insurance Limited	86,667	-	-	86,667	-	-	-	-	-	-	0.00
						-	-	-	-	-	
Investment Companies											
Jahangir Siddiqui and Company Limited	-	1,500,000	-	1,500,000	-	-	-	-	-	-	0.00
						-	-	-	-	-	
Leather and Tanneries											
Service Industries Limited	-	34,300	-	-	34,300	44,961	51,351	6,390	0.47	0.47	0.29
						44,961	51,351	6,390	0.47	0.47	
Miscellaneous											
TPL Properties Limited	-	2,500,000	-	2,500,000	-	-	-	-	-	-	0.00
						-	-	-	-	-	
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	-	44,400	-	-	44,400	44,232	61,046	16,814	0.56	0.56	0.04
* Oil & Gas Development Company Limited	-	1,805,600	-	-	1,805,600	272,397	298,556	26,159	2.72	2.75	0.04
Pakistan Petroleum Limited	32	975,000	-	32	975,000	165,012	183,476	18,464	1.67	1.69	0.05
						481,641	543,078	61,437	4.95	5.00	
Oil and Gas Marketing Companies											
Hascol Petroleum Limited	-	310,000	-	-	310,000	107,089	104,631	(2,458)	0.95	0.96	0.26
Hi-Tech Lubricants Limited	-	858,500	-	858,500	-	-	-	-	-	-	0.00
Pakistan State Oil Company Limited	-	328,700	-	-	328,700	133,139	142,724	9,585	1.30	1.32	0.12
* Sui Northern Gas Pipelines Limited	-	3,470,000	-	1,425,000	2,045,000	154,382	166,811	12,429	1.52	1.54	0.32
* Sui Southern Gas Company Limited	-	3,685,000	-	3,685,000	-	-	-	-	-	-	0.00
						394,610	414,166	19,556	3.77	3.82	
Paper and Board											
Century Paper and Board Mills Limited	-	91,500	-	-	91,500	5,392	5,678	286	0.05	0.05	0.06
Packages Limited	-	55,300	-	50,000	5,300	3,863	4,505	642	0.04	0.04	0.01
						9,255	10,183	928	0.09	0.09	
Balance carried forward						3,479,745	3,752,466	272,721	34.19	34.60	

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus / Right Issue	Sales during the period	As at December 31, 2016	As at December 31, 2016			Market value as a percentage of		Holding as a percentage of Paid up capital of the investee	
						Carrying Value	Market value as at December 31, 2016	Appreciation / (Diminution)	Net assets	Total investments		
.....No. of shares.....						Rupees in '000			----- %			
Balance brought forward						-	3,479,745	3,752,466	272,721	34.19	34.60	
Pharmaceuticals												
Abbott Laboratories (Pakistan) Limited	-	58,550	-	-	58,550	49,340	56,038	6,698	0.51	0.52	0.06	
GlaxoSmithKline Pakistan	-	757,800	-	-	757,800	176,983	176,795	(188)	1.61	1.63	0.24	
The Searle Company Limited	-	73,700	-	-	73,700	44,172	48,184	4,012	0.44	0.44	0.05	
						270,495	281,017	10,522	2.56	2.59		
Power Generation & Distribution												
Hub Power Company Limited	-	405,500	-	-	405,500	49,894	50,071	177	0.46	0.46	0.04	
Kot Addu Power Company Limited	-	2,457,000	-	-	2,457,000	189,811	193,612	3,801	1.76	1.79	0.28	
* Nishat Power Limited	-	358,500	-	-	358,500	21,754	22,976	1,222	0.21	0.21	0.10	
						261,459	266,659	5,200	2.43	2.46		
Refinery												
Attock Refinery Limited	-	540,700	-	-	540,700	204,444	229,960	25,516	2.09	2.12	0.63	
National Refinery Limited	-	320,000	-	145,000	175,000	105,429	99,946	(5,483)	0.91	0.92	0.22	
						309,873	329,906	20,033	3.00	3.04		
Technology and Communication												
Avanceon Limited	-	203,500	-	-	203,500	6,105	7,092	987	0.06	0.07	0.19	
Netsol Technologies Limited	-	581,500	-	-	581,500	34,625	31,564	(3,061)	0.29	0.29	0.65	
						40,730	38,656	(2,074)	0.35	0.36		
Textile Composite												
Gul Ahmed Textile Mills Limited	-	1,877,500	-	1,695,500	182,000	9,263	9,313	50	0.08	0.09	0.06	
Nishat (Chunian) Limited	-	875,000	-	-	875,000	53,319	54,626	1,307	0.50	0.50	0.36	
* Nishat Mills Limited	1,575,000	-	-	1,575,000	-	-	-	-	-	-	0.00	
						62,582	63,939	1,357	0.58	0.59		
Total as at December 31, 2016						4,424,884	4,732,643	307,759	43.11	43.64		
Total as at June 30, 2016						217,155	230,191	13,036	2.87	3.07		

## 5.2 Listed equity securities - Available for sale

All shares have a nominal value of Rs.10 each except as stated otherwise.

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus / Right Issue	Sales during the period	As at December 31, 2016	As at December 31, 2016			Market value as a percentage of		Holding as a percentage of Paid up capital of the investee	
						Carrying Value	Market value as at December 31, 2016	Appreciation / (Diminution)	Net assets	Total investments		
No. of shares						Rupees in '000			%			
<b>AUTOMOBILE ASSEMBLER</b>												
Indus Motor Company Limited	-	4,150	-	-	4,150	6,467	6,700	233	0.06	0.06	0.01	
Ghandhara Nissan Limited	-	360,000	-	360,000	-	-	-	-	-	-	0.00	
						6,467	6,700	233	0.06	0.06		
<b>Automobile Parts &amp; Accessories</b>												
Thal Limited (Par value of Rs.5 each)	3,700	-	-	3,700	-	-	-	-	-	-	0.00	
						-	-	-	-	-		
<b>Cable and Electrical Goods</b>												
Pak Elektron Limited	3,252,000	2,900,000	-	4,812,500	1,339,500	91,116	95,480	4,364	0.87	0.88	0.27	
						91,116	95,480	4,364	0.87	0.88		
<b>Cement</b>												
Cherat Cement Company Limited	1,651,500	634,000	-	662,800	1,622,700	178,633	282,415	103,782	2.57	2.60	0.92	
Dewan Cement Limited	-	3,494,000	-	1,440,000	2,054,000	59,864	80,188	20,324	0.73	0.74	0.42	
* D G Khan Cement Company Limited	421,000	1,960,000	-	2,381,000	-	-	-	-	-	-	0.00	
Kohat Cement	237,200	-	-	237,200	-	-	-	-	-	-	0.00	
Lucky Cement Limited	854,900	100,000	-	587,800	367,100	206,054	318,004	111,950	2.90	2.93	0.11	
Maple Leaf Cement Factory Limited	-	550,000	-	550,000	-	-	-	-	-	-	0.00	
Pioneer Cement Limited	2,936,500	250,000	-	3,186,500	-	-	-	-	-	-	0.00	
						444,551	680,607	236,056	6.20	6.27		
<b>Chemicals</b>												
Archroma Pakistan Limited	-	34,900	-	2,500	32,400	19,028	25,970	6,942	0.24	0.24	0.09	
Engro Polymer and Chemicals Limited	-	3,926,500	-	3,926,500	-	-	-	-	-	-	0.00	
I.C.I. Pakistan Limited	457,750	-	-	340,450	117,300	49,617	116,565	66,948	1.06	1.07	0.13	
Ittehad Chemicals Limited	-	600,000	-	600,000	-	-	-	-	-	-	0.00	
Linde Pakistan Limited	41,900	-	-	2,000	39,900	4,170	7,795	3,625	0.07	0.07	0.16	
						72,815	150,330	77,515	1.37	1.38		
<b>Commercial Banks</b>												
Bank Al Habib Limited	-	5,169,500	-	2,853,000	2,316,500	102,589	136,650	34,061	1.24	1.26	0.21	
Habib Bank Limited	3,581,888	490,000	-	2,869,100	1,202,788	229,237	328,662	99,425	2.99	3.03	0.08	
Habib Metropolitan Bank Limited	-	2,614,000	-	150,000	2,464,000	73,025	91,168	18,143	0.83	0.84	0.24	
* MCB Bank Limited	274,900	1,437,300	-	1,712,200	-	-	-	-	-	-	0.00	
Meezan Bank Limited	-	2,286,500	-	78,000	2,208,500	118,384	150,421	32,037	1.37	1.39	0.22	
National Bank of Pakistan	-	750,000	-	50,000	700,000	52,230	52,423	193	0.48	0.48	0.03	
United Bank Limited	2,493,300	2,438,600	-	3,344,800	1,587,100	286,772	379,158	92,386	3.45	3.50	0.13	
						862,237	1,138,482	276,245	10.36	10.50		
<b>Balance carried forward</b>						<b>1,477,186</b>	<b>2,071,599</b>	<b>594,413</b>	<b>18.86</b>	<b>19.09</b>		

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus / Right Issue	Sales during the period	As at December 31, 2016	As at December 31, 2016			Market value as a percentage of		Holding as a percentage of Paid up capital of the investee
						Carrying Value	Market value as at December 31, 2016	Appreciation / (Diminution)	Net assets	Total investments	
No. of shares.....						Rupees in '000			%		
Balance brought forward						1,477,186	2,071,599	594,413	18.86	19.09	
Engineering											
Amreli Steels Limited	1,878,500	1,054,000	-	2,142,000	790,500	39,864	52,639	12,775	0.48	0.49	0.27
Crescent Steel & Allied Products Limited	-	307,000	-	307,000	-	-	-	-	-	-	0.00
** Mughal Iron And Steel Industries Ltd	12,000	1,902,500	-	1,814,000	100,500	8,856	8,860	4	0.08	0.08	0.08
						48,720	61,499	12,779	0.56	0.57	
Fertilizers											
Dawood Hercules Corporation Limited	-	662,300	-	170,400	491,900	68,993	70,996	2,003	0.65	0.65	0.10
Engro Corporation Limited	2,108,100	80,000	-	2,188,100	-	-	-	-	-	-	0.00
Engro Fertilizer	3,505,500	4,262,500	-	1,423,000	6,345,000	424,695	431,333	6,638	3.93	3.98	0.48
Fatima Fertilizer Company Limited	-	185,500	-	185,500	-	-	-	-	-	-	0.00
Fauji Fertilizer Company Limited	-	850,000	-	850,000	-	-	-	-	-	-	0.00
						493,688	502,329	8,641	4.58	4.63	
Food And Personal Care Products											
Al-Shaheer Corporation Limited	9,092	-	1,364	-	10,456	585	600	15	0.01	0.01	0.01
Murree Brewery Company Limited	112,000	-	-	112,000	-	-	-	-	-	-	0.00
						585	600	15	0.01	0.01	
Glass and Ceramics											
Tariq Glass Industries Limited	1,122,000	-	-	1,122,000	-	-	-	-	-	-	0.00
						-	-	-	-	-	
Insurance											
IGI Insurance Limited	271,600	-	-	271,600	-	-	-	-	-	-	0.00
						-	-	-	-	-	
Miscellaneous											
MACPAC Films Limited	-	457,500	-	-	457,500	11,603	10,980	(623)	0.10	0.10	1.18
						11,603	10,980	(623)	0.10	0.10	
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	230,600	184,050	-	86,000	328,650	259,365	451,864	192,499	4.11	4.17	0.30
* Oil & Gas Development Company Limited	4,004,400	605,000	-	1,975,000	2,634,400	393,335	435,598	42,263	3.97	4.02	0.06
Pakistan Oilfields Limited	1,564,900	205,000	-	881,300	888,600	298,433	475,063	176,630	4.33	4.38	0.38
Pakistan Petroleum Limited	5,168	-	-	5,168	-	-	-	-	-	-	0.00
						951,133	1,362,525	411,392	12.41	12.57	
Oil and Gas Marketing Companies											
Hascol Petroleum Limited	-	387,000	-	387,000	-	-	-	-	-	-	0.00
Hi-Tech Lubricants Limited	2,060,500	-	-	2,060,500	-	-	-	-	-	-	0.00
Pakistan State Oil Company Limited	915,700	485,600	-	1,073,400	327,900	128,711	142,377	13,666	1.30	1.31	0.12
** Sui Northern Gas Pipelines Limited	-	4,627,000	-	4,627,000	-	-	-	-	-	-	0.00
** Sui Southern Gas Company Limited	-	1,900,000	-	1,900,000	-	-	-	-	-	-	0.00
						128,711	142,377	13,666	1.30	1.31	
Paper and Board											
Packages Limited	269,750	199,850	-	343,400	126,200	89,552	107,276	17,724	0.98	0.99	0.14
						89,552	107,276	17,724	0.98	0.99	
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	165,950	102,500	-	101,150	167,300	116,010	160,121	44,111	1.46	1.48	0.17
The Searle Company Limited	36,402	-	5,096	-	41,498	12,352	27,131	14,779	0.25	0.25	0.03
						128,362	187,252	58,890	1.71	1.73	
Power Generation & Distribution											
Altam Energy Limited	327,000	-	-	-	327,000	11,844	13,489	1,645	0.12	0.12	0.09
Hub Power Company Limited	-	3,116,500	-	1,228,400	1,888,100	234,412	233,143	(1,269)	2.12	2.15	0.16
K- Electric (Par value of Rs.3.5 each)	26,832,500	7,219,500	-	12,401,500	21,650,500	178,690	202,865	24,175	1.85	1.87	0.08
* Kot Addu Power Company Limited	3,393,000	614,000	-	939,500	3,067,500	265,215	241,719	(23,496)	2.20	2.23	0.35
** Lalpur Power Limited	8,399,000	-	-	8,399,000	-	-	-	-	-	-	0.00
** Pakgen Power Limited	5,667,500	50,000	-	3,514,500	2,203,000	50,173	58,974	8,801	0.54	0.54	0.59
						740,334	750,190	9,856	6.83	6.91	
Refinery											
Attock Refinery Limited	-	250,000	-	75,000	175,000	60,124	74,428	14,304	0.68	0.69	0.21
						60,124	74,428	14,304	0.68	0.69	
Technology and Communication											
Avanceon Limited	-	381,000	-	74,000	307,000	9,996	10,699	703	0.10	0.10	0.29
P.T.C.L. "A"	-	3,907,000	-	3,907,000	-	-	-	-	-	-	0.00
Netsol Technologies Limited	1,520,000	706,000	-	-	2,226,000	118,701	120,827	2,126	1.10	1.11	2.49
Systems Limited	2,362,250	187,000	-	209,000	2,340,250	122,185	197,985	75,800	1.80	1.83	2.11
						250,882	329,511	78,629	3.00	3.04	
Textile Composite											
Gul Ahmed Textile Mills Limited	973,000	-	-	973,000	-	-	-	-	-	-	0.00
Kohinoor Textile Mills Limited	-	1,153,500	-	-	1,153,500	92,735	134,037	41,302	1.22	1.24	0.41
** Nishat (Chunian) Limited	-	7,895,500	-	2,470,500	5,425,000	226,504	338,683	112,179	3.08	3.12	2.26
** Nishat Mills Limited	4,000	2,041,000	-	2,045,000	-	-	-	-	-	-	0.00
						319,239	472,720	153,481	4.30	4.36	
Textile Spinning											
Gadoon Textile Mills Limited	-	147,700	-	-	147,700	20,915	40,018	19,103	0.36	0.37	0.53
						20,915	40,018	19,103	0.36	0.37	
Total as at December 31, 2016						4,721,034	6,113,304	1,392,270	55.68	56.37	
Total as at June 30, 2016						6,822,766	7,246,274	423,508	90.37	96.90	

\* The above include 500,000 shares of Oil and Gas Development Company Limited and 1,000,000 shares of Kot Addu Power Company Limited with a market value of Rs. 78.8 million and Rs. 82.68 million (2016: 500,000 shares of Engro Corporation Limited amounting to Rs. 166.485 million and 1,000,000 shares of Kot Addu Power Company Limited amounting to Rs.89.25 million).

\*\* These represent transactions with related parties.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Note	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
		-----Rupees in '000-----	
<b>5.3 Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss-net</b>			
Market value of securities	5.1	4,732,643	230,191
Less: Carrying value of securities	5.1	4,424,884	217,155
		<u>307,759</u>	<u>13,036</u>
<b>5.4 Unrealized appreciation on remeasurement of investments classified as available-for-sale - net</b>			
Market value of investments	5.2	6,113,304	7,246,274
Cost/ carrying amount of investments	5.2	4,721,034	6,822,766
		<u>1,392,270</u>	<u>423,508</u>
Less: Net unrealized appreciation/ (diminution) in the value of investments classified as 'available for sale' at beginning of the period		423,508	225,208
Unrealised appreciation / (diminution) in value of available for sale investments reclassified to income statement from other comprehensive income - consider as impaired		-	33,033
		<u>968,762</u>	<u>231,333</u>
<b>5.5</b>	The Finance Act, 2014 introduced amendments to the Income Tax Ordinance 2001. As a result of these amendments, companies are liable to withhold bonus shares at a rate of 5 percent. In accordance with the requirement of the Ordinance these shares shall only be released to a shareholder if the Company collects from the shareholder tax equal to 5 percent of the value of the bonus shares issued. The value of tax is computed on the basis of day-end price on the first day of book closure.		

In this regard, a constitutional petition has been filed by Collective Investment Schemes (CISs) through their Trustees in the High Court of Sindh, challenging the applicability of withholding tax provisions on bonus shares received by CISs, which is pending adjudication. The petition is based on the fact that because the CISs are exempt from deduction of income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance 2001, the withholding tax provision should not be applicable on bonus shares received by the CISs. A stay order has been granted by the High Court of Sindh in favour of the CISs.

As at December 31, 2016, the following bonus shares of the Fund were withheld by certain companies at the time of declaration. The Fund has included these shares in its portfolio, as the management believes that the decision of the constitutional petition will be in favour of the CISs.

Names of the Company	Bonus Shares	
	Number	Market value
Rupees in '000		
Al Shaheer Corporation Limited	10,456	600,174
Mughal Iron and Steel Industries Limited	11,760	1,036,762
The Searle Company Limited	3,849	2,516,438
	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
		-----Rupees in '000-----
<b>6 DIVIDEND AND PROFIT RECEIVABLE</b>		
Dividend receivable	8,109	22,474
Profit accrued on bank deposits	2,313	1,204
	<u>10,422</u>	<u>23,678</u>
<b>7 ADVANCES AND SECURITY DEPOSITS</b>		
Advance tax	3,997	3,896
Security deposits - National Clearing Company of Pakistan Limited	2,500	2,500
- Central Depository Company of Pakistan Limited	500	500
Others	334	256
	<u>7,331</u>	<u>7,152</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	<b>Note</b>	<b>(Un-Audited) December 31, 2016</b>	<b>(Audited) June 30, 2016</b>
<b>8</b>		<b>-----Rupees in '000-----</b>	
<b>PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY</b>			
Management fee payable	8.1	17,789	12,793
Sindh sales tax on management fee	8.2	2,313	1,791
Sales load payable		1,283	1,245
Allocated expenses		889	1,243
Other payable		-	(57)
		<u>22,274</u>	<u>17,015</u>

**8.1** The Management Company has charged remuneration at the rate not exceeding 2 % per annum based on average net assets for the period. The fee is payable to the Management Company monthly in arrears.

**8.2** The Provincial Government of Sindh levied Sindh Sales Tax at the rate of 13% (June 2016: 14%) on the remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

	<b>Note</b>	<b>(Un-Audited) December 31, 2016</b>	<b>(Audited) June 30, 2016</b>
<b>9</b>		<b>-----Rupees in '000-----</b>	
<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	9.1	107,634	107,634
Federal Excise Duty and related tax on:			
- Management fee	9.2	54,774	54,774
- Sales load	9.2	3,933	3,933
Unclaimed dividend		9,837	9,838
Brokerage		19,448	12,459
Auditors' remuneration		494	639
Withholding tax on dividend and others		16,215	7,004
Printing and related expenditure		237	386
Zakat		587	580
Others		1,883	974
		<u>215,042</u>	<u>198,221</u>

**9.1** The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from the applicability of Sindh WWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / Mutual Funds, MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against the Federal WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- as a matter of abundant caution, the provision in respect of SWWF should be made with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

Accordingly, on January 12, 2017 the for WWF was reserved and the provision for SWWF was made for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs/ mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The net effect of the above two adjustments if these had been made on December 31, 2016 would have resulted in an increase in the net asset value per unit of the Fund by Re. 0.7181.

- 9.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED was not justified.

On September 4, 2013, a constitutional petition was filed in the Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

Till date management has not paid any FED, because the Sindh High Court in its decision dated July 16, 2016 maintained the previous order on the FED and the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services. Accordingly, FED is not being charged with effect from July 1, 2016.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs. 58.7 million (2016: Rs. 58.7 million).

### **10 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at the December 31, 2016 and June 30, 2016.

### **11 NET ASSET VALUE PER UNIT**

The net asset value (NAV) per unit, as disclosed on the condensed interim Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period / year end.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

## 12 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at December 31, 2016 is 1.55% which includes 0.14% representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations.

## 13 ALLOCATED EXPENSES

In accordance with the provisions of the NBFC Regulations, 2008 (amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund during the period being lower than actual expenses chargeable to the Fund for the period.

## 14 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current year as the management company intends to distribute the required minimum percentage of the Fund's accounting income for the year as reduced by capital gains (whether realised or unrealised) to its 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.

## 15 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.

## 16 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

- 16.1** Related Parties / Connected persons include MCB Arif Habib Savings and Investments Limited being the Management Company, the Central Depository Company of Pakistan Limited being the Trustee, MCB Bank Limited being the holding company of the Management Company, entities having common directorship with the Management Company, retirement funds of group companies, directors and key management personnel of the Management Company and any person or company which beneficially owns directly or indirectly 10% or more of the units in issue / net assets of the Fund.
- 16.2** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 16.3** Remuneration and sales load payable to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 16.4** Remuneration payable to the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.
- 16.5** Details of the transactions with connected persons during the period are as follows:

	Half Year ended December 31, 2016	Half Year ended December 31, 2015
	-----Rupees in '000-----	
<b>MCB - Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration of the Management Company including indirect taxes	104,280	91,223
Issue of 1,283,161 (2015: 256, 591) units	133,011	19,980
Redemption of 767, 422 (2015: Nil) units	75,000	-
Payment of conversion cost	545	1,136
Allocated Expenses	5,214	782

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half Year ended December 31, 2016	Half Year ended December 31, 2015
	-----Rupees in '000-----	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the trustee including indirect taxes	5,783	4,505
CDS charges	654	445
<b>Arif Habib Capital Limited</b>		
Brokerage*	1,746	742
<b>Next Capital Limited</b>		
Brokerage*	1,588	618
<b>MCB Bank Limited</b>		
Bank charges	59	83
Mark-up income	200	3,279
Dividend income	-	2,471
		-
<b>D.G Khan Cement Company Limited</b>		
Dividend income	3,529	-
<b>Nishat Mills Limited</b>		
Dividend income	10,205	-
<b>Nishat Chunian Limited</b>		
Dividend income	14,964	-
<b>Lalpir Power Limited</b>		
Dividend income	2,101	-
<b>Fatima Fertilizer Company Limited</b>		
Dividend income	232	-
<b>Mughal Iron and Steel Industries Limited</b>		
Dividend income	5,744	-
<b>Pakgen Power Limited</b>		
Dividend income	5,318	-
<b>Adamjee Life Assurance Company Limited - IMF</b>		
Issue of 1,702,583 (2015: 3,409,133) units	160,000	291,000
Redemption of 2,120,524 (2015: Nil) units	215,000	-
Dividend income	-	675
<b>Adamjee Life Assurance Company Limited - NUIL</b>		
Issue of 427,031 (2015: Nil) units	40,000	-
Redemption of 1,094,678 (2015: Nil) units	110,000	-
<b>Mandate Under Discretionary Portfolio Services</b>		
Issue of 3,982,148 (2015: 1,739,278) units	395,272	144,455
Redemption of 3,501,996 (2015: 5,408,151) units	341,675	421,052
<b>Directors and executives of the Management Company</b>		
Issue of 75,920 (2015: 239,975) units	7,552	19,568
Redemption of 103,471 (2015: 106,345) units	10,676	8,554

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	(Unaudited) Half year ended December 31, 2016	(Audited) Year ended June 30, 2016
<b>16.6 Amounts outstanding as at period end</b>	-----Rupees in '000-----	
<b>MCB - Arif Habib Savings and Investment Limited - Management Company</b>		
Management fee payable	17,789	12,793
Sales tax payable on management fee	2,313	1,791
Sales load payable	1,135	1,092
Sindh sales tax payable on sales load	148	153
Conversion cost payable	-	545
Allocated expense payable	889	641
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Security deposit	500	500
Remuneration payable	1,102	824
<b>MCB Bank Limited</b>		
Balance with bank	3,925	106,946
Accrued mark-up	23	123
Sales load payable	485	
<b>* Next Capital Limited</b>		
Brokerage payable	744	457
<b>* Arif Habib Limited</b>		
Brokerage payable	894	1,418
<b>Adamjee Life Assurance Company Limited - IMF</b>		
15,209,488 units held (June 30, 2016: 15,627,429)	1,705,744	1,360,993
<b>Adamjee Life Assurance Company Limited - NUIL</b>		
1,595,883 units held (June 30, 2016: 2,263,530)	178,978	197,131
<b>MCB-Arif Habib Savings and Investments Limited</b>		
2,437,875 units held (June 30, 2016: 1,922,136)	273,408	167,399
<b>Mandate Under Discretionary Portfolio Services</b>		
4,511,636 units held (June 30, 2016: 4,031,484)	505,980	351,102
<b>Directors and executives of the Management Company</b>		
115,474 units held (June 30, 2016: 143,025)	12,950	12,456
<b>D.G. Khan Cement Company Limited Employees Provident Fund Trust</b>		
132,411 units held (June 30, 2016: 132,411)	14,850	11,532
<b>Amount receivable against issue of units:</b>		
MCB Pakistan Sovereign Fund	9,253	-
MCB DCF Income Fund	3,423	-
MCB Islamic Income Fund	6,122	-
Pakistan Capital Market Fund	153	-
Pakistan Income Enhancement Fund	934	-
Pakistan International Element Islamic Asset Allocation Fund	313	-
<b>Amount payable against redemption of units:</b>		
MCB Cash Management Optimizer	751	-
Pakistan Income Fund	5,262	-
MCB Pakistan Islamic Stock Fund	35,434	-

\* 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 AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

## 17 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from the carrying values as the items are either short term in nature or periodically repriced.

Fair value of investments is determined as follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.
- Investments in government securities are valued on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

### 17.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2016, the Fund held the following financial instruments measured at fair value:

-----As at December 31, 2016-----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000-----			
<b>ASSETS</b>				
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity securities	4,732,643	-	-	4,732,643
Investment - available for sale				
- Listed equity securities	6,113,304	-	-	6,113,304
-----As at June 30, 2016-----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000-----			
<b>ASSETS</b>				
Investment - financial assets 'at fair value through profit or loss'				
- Listed equity securities	230,191	-	-	230,191
Investment - available for sale				
- Listed equity securities	7,246,274	-	-	7,246,274

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

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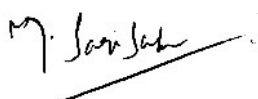
**18 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company in the meeting held on February 02, 2017.

**19 GENERAL**

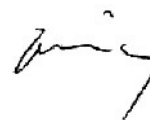
**19.1** Figures have been rounded off to the nearest thousand rupees.

**19.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.



Chief Executive Officer

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



Director

Please find us on



by typing: **MCB Arif Habib Savings**

## **MCB-Arif Habib Savings and Investments Limited**

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