

Half Year Report
December 31, 2016
(Unaudited)



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

MCB PAKISTAN ASSET ALLOCATION FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	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
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shakra-e-Faisal Karachi-74400.	
Bankers	MCB Bank Limited United Bank Limited Bank Al-Habib Limited Allied Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB Bank Limited JS Bank Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	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

Dear Investor,

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

ECONOMY AND MONEY MARKET OVERVIEW

Weakness in external account raised concerns in otherwise progressive improvement in headline economic indicators continuing for the last 2 years. Weak trade balance, primarily due to subdued trend in exports and higher imports alongwith weak contribution from services and remittances kept the pressure on overall Current Account balance which widened 92% in 1H FY17 to USD 3.6 billion. It is pertinent to note that partial increase in imports is triggered by machinery imports which have increased by 8.3% alongwith increase in oil import bill which is expected to widen further given recent arrangements from OPEC to support Int'l Crude Oil prices. The cushion to Balance of Payments was bolstered by financial account of USD 3.7 bn where major respite came from the net borrowing of USD 740 million alongwith the inflow materialized in FDI on completion of acquisition of stake in Engro Foods by Freisland Campina. Overall balance of the Balance of Payments stood at USD 225 mn compared to USD 1.5 bn during same period of last year.

Foreign exchange reserves stood at USD 23.2 bn (06th Jan 2017). It is pertinent to note that SBP reserves explain most of the volatility in Forex reserves where government borrowing and retirement of loans has net negative balance in 1H FY17 while closing approx USD 1bn lower from peak seen in Oct 16.

Undergoing appreciation of about 0.4% in 1H FY17, PKR continues to remain resilient against USD which also raises concerns given the relative weakness in other developing economies and also reflected from REER as measured by SBP reaching to a high of 126 depicting significant overvaluation.

Fiscal deficit increased to 1.3 % (1Q FY17) of GDP as against 1.1% in SPLY due to sharp decline in non-tax revenue. On provisional basis, tax authority has managed to collect PKR 1,460 billion during 1H FY17, recording a shortfall of PKR ~127 billion from the desired target. With annual tax collection target of PKR 3.6 trillion; demanding a growth rate of 17% YoY, and higher development spending, fiscal deficit is likely to exceed 4.5% against budgetary target of 3.8%. Focus of government on development spending is however positive for the overall long term direction and thus slippage on this front is not a major concern.

LSM grew by 3.24% YoY in 5M FY17. The growth is driven through consumer, electrical, automobiles and cement manufacturing.

Inflation continued its upward trajectory with first half averaging 3.88% compared to 2.08% for 1H FY16. The withering of low base effect along with inherent increases in food and housing pricing triggered inflationary pressures. The government kept on absorbing the incremental petrol prices which kept the inflation subdued.

M2 growth posted year to date growth of 5.45% by the end of the year. The deposits grew seasonally by PKR 420 bn in a week supported by year end efforts of banks to expand balance sheet size. Thereafter, the M2 growth has normalized to 3.68%. Moreover, the abnormal accumulation in currency in circulation (CIC) last year triggered after imposition of withholding tax on cash withdrawals has normalized though CIC to M2 ratio is still high at 26% against previous average of 22%. The Net Domestic Assets increased by PKR 518 bn supported by net government sector borrowings of PKR 390 bn.

EQUITIES MARKET OVERVIEW

Pakistan Stock Exchange (PSX) continued its positive momentum of 1Q FY17 by posting another 16.64% return in 2Q FY16 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 1H FY16, 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 1H FY17 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 1H FY17. 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.

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

FUND PERFORMANCE

The fund posted a return of 12.17% during the period under review while since inception return of fund stood at 3.21%. The fund has gradually decreased exposure in equities which reached to around 37.1% by the end of the first half of the fiscal year while increasing exposure in Cash to 42.5%.

On the equity side, the fund decreased exposure in Power Generation & Distribution, Commercial Banks, Cements and Fertilizers. This was done to manage the risk-return profile of the fund. On the fixed income side, the fund decreased T-Bill exposure to 0% while the exposure in PIBs was increased to 2.3% from 1% as at the start of the FY 17. The most notable change was increase in cash exposure to 42.5% from 22% at the end of June 2016 to benefit from lucrative rates offered by banks at year-end.

The Net Assets of the Fund as at December 31, 2016 stood at Rs. 2,286 million as compared to Rs. 2,718 million as at June 30, 2016 registering a decrease of 15.89%. The Net Asset Value (NAV) per unit as at December 31, 2016 was Rs. 88.6764 as compared to opening NAV of Rs. 79.0558 per unit as at June 30, 2016 registering a decrease of 9.6206 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.

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,



Muhammad Saqib Saleem

Chief Executive Officer

February 2, 2017

عزیز سرمایہ کار

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

معیشت اور بازار زر کا مجموعی جائزہ

خارجی اکاؤنٹ میں کمزوری نے اہم ترین معاشی علامات میں گزشتہ 2 برسوں سے جاری ترقیاتی بہتری میں خدشات پیدا کیے۔ کمزور تجارتی توازن کے باعث، جس کی بنیادی وجوہات برآمدات کا پست رجحان اور پہلے سے زیادہ درآمدات، بشمول سروسز اور ترسیلات زر کی کمزور کارکردگی ہیں، مجموعی کرنٹ اکاؤنٹ بیلنس پر دباؤ رہا جو 2017ء کی پہلی ششماہی میں 92% بڑھ کر 3.6 بلین ڈالر ہو گیا۔ یاد رہے کہ درآمدات میں جزوی اضافے کی محرک مشینری کی درآمدات ہیں جن میں 8.3% اضافہ ہوا، بشمول تیل کی درآمدات میں اضافے کے، جس میں OPEC کے خام تیل کی بین الاقوامی قیمتوں میں معاونت کے حالیہ اقدامات کے پیش نظر مزید اضافہ متوقع ہے۔ ادائیگیوں کے توازن کے تحفظ کی 3.7 بلین ڈالر کے مالیاتی اکاؤنٹ سے حوصلہ افزائی ہوئی، اور اس ضمن میں اہم ترین پیش رفت 740 ملین ڈالر کے قرض، بشمول اینگروڈوڈز میں Freisland Campina کی حصص داری کی تکمیل پر FDI (غیر ملکی براہ راست سرمایہ کاری) میں اضافے سے ہوئی۔ ادائیگیوں کے توازن کا مجموعی بیلنس 225 ملین ڈالر تھا، جبکہ گزشتہ سال کی اسی مدت کے دوران 1.5 بلین ڈالر تھا۔

زیرمبادلہ کے ذخائر 23.2 بلین ڈالر تھے (06 جنوری 2017ء)۔ یاد رہے کہ فوریکس ذخائر میں اتار چڑھاؤ کا سبب SBP (اسٹیٹ بینک آف پاکستان) کے ذخائر ہیں، جہاں 2017ء کی پہلی ششماہی میں حکومت کے قرضوں کے حصول اور قرضوں کی ریٹائرمنٹ کا منفی بیلنس ہے جبکہ اکتوبر 2016ء میں بلند ترین سطح سے تقریباً 1 بلین ڈالر کم پر کلوڑنگ ہوئی۔

پاکستانی روپیہ 2017ء کی پہلی ششماہی میں تقریباً 0.4% ترقی کر کے امریکی ڈالر کے مقابلے میں یکدہار رہا، اور اس سے بھی دیگر ترقی پذیر معیشتوں میں کمزوری کو مد نظر رکھتے ہوئے خدشات پیدا ہوئے جن کا اظہار SBP کے پیکش کردہ REER سے ہوا، جو 126 کی بلند سطح پر پہنچا جس سے خطیر اضافے کی عکاسی ہوتی ہے۔

مالیاتی خسارہ (مالی سال 2017ء کی پہلی سہ ماہی میں) غیر ٹیکس آمدنی میں تیزی سے کمی کے باعث GDP (مجموعی غیر ملکی پیداوار) کے 1.3% تک بڑھ گیا، بالمقابل SPLY میں 1.1% کے ٹیکس اتھارٹی 2017ء کی پہلی ششماہی کے دوران عارضی بنیادوں پر 1,460 بلین روپے جمع کر سکی، جو مطلوبہ ہدف سے 127 بلین روپے کم ہے۔ 3.6 ٹریلین روپے سالانہ ٹیکس کے ہدف کے پیش نظر، جو YoY 17% کی ترقیاتی شرح اور ترقیاتی کاموں میں زیادہ خرچ کرنے کا تقاضہ کرتا ہے، مالیاتی خسارے میں بجٹ کے 3.8% کے ہدف کے مقابلے میں 4.5% اضافہ متوقع ہے۔ تاہم ترقیاتی کاموں پر خرچ کرنے پر حکومتی توجہ مجموعی طور پر طویل المیعاد سمت میں مثبت ہے، چنانچہ اس گوشے میں انحطاط بڑا مسئلہ نہیں ہے۔

LSM 5MFY17 میں YoY 3.24% ترقی ہوئی جس کے اسباب کمزور یومر، الیکٹریکل، آٹوموبائلز اور سیمنٹ مینوفیکچرنگ ہیں۔

افراط زر میں بدستور اضافہ ہوتا رہا؛ پہلی ششماہی میں افراط زر کا اوسط 33.8% تھا جبکہ 2016ء کی پہلی ششماہی میں 2.08% تھا۔ پہلے سے پست base effect میں بتدریج کمی اور اشیائے خورد و نوش اور ہاؤسنگ کی قیمتوں میں فی نفسہ اضافے افراط زر کے دباؤ کے محرک بنے۔ حکومت پٹرول کی بڑھتی ہوئی قیمتوں کا اثر جذب کرتی رہی جس کے باعث افراط زر کی سطح پست رہی۔

M2 ترقی میں سال کے اختتام تک 5.45% year to date ترقی ہوئی۔ اختتام سال پر بینکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 420 بلین روپے موسمی ترقی ہوئی۔ اس کے بعد M2 ترقی 3.68% کی عمومی سطح تک پہنچ گئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر وہ ہولڈنگ ٹیکس عائد کرنے کی وجہ سے زیر گردش روپے (CIC) میں جو غیر معمولی انبار لگ گیا تھا وہ عمومی سطح پر آ گیا ہے، اگرچہ CIC کا M2 سے تناسب اب 2.6% ہے جو گزشتہ اوسط 2.2% سے زیادہ ہے۔ حکومتی سیکٹر کی 390 بلین

روپے قرضوں کی net حصول کی مدد سے net مقامی اثاثہ جات میں 518 ملین روپے اضافہ ہوا۔

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 چارحانہ فروخت کے باوجود تھی، جو 2016ء کی پہلی ششماہی میں 298 ملین ڈالر کے net فروخت کاربنے 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 پُرزہ 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 بینکوں نے زیر جائزہ مدت کے دوران 33% منافع کم کر سب سے عمدہ کارکردگی کا مظاہرہ کیا، جس کی بنیادی وجوہات ایڈوانسز میں بہتری، بڑھتے ہوئے ڈپازٹس اور انٹریسٹ پست ترین شرحیں ہیں۔ سیمنٹ 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 کم 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

زیر جائزہ مدت کے دوران فنڈ نے 12.17% منافع حاصل کیا، جبکہ ابتداء سے فنڈ کا منافع 3.21% کی سطح پر برقرار تھا۔ فنڈ ایکویٹیز میں شمولیت کو بتدریج کم کر کے مالی سال کی پہلی ششماہی کے اختتام پر تقریباً 37.1% کی سطح پر لے آیا، جبکہ نقد میں شمولیت کو بڑھا کر 42.5% تک لے گیا۔

ایکویٹیز کے گوشے میں فنڈ نے توانائی کی پیداوار اور تقسیم، کمرشل بینک، سیمنٹ اور کھاد کے شعبوں میں شمولیت کو کم کیا۔ یہ اقدام فنڈ کی خطروں کے عوض منافع کی صورتحال کو سنبھالنے کے لئے کیا گیا۔ فکسڈ انکم کے شعبے میں فنڈ نے ٹی بلز میں شمولیت کو کم کر کے 0% کر لیا، جبکہ PIBs میں شمولیت کو، جو مالی سال 2017ء کے آغاز میں 1% تھی، بڑھا کر 2.3% کر لیا۔ سب سے واضح تبدیلی نقد میں شمولیت میں ہوئی، جو ماہ جون 2016ء کے اختتام پر 22% تھی اور اب 42.5% ہو گئی ہے، تاکہ سال کے اختتام پر بینکوں کی پیش کردہ منافع بخش شرحوں سے فائدہ اُٹھایا جائے۔

31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 2,286 ملین روپے تھی، جو 30 جون 2016ء پر 2,718 ملین روپے مالیت کے مقابلے میں 15.89% کم ہے۔ 31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 88.6764 روپے تھی، جو 30 جون 2016ء پر 79.0558 روپے فی یونٹ قدر کے مقابلے میں 9.6206 روپے فی یونٹ کم ہے۔

مستقبل کا منظر

خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بل کے ماحول میں دستیاب مالیاتی خلاء کے بتدریج ختم ہو جانے 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 کچنگ 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 کی 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 ابھرنے 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 صورت حال 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 ابھرتی ہوئی مارکیٹ کی دیگر معیشتوں کے مقابلے میں بہتر کارکردگی کا مظاہرہ کرے گا۔ اُمید کی جا رہی 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 ابھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر المیعا کا کردار متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز 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.
Tel: (92 21) 111-111-500
Fax: (92 21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN ASSET ALLOCATION 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 Asset Allocation 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 20, 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 Asset Allocation 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 (hereinafter 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.

A.F. Ferguson & Co.
Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

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>

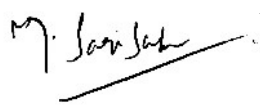
■ KARACHI ■ LAHORE ■ ISLAMABAD

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT DECEMBER 31, 2016

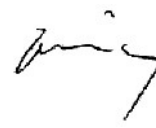
	Note	(Unaudited) December 31, 2016 (Rupees in '000)	(Audited) June 30, 2016 (Rupees in '000)
ASSETS			
Balances with banks	4	1,049,668	635,630
Investments	5	1,326,935	2,210,362
Fair value of derivative asset		-	4,466
Dividend and profit receivable		11,509	10,589
Receivable against sale of investments		58,479	3,831
Advances, deposits and prepayments		659	4,402
Receivable from National Clearing Company of Pakistan Limited		9,966	14,232
Total assets		2,457,216	2,883,512
LIABILITIES			
Payable to the Management Company	6	4,540	5,761
Payable to the Central Depository Company of Pakistan Limited - Trustee		310	356
Payable to the Securities and Exchange Commission of Pakistan		1,148	2,983
Fair value of derivative liability		576	-
Payable against purchase of investments		77,389	99,503
Payable against redemption of units		41	41
Advance against issue of units		25,644	-
Accrued expenses and other liabilities	7	61,952	56,576
Total liabilities		171,600	165,220
NET ASSETS		2,285,616	2,718,292
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		2,285,616	2,718,292
CONTINGENCIES AND COMMITMENTS	8		
(Number of units)			
NUMBER OF UNITS IN ISSUE		25,774,788	34,384,476
(Rupees)			
NET ASSET VALUE PER UNIT		88.6764	79.0558

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

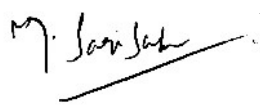


Director

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

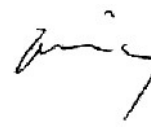
	Half year ended December 31		Quarter ended December 31	
Note	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Income				
Capital gain / (loss) on sale of investments - net	215,711	(16,064)	89,587	1,699
Dividend income	41,730	28,560	24,499	19,758
Profit on saving and term deposits	14,683	15,388	8,861	11,256
Income from government securities	16,451	70,159	7,128	32,070
Income from term finance certificates	4,506	457	2,222	232
(Loss) / income from spread transactions - net	(5,365)	984	(6,458)	(1,408)
Other income	7	9	3	3
	287,723	99,493	125,842	63,610
Net unrealised diminution in the fair value of future contracts	(576)	(3,146)	(1,192)	(1,889)
Provision for impairment of equity securities classified as available-for-sale	-	(17,592)	-	(17,592)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	39,153	989	36,496	3,748
Total income	326,300	79,744	161,146	47,877
Expenses				
Remuneration of the Management Company	24,166	32,175	11,280	16,860
Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company	3,142	10,373	1,467	5,435
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	1,712	2,157	816	845
Sindh Sales Tax on remuneration of the Trustee	223	250	106	153
Annual fee to the Securities and Exchange Commission of Pakistan	1,148	1,528	536	801
Auditors' remuneration	486	544	308	318
Allocated expenses	1,365	375	721	375
Brokerage and settlement charges	7,582	2,362	3,544	945
Other expenses	276	620	26	361
Total operating expenses	40,100	50,384	18,804	26,093
Net income from operating activities	286,200	29,360	142,342	21,784
Net element (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed				
- arising from realised / unrealised capital gains	(2,473)	23,628	(369)	18,153
- arising from other income	(8,703)	(21,071)	(8,160)	(16,772)
	(11,176)	2,557	(8,529)	1,381
Net income for the period before taxation	275,024	31,917	133,813	23,165
Taxation	-	-	-	-
Net income for the period after taxation	275,024	31,917	133,813	23,165
Earnings per unit				

The annexed notes 1 to 16 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

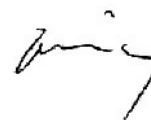
	Note	Half year ended December 31		Quarter ended December 31	
		2016	2015	2016	2015
		----- (Rupees in '000) -----			
Net income for the period after taxation		275,024	31,917	133,813	23,165
Other comprehensive income					
Items that may be reclassified subsequently to income statement					
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	5.2	(6,579)	(49,676)	(4,975)	5,549
Impairment loss arising on available-for-sale investments transferred to the Income Statement (recognised in the Statement of Comprehensive Income in previous periods)		-	1,632	-	1,632
Total comprehensive income for the period		268,445	(16,127)	128,838	30,346

The annexed notes 1 to 16 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**

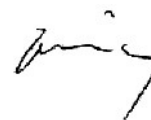
	Half year ended December 31		Quarter ended December 31	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Accumulated losses brought forward	(770,139)	(767,507)	(505,972)	(914,604)
Net income for the period after taxation	275,024	31,917	133,813	23,165
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution)	159,848	(222,773)	36,892	(66,924)
Accumulated losses carried forward	<u>(335,267)</u>	<u>(958,363)</u>	<u>(335,267)</u>	<u>(958,363)</u>

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

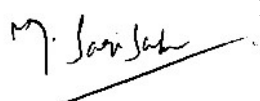


Director

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

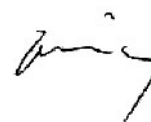
	Half year ended December 31		Quarter ended December 31	
	2016	2015	2016	2015
	----- (Rupees in '000) -----			
Net assets at beginning of the period	2,718,292	2,639,701	2,293,226	3,131,629
Issue of 5,951,556 (2015: 24,766,969) units and 2,560,482 (2015: 11,370,539) units for the half year and quarter ended respectively	496,740	1,921,618	289,490	885,171
Redemption of 14,561,244 (2015: 14,948,163) units and 9,436,765 (2015: 8,495,181) units for the half year and quarter ended respectively	(1,209,037)	(1,159,956)	(434,467)	(663,086)
	(712,297)	761,662	(144,977)	222,085
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net				
- amount transferred to the income statement				
- arising from realised / unrealised capital gains	2,473	(23,628)	369	(18,153)
- arising from other income	8,703	21,071	8,160	16,772
- amount transferred to the distribution statement	(159,848)	222,773	(36,892)	66,924
	(148,672)	220,216	(28,363)	65,543
Element of income and capital gains that forms part of unit holders' fund transferred to the distribution statement	159,848	(222,773)	36,892	(66,924)
Capital gain / (loss) on sale of investments - net	215,711	(16,064)	89,587	1,699
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	39,153	989	36,496	3,748
Other income (net of expenses)	20,160	48,624	7,730	19,350
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(6,579)	(49,676)	(4,975)	5,549
Total comprehensive income for the period	268,445	(16,127)	128,838	30,346
Net assets as at the end of the period	2,285,616	3,382,679	2,285,616	3,382,679

The annexed notes 1 to 16 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

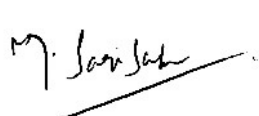


Director

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

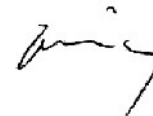
Note	Half year ended		Quarter ended	
	December 31		December 31	
	2016	2015	2016	2015
----- (Rupees in '000) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period before taxation	275,024	31,917	133,813	23,165
Adjustments for non-cash charges and other items:				
Dividend income	(41,730)	(28,560)	(24,499)	(19,758)
Net unrealised diminution in the fair value of future contracts	576	3,146	1,192	1,889
Provision for impairment of equity securities classified as available-for-sale	-	17,592	-	17,592
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(39,153)	(989)	(36,496)	(3,748)
Net element loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed				
- arising from realised / unrealised capital gains	2,473	(23,628)	369	(18,153)
- arising from other income	8,703	21,071	8,160	16,772
Net cash generated from operations before working capital changes	205,893	20,549	82,539	17,759
(Increase) / decrease in assets				
Investments - net	838,663	(229,478)	738,436	(348,608)
Fair value of derivative asset	4,466	1,257	616	3,095
Dividend and profit receivable	1,907	16,810	14,639	(9,532)
Advances, deposits and prepayments	3,743	(121,427)	3,732	(126,618)
Receivable from National Clearing Company of Pakistan Limited	4,266	(3,189)	19,121	(20,271)
	853,045	(336,027)	776,544	(501,934)
Increase / (decrease) in liabilities				
Payable to the Management Company	(1,221)	233	(1,741)	(9,098)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(46)	132	(1)	132
Payable to the Securities and Exchange Commission of Pakistan	(1,835)	202	536	(525)
Fair value of derivative liability	576	1,888	576	1,888
Accrued expenses and other liabilities	5,376	(16,250)	4,204	(15,111)
	2,850	(13,795)	3,574	(22,714)
Dividend income received	38,903	28,363	38,903	19,311
Net cash generated from / (used in) operating activities	1,100,691	(300,910)	901,560	(487,578)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	522,384	1,921,618	315,134	885,171
Payments against redemption of units	(1,209,037)	(1,159,956)	(434,467)	(662,836)
Net cash (used in) / generated from financing activities	(686,653)	761,662	(119,333)	222,335
Net increase / (decrease) in cash and cash equivalents	414,038	460,752	782,227	(265,243)
Cash and cash equivalents at beginning of the period	635,630	252,325	267,441	978,320
Cash and cash equivalents at end of the period	1,049,668	713,077	1,049,668	713,077

The annexed notes 1 to 16 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

MCB Pakistan Asset Allocation Fund (the Fund) was established under a Trust Deed dated November 22, 2007 executed between MCB Asset Management Company Limited (which merged with and into Arif Habib Investments Limited with effect from June 27, 2011) as the Management Company and the Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007.

Pursuant to the merger of MCB-Asset Management Company Limited and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

The Management Company of the Fund has been licensed to act as an asset management company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off. Shaheed-e-Millat Expressway, near KPT interchange, Karachi, Pakistan.

The Fund is an open-end collective investment scheme categorised as an "asset allocation" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The units of the Fund were initially offered for public subscription at a par value of Rs 100 per unit. Thereafter, the units are being offered for public subscription on a continuous basis and are transferable and redeemable by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (2015: AM2+ with a stable outlook) to the Management Company on June 8, 2016.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

- 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. The 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 Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the 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 the 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 the 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 annual published audited financial statements of the Fund for the year 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 NBFC Regulations, 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 statement of comprehensive income, 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

2.2 Functional and presentation currency

This condensed interim financial information has been presented in Pak Rupees which is the functional and presentation currency of the Fund.

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

- 3.1 The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published audited financial statements of the Fund for the year ended June 30, 2016.

The preparation of this condensed interim financial information in conformity with 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 the 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 years if the revision affects both current and future period.

The significant estimates, judgments and assumptions made by the management in applying accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements of the Fund 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 7.1.

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

3.2 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 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.

3.3 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 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	(Unaudited) December 31, 2016	(Audited) June 30, 2016
4 BALANCES WITH BANKS			
Balances with banks			
- in saving accounts	4.1	1,044,165	625,207
- in current accounts	4.2	5,503	10,423
		<u>1,049,668</u>	<u>635,630</u>
4.1 These carry profit at rates ranging between 3.75% and 6.35% (June 30, 2016: 3.75% and 6.25%) per annum and include Rs 5.096 million (June 30, 2016: Rs 364.281 million) maintained with MCB Bank Limited (a connected person / related party) which carry profit at the rate of 3.75% (June 30, 2016: 3.75%) per annum.			
4.2 This denotes balance maintained with MCB Bank Limited, a connected person / related party.			

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

5	INVESTMENTS	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
			(Rupees in '000)	
	At fair value through profit or loss - held for trading			
	- Listed equity securities	5.1.1	533,953	294,656
	- Listed debt securities	5.1.2	135,536	135,222
	- Government securities - Market Treasury Bills	5.1.3	-	298,413
			669,489	728,291
	Available-for-sale			
	- Listed equity securities	5.2.1	400,684	1,452,524
	- Government securities - Pakistan Investment Bonds	5.2.2	56,762	29,547
			457,446	1,482,071
	Loans and receivables			
	Term deposit receipt	5.3	200,000	-
			<u>1,326,935</u>	<u>2,210,362</u>

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

5.1.1 Listed equity securities

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus / rights issue during the period	Sales during the period	As at December 31, 2016	Carrying value as at Decembe r 31, 2016	Market value as at Decembe r 31, 2016	Unrealised apprecia tion/ (diminution) as at December	Market value as percentag e of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
----- (Number of shares) -----						----- (Rupees in '000) -----					
Unless stated otherwise, the holdings are in ordinary shares of Rs 10 each											
Automobile Assembler											
Indus Motors Company Limited	-	14,000	-	-	14,000	22,540	22,603	63	0.99%	1.70%	0.02%
						22,540	22,603	63	0.99%	1.70%	0.02%
Cable and Electrical Goods											
Pak Elektron Limited	1,032,500	3,914,500	-	4,283,000	664,000	47,576	47,330	(246)	2.07%	3.57%	0.13%
TPL Trakker Limited	-	1,892,500	-	1,892,500	-	-	-	-	-	-	-
						47,576	47,330	(246)	2.07%	3.57%	0.13%
Cement											
Cherat Cement Company Limited	15,000	511,500	-	526,500	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited	-	4,500	-	2,500	2,000	422	443	21	0.02%	0.03%	0.00%
Fauji Cement Company Limited	-	125,500	-	125,500	-	-	-	-	-	-	-
Lucky Cement Limited	800	108,500	-	800	108,500	84,462	93,989	9,527	4.11%	7.08%	0.03%
Maple Leaf Cement Factory Limited	-	456,000	-	456,000	-	-	-	-	-	-	-
Pioneer Cement Limited	-	500	-	500	-	-	-	-	-	-	-
						84,884	94,432	9,548	4.13%	7.11%	0.03%
Commercial Banks											
Bank Al Falah Limited	75,000	-	-	75,000	-	-	-	-	-	-	-
Bank of Punjab Limited	-	407,000	-	407,000	-	-	-	-	-	-	-
Faysal Bank Limited	-	410,000	-	410,000	-	-	-	-	-	-	-
Habib Bank Limited	-	269,000	-	213,900	55,100	13,858	15,056	1,198	0.66%	1.13%	0.00%
Habib Metropolitan Bank Limited	-	750,000	-	-	750,000	22,875	27,750	4,875	1.21%	2.09%	0.07%
MCB Bank Limited*	-	100,000	-	100,000	-	-	-	-	-	-	-
United Bank Limited	25,000	508,600	-	321,000	212,600	47,288	50,790	3,502	2.22%	3.83%	0.02%
						84,021	93,596	9,575	4.09%	7.05%	0.09%
Engineering											
Amreli Steels Limited	-	223,000	-	223,000	-	-	-	-	-	-	-
International Steels Limited	-	229,000	-	229,000	-	-	-	-	-	-	-
Mughal Iron and Steel Industries Limited	82,000	-	-	282,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Fertilizer											
Engro Fertilizers Limited	399,000	2,556,000	-	2,433,500	521,500	34,040	35,452	1,412	1.55%	2.67%	0.04%
Engro Corporation Limited	113,500	568,100	-	676,600	5,000	1,512	1,580	68	0.07%	0.12%	0.00%
Fatima Fertilizer Company Limited	-	7,000	-	7,000	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	205,500	-	205,500	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	120,100	-	120,100	-	-	-	-	-	-	-
						35,552	37,032	1,480	1.62%	2.79%	0.04%
Food and Personal Care Products											
Engro Foods Limited	5,000	186,000	-	187,500	3,500	597	672	75	0.03%	0.05%	0.00%
						597	672	75	0.03%	0.05%	0.00%
Insurance											
Adamjee Insurance Company Limited*	-	26,000	-	5,500	20,500	1,504	1,520	16	0.07%	0.11%	0.01%
						1,504	1,520	16	0.07%	0.11%	0.01%
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	-	32,850	-	-	32,850	32,780	45,166	12,386	1.98%	3.40%	0.03%
Oil and Gas Development Company Limited	281,000	788,000	-	507,000	562,000	87,210	92,927	5,717	4.07%	7.00%	0.01%
Pakistan Oilfields Limited	-	64,000	-	57,500	6,500	3,422	3,475	53	0.15%	0.26%	0.00%
Pakistan Petroleum Limited	500	1,000	-	1,500	-	-	-	-	-	-	-
						123,412	141,568	18,156	6.20%	10.66%	0.04%

* These denote related parties / 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

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus / rights issue during the period	Sales during the period	As at December 31, 2016	Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation / (diminution) as at December	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
----- (Number of shares) -----					----- (Rupees in '000) -----						
Oil and Gas Marketing Companies											
Hascol Petroleum Limited	-	192,000	-	192,000	-	-	-	-	-	-	-
Hi-Tech Lubricants Limited	-	250,000	-	250,000	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	19,000	176,500	-	195,500	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	200,000	-	-	200,000	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	65,500	472,000	-	537,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Paper And Board											
Packages Limited	-	38,500	-	38,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Pharmaceuticals											
GlaxoSmithKline (Pakistan) Limited	-	65,000	-	-	65,000	15,759	15,165	(594)	0.66%	1.14%	0.02%
The Searle Company Limited	25,500	8,000	-	33,500	-	-	-	-	-	-	-
						15,759	15,165	(594)	0.66%	1.14%	-
Power Generation and Distribution											
Hub Power Company Limited	-	12,500	-	12,500	-	-	-	-	-	-	-
K- Electric Limited (par value of Rs 3.50 per share)	4,203,000	7,797,500	-	7,837,000	4,163,500	38,647	39,012	365	1.71%	2.94%	0.02%
						38,647	39,012	365	1.71%	2.94%	0.02%
Refinery											
Attock Refinery Limited	-	407,500	-	369,500	38,000	14,511	16,161	1,650	0.71%	1.22%	0.04%
National Refinery Limited	-	78,000	-	37,000	41,000	24,719	23,416	(1,303)	1.02%	1.76%	0.05%
						39,230	39,577	347	1.73%	2.98%	0.09%
Technology and Communication											
Pakistan Telecommunication Company Limited	65,000	754,000	-	819,000	-	-	-	-	-	-	-
TRG Pakistan Limited	-	15,500	-	15,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Textile Composite											
Nishat (Chunian) Limited*	-	374,500	-	355,000	19,500	1,194	1,218	24	0.05%	0.09%	0.01%
Nishat Mills Limited*	300,000	1,500	-	300,000	1,500	225	228	3	0.01%	0.02%	0.00%
						1,419	1,446	27	0.06%	0.11%	0.01%
Total - December 31, 2016						495,141	533,953	38,812	23.36%	40.21%	
Total - June 30, 2016						296,123	294,656	(1,467)	10.86%	13.32%	

* These denote related parties / connected persons

5.1.1.1 The cost of investment in equity securities is Rs 593.356 million (June 30, 2016: Rs 379.349 million).

5.1.2 Listed debt securities

Name of the Issuer	As at July 1, 2016	Purchase d during the period	Sold / matured during the period	As at December 31, 2016	Carrying value as at Decembe r 31, 2016	Market value as at Decembe r 31, 2016	Unrealised appreciatio n/ (diminution) as at December 31, 2016	Market value as a percentag e of net assets	Market value as a percentage of total investments	Investments as a percentage of total issue size
----- (Number of certificates) -----				----- (Rupees in '000) -----						
Certificates having a face value of Rs. 5,000 each unless stated otherwise										
Bank Alfalah Limited-V	2,000	-	-	2,000	10,201	10,249	48	0.45%	0.77%	0.20%
Habib Bank Limited-I	1,250	-	-	1,250	124,994	125,287	293	5.48%	9.44%	1.25%
Total - December 31, 2016					135,195	135,536	341	5.93%	10.21%	
Total - June 30, 2016					135,003	135,222	219	0.38%	0.42%	

5.1.2.1 Significant terms and conditions of term finance and sukuk certificates outstanding as at December 31, 2016 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Bank Alfalah Limited-V	6 months KIBOR + 1.25%	20-Feb-13	20-Feb-21	AA-
Habib Bank Limited-I	6 months KIBOR + 0.50%	19-Feb-16	19-Feb-26	AAA

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

5.1.3 Government securities - Market Treasury Bills

Tenor	Face value				Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation / (diminution) as at December	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchased during the period	Sold/matured during the period	As at December 31, 2016					
(Rupees in 000)									
12 Months	100,000	735,000	835,000	-	-	-	-	-	-
6 Months	-	400,000	400,000	-	-	-	-	-	-
3 Months	200,000	1,050,000	1,250,000	-	-	-	-	-	-
Total - December 31, 2016					-	-	-	-	-
Total - June 30, 2016					298,333	298,413	80	10.98%	13.50%

5.2 Available-for-sale

5.2.1 Listed equity securities

Name of investee company	As at July 1, 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at December 31, 2016	Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciatio n/ (diminution) as at December	Market value as percentage of net assets	Market value as percentage of total investment s	Par value as percentage of issued capital of the investee
----- (Number of shares) -----						----- (Rupees in '000) -----					
Unless stated otherwise, the holdings are in ordinary shares of Rs 10 each											
Automobile Assembler											
Indus Motors Company Limited	-	14,000	-	12,500	1,500	2,392	2,422	30	0.11%	0.18%	0.00%
						2,392	2,422	30	0.11%	0.18%	0.00%
Automobile Parts and Accessories											
Thal Limited (par value of Rs 5 each)	500	-	-	500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Cable and Electrical Goods											
Pak Elektron Limited	588,750	325,000	-	913,750	-	-	-	-	-	-	-
						-	-	-	-	-	-
Cement											
Cherat Cement Company Limited	434,500	9,800	-	444,300	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited	315,000	370,000	-	685,000	-	-	-	-	-	-	-
Kohat Cement Limited	125,000	-	-	125,000	-	-	-	-	-	-	-
Lucky Cement Limited	122,500	-	-	122,500	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	100,000	-	100,000	-	-	-	-	-	-	-
Pakcem Limited	304	-	-	304	-	-	-	-	-	-	-
Pioneer Cement Limited	-	4,000	-	4,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Chemicals											
ICI Pakistan Limited	86,300	-	-	84,300	2,000	979	1,987	1,008	0.09%	0.15%	0.00%
						979	1,987	1,008	0.09%	0.15%	0.00%
Commercial Banks											
Askari Bank Limited	-	600,000	-	600,000	-	-	-	-	-	-	-
Habib Bank Limited	530,000	213,300	-	743,300	-	-	-	-	-	-	-
MCB Bank Limited*	-	200,000	-	200,000	-	-	-	-	-	-	-
United Bank Limited	693,700	720,000	-	1,413,700	-	-	-	-	-	-	-
						-	-	-	-	-	-
Engineering											
Crescent Steel and Allied Products Limited	-	40,700	-	40,700	-	-	-	-	-	-	-
Mughal Iron and Steel Industries Limited	214,500	100,000	-	314,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
Fertilizer											
Engro Fertilizers Limited	1,149,000	1,151,000	-	945,000	1,355,000	90,383	92,113	1,730	4.03%	6.94%	0.10%
Engro Corporation Limited	578,600	50,000	-	628,600	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited	-	100,000	-	100,000	-	-	-	-	-	-	-
						90,383	92,113	1,730	4.03%	6.94%	-
Food and Personal Care Products											
Engro Foods Limited	-	51,500	-	51,500	-	-	-	-	-	-	-
Murree Brewery Company Limited	50,000	-	-	50,000	-	-	-	-	-	-	-
Shezan International Limited	4,650	-	-	-	4,650	2,098	2,334	236	0.10%	0.18%	0.06%
						2,098	2,334	236	0.10%	0.18%	0.06%
Glass and Ceramics											
Tariq Glass Industries Limited	690,000	-	-	690,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Insurance											
IGI Insurance Limited	32,200	-	-	32,200	-	-	-	-	-	-	-
						-	-	-	-	-	-
Oil and Gas Exploration Companies											
Mari Petroleum Company Limited	-	250	-	-	250	246	344	98	0.02%	0.03%	0.00%
Oil and Gas Development Company Limited	418,000	802,000	-	1,155,700	64,300	9,095	10,632	1,537	0.47%	0.80%	0.00%
Pakistan Oilfields Limited	235,000	145,000	-	380,000	-	-	-	-	-	-	-
						9,341	10,976	1,635	0.49%	0.83%	0.00%

**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 investee company	As at July 1, 2016	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at December 31, 2016	Carrying value as at December 31, 2016	Market value as at December 31, 2016	Appreciatio n/ (diminution) as at December 31, 2016	Market value as percentage of net assets	Market value as percentage of total investment s	Par value as percentage of issued capital of the investee
(Number of s hares)					(Rupees in '000)						
Oil and Gas Marketing Companies											
Hi-Tech Lubricants Limited	706,500	-	-	706,500	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	80,000	345,400	-	425,400	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	8,500	203,000	-	211,500	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	300,000	-	300,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Paper and Board											
Packages Limited	800	20,000	-	20,800	-	-	-	-	-	-	-
						-	-	-	-	-	-
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	68,000	40,000	-	37,150	70,850	50,270	67,810	17,540	2.97%	5.11%	0.07%
The Searle Company Limited	1,210	-	169	-	1,379	456	902	446	0.04%	0.07%	0.00%
						50,726	68,712	17,986	3.01%	5.18%	0.07%
Power Generation and Distribution											
Hub Power Company Limited	212,000	194,000	-	406,000	-	-	-	-	-	-	-
Kot Addu Power Company Limited	1,101,500	275,000	-	435,000	941,500	82,846	74,190	(8,656)	3.25%	5.59%	0.11%
K- Electric Limited (par value of Rs 3.50 per share)	4,439,500	2,500,000	-	6,110,000	829,500	6,998	7,772	774	0.34%	0.59%	0.00%
Lalpir Power Limited	752,000	-	-	752,000	-	-	-	-	-	-	-
Pakgen Power Limited	1,575,500	-	-	399,500	1,176,000	28,282	31,482	3,200	1.38%	2.37%	0.31%
						118,126	113,444	(4,682)	4.97%	8.55%	0.42%
Refinery											
Attock Refinery Limited	-	67,000	-	30,500	36,500	12,567	15,523	2,956	0.68%	1.17%	0.04%
						12,567	15,523	2,956	0.68%	1.17%	0.04%
Technology and Communication											
Pakistan Telecommunication Company Limited	-	700,000	-	700,000	-	-	-	-	0.00%	0.00%	-
Systems Limited	328,366	-	-	123,500	204,866	7,450	17,332	9,882	0.76%	1.31%	0.19%
						7,450	17,332	9,882	0.76%	1.31%	0.19%
Textile Composite											
Kohinoor Textile Mills Limited	-	300,000	-	62,000	238,000	19,134	27,656	8,522	1.21%	2.08%	0.08%
Nishat (Chunian) Limited*	-	2,310,000	-	2,265,000	45,000	2,162	2,809	647	0.12%	0.21%	0.02%
Nishat Mills Limited*	522,500	505,000	-	729,500	298,000	40,420	45,376	4,956	1.99%	3.42%	0.08%
						61,716	75,841	14,125	3.32%	5.71%	0.18%
Total - December 31, 2016						355,778	400,684	44,906	17.56%	30.20%	
Total - June 30, 2016						1,401,492	1,452,524	51,032	25.83%	34.64%	

* These denote related parties / connected persons

5.2.1.1 The cost of investment in equity securities is Rs 424.696 million (June 30, 2016: Rs 1,547.137 million).

5.2.1.2 Investments include shares with market value aggregating to Rs 37.025 million (June 30, 2016: Rs 38.80 million) which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

5.2.2 Government securities - Pakistan Investment Bonds

Tenor	Face value				Carrying value as at December 31, 2016	Market value as at December 31, 2016	Unrealised appreciation / (diminution) as at December 31, 2016	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchased during the period	Sold/matured during the period	As at December 31, 2016					
(Rupees in 000)									
5 years	28,000	1,253,000	1,228,000	53,000	56,913	56,762	(151)	2.48%	4.28%
10 years	-	250,000	250,000	-	-	-	-	-	-
Total - December 31, 2016					56,913	56,762	(151)	2.48%	4.28%
Total - June 30, 2016					29,245	29,547	302	1.09%	1.34%

5.2.2.1 The cost of investment in Pakistan Investment Bonds is Rs 56.913 million (June 30, 2016: Rs 29.245 million).

5.3 This carries mark-up at the rate of 6.50% and is due to mature on March 7, 2017.

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

	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
6	PAYABLE TO THE MANAGEMENT COMPANY	(Rupees in '000)	
Management fee payable	6.1	3,783	4,600
Sindh sales tax payable on management fee		492	644
Sales load payable		75	287
Payable against allocated expenses		190	230
		<u>4,540</u>	<u>5,761</u>

- 6.1** As per the amendments made in the NBFC Regulations, 2008 vide SRO 1160(1)/2015 dated November 25, 2015, the Management Company is entitled to a remuneration equal to an amount not exceeding 2% of the average annual net assets in case of asset allocation schemes. Accordingly, during the half year ended December 31, 2016, the Management Company has charged its remuneration at the rate of 2% (2015: 2%) per annum of the average annual net assets of the Fund. The fee is payable to the Management Company monthly in arrears.

	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
7	ACCRUED EXPENSES AND OTHER LIABILITIES	(Rupees in '000)	
Provision for Federal Excise Duty on management fee	7.1	19,027	19,027
Provision for Federal Excise Duty on sales load	7.1	16,173	16,173
Provision for Workers' Welfare Fund	7.2	13,732	13,732
Withholding tax payable (deducted on dividend distribution)		-	2,266
Withholding tax payable (deducted on capital gains)		4,111	250
Auditors' remuneration payable		424	509
Sale load payable to MCB Bank Limited		4,120	-
Sale load payable to Standard Chartered Bank (Pakistan) Limited		111	-
Brokerage payable		3,674	4,138
Sindh Sales Tax on allocated expenses		417	260
Others		163	221
		<u>61,952</u>	<u>56,576</u>

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

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

During the half year ended December 31, 2016, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

'With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED amounting to Rs 35.20 million (June 30, 2016: Rs 35.20 million) made for the period from June 13, 2013 till June 30, 2016 is being retained in the condensed interim financial information of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2016 would have been higher by Rs 1.3657 per unit (June 30, 2016: Rs 1.0237).

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

7.2 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 for 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.

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 CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of Federal and SWWF on CISs / mutual funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against the WWF held by the CISs till June 30, 2015, should 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.

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 cumulative 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 0.2650.

8	CONTINGENCIES AND COMMITMENTS	(Unaudited)	(Audited)
		December 31, 2016	June 30, 2016
8.1	Commitments	(Rupees in '000)	
	Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at period / year end	23,393	4,466

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

8.2 Contingencies

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

9 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at December 31, 2016 is 1.40% which includes 0.17% 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, 2008 for a collective investment scheme categorised as an "asset allocation" scheme.

10 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, with effect from November 27, 2015 the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable on the Fund for the period.

11 TAXATION

The income of the Fund is exempt from income tax under clause (99) of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute to its unit holders not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon. Since the management intends to distribute the required minimum percentage of income earned by the Fund during the year ending June 30, 2017 to the unit holders in the manner as explained above, no provision for taxation has been made in this condensed interim financial information.

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.

12 EARNINGS PER UNIT

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

13 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include MCB-Arif Habib Savings and Investments Limited (being the Management Company) and its related entities, the Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors, key management personnel and officers of the Management Company.

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

The details of transactions carried out by the Fund with connected persons and balances with them at the period end are as follows:

	Half year ended December 31	
	2016	2015
	----- (Rupees in '000) -----	
13.1 Transactions during the period		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration of the Management Company (including indirect taxes)	27,308	42,548
Allocated expenses	1,365	375
Issue of nil units (2015: 1,516,906 units)	-	118,152
Redemption of 974,696 units (2015: 549,625 units)	85,501	43,000

**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	2015
	----- (Rupees in '000) -----	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee (including indirect taxes)	1,935	2,407
CDC settlement charges	824	194
MCB Bank Limited - holding company of the Management Company		
Profit on bank deposits	288	821
Bank charges	11	38
Adamjee Insurance Company Limited - group company of the Management Company		
Dividend income	-	443
Adamjee Life Assurance Company Limited Employee Gratuity Fund - Retirement benefit scheme of a Group Company		
Issue of 26,806 units (2015: Nil units)	2,360	-
Fatima Fertilizer Company Limited - group company of the Management Company		
Dividend income	125	-
Lalpir Power Limited		
Dividend income	597	800
Pakgen Power Limited		
Dividend income	1,326	1,776
Nishat Mills Limited - group company of the Management Company		
Dividend income	2,400	-
Nishat Mills Limited Employees Provident Fund - Retirement benefit scheme of a group company		
Issue of nil units (2015: 626,530 units)	-	48,000
Redemption of nil units (2015: 626,530 units)	-	50,700
Nishat (Chunian) Limited - group company of the Management Company		
Dividend income	520	-
Arif Habib Limited - group company of the Management Company		
Brokerage expense*	480	45
Next Capital Limited		
Brokerage expense*	335	97
Security General Insurance Company Limited - Unitholder with 10% or more holding		
Issue of nil units (2015: 4,837,403 units)	-	377,843
Redemption of nil units (2015: 5,367,586 units)	-	427,843
Directors and key management personnel of the Management Company		
Issue of 48,455 units (2015: 30,864 units)	4,123	2,375
Redemption of 29,129 units (2015: nil units)	2,480	-

* Trading in securities through these connected persons / related parties has not been treated as transactions entered into with connected persons as these are not the ultimate counter parties.

	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	(Rupees in '000)	
13.2 Amounts outstanding as at period / year end		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Management fee payable	3,783	4,600
Sindh sales tax payable on management fee	492	644
Sales load payable	75	287
Payable against allocated expenses	190	230
Outstanding nil units (June 30, 2016: 974,696 units)	-	77,055

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
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	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	(Rupees in '000)	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable to the Trustee	274	312
Sales tax payable on trustee fees	36	44
Security deposits	100	100
MCB Bank Limited - holding company of the Management Company		
Bank balances	10,599	374,704
Profit receivable	23	56
Sale load payable	4,120	-
Adamjee Life Assurance Company Limited Conventional Business		
Outstanding 200,410 units (June 30, 2016: 200,410 units)	17,772	15,844
Adamjee Life Assurance Company Limited		
Outstanding 335,529 units (June 30, 2016: 335,529 units)	29,755	26,526
Adamjee Life Assurance Company Limited Employee Gratuity Fund - Retirement benefit scheme of a Group Company		
Outstanding 26,806 units (June 30, 2016: Nil units)	2,377	-
Lalpir Power Limited		
Nil shares held (June 30, 2016: 752,000 shares)	-	16,318
Pakgen Power Limited		
1,176,000 shares held (June 30, 2016: 1,575,000 shares)	31,482	37,891
Nishat Mills Limited - group company of the Management Company		
299,500 shares held (June 30, 2016: 822,500 shares)	45,604	88,748
Nishat (Chunian) Limited - group company of the Management Company		
64,500 shares held (June 30, 2016: nil shares)	4,027	-
Arif Habib Limited - group company of the Management Company		
Brokerage payable*	8	543
Next Capital Private Limited		
Brokerage payable*	21	190
D.G. Khan Cement Company Limited		
2,000 shares held (June 30, 2016: 315,000 shares)	443	60,004
D.G. Khan Cement Company Limited Employees Provident Fund Trust		
Outstanding 32,774 units (June 30, 2016: 32,774 units)	2,906	2,591
Sui Northern Gas Pipelines Limited		
Nil shares held (June 30, 2016: 208,500 shares)	-	7,566
Sui Southern Gas Company Limited		
Nil shares held (June 30, 2016: 65,500 shares)	-	1,803
Mughal Iron and Steel Industries Limited		
Nil shares held (June 30, 2016: 496,500 shares)	-	33,360
Security General Insurance Company Limited - Unitholder with 10% or more holding		
Outstanding 3,561,882 units (June 30, 2016: 3,561,882 units)	315,855	281,587
Directors and key management personnel of the Management Company		
Outstanding 32,357 units (June 30, 2016: 13,031 units)	2,869	1,030

* Trading in securities through these connected persons / related parties has not been treated as transactions entered into with connected persons as these are not the ultimate counter parties.

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

14 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or liability can be 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.

The fair value of government securities traded in the interbank market shall be valued at the average rate quoted on the Reuters page and are based on the remaining tenor of the securities. The fair values of listed equity securities quoted on the stock exchange are valued at the closing prices determined by such exchange. The fair values of listed and unlisted debt securities, other than government securities, are valued on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP) which are calculated in accordance with the provisions contained in Circular 1 of 2009 issued by the Securities and Exchange Commission of Pakistan. The said circular prescribes a valuation methodology which, in case of currently traded securities, is based on weighted average prices during the 15 days preceding the valuation date and in case of thinly or non-traded securities, on the basis of discount coupon method which takes into consideration credit risk and maturities of the instruments.

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: quoted market price (unadjusted) in an active market for an identical instrument;
- Level 2: valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: valuation techniques using significant unobservable inputs.

As at December 31, 2016 and June 30, 2016, the Fund held the following assets measured at fair values:

	As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
		----- Rupees 000 -----		
'At fair value through profit or loss' - held for trading				
- Listed equity securities	533,953	-	-	533,953
- Debt securities	-	135,536	-	135,536
Available-for-sale				
- Listed equity securities	400,684	-	-	400,684
- Government securities	-	56,762	-	56,762
	As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
		----- Rupees 000 -----		
'At fair value through profit or loss' - held for trading				
- Listed equity securities	294,656	-	-	294,656
- Debt securities	-	135,222	-	135,222
- Government securities	-	298,413	-	298,413
Available-for-sale				
- Listed equity securities	1,452,524	-	-	1,452,524
- Government securities	-	29,547	-	29,547

For financial instruments that are recognised at fair value on a recurring basis, the Fund determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. During the half-years ended December 31, 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of the Level 3 fair value measurements.

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

15 DATE OF AUTHORISATION FOR ISSUE

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

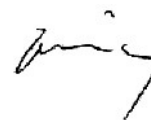
16 GENERAL

- 16.1** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison and better presentation. No significant rearrangements or reclassifications have been made in this condensed interim financial information during the current period.
- 16.2** 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' fund and condensed interim cash flow statement for the quarters ended December 31, 2016 and December 31, 2015 have not been subject to limited scope review by the statutory auditors of the Fund.
- 16.3** Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.



Chief Executive Officer

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



Director

Please find us on



by typing: **MCB Arif Habib Savings**

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