



MCB-ARIF HABIB
Savings and Investments Limited

QUARTERLY REPORT

SEPTEMBER
2017
(UNAUDITED)

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



Pakistan Cash Management 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 Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg 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 Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr Abdul Basit	
Trustee	MCB Financial Services Ltd. 4th Floor, Perdesi House, 2/1 R-Y, Old Queens Road, Karachi. Tel: (92-21) 32430485 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited Zarai Taraqati Bank	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.	
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 QUARTER ENDED SEPTEMBER 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Cash Management Fund's** accounts review for the quarter ended September 30th, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

The economic scorecard in first quarter of FY18 posted a mixed picture relative to several economic indicators. The LSM grew at an astounding pace of 13% YoY, boosted by growth in Steel, Auto and Food & Beverages sector. Add to this the agricultural sector growth (being reflected in cotton crop, sugar crop and wheat crop bumper numbers coming in), we are well on our way to meet the 6% target GDP growth for FY18.

CPI for the first quarter averaged at a moderate level of 3.4% YoY, supported by lower oil prices, stable food prices and a higher base effect. Going forward we expect inflation to remain under control, averaging below 4.5% for FY18, as stable commodity prices along with a contained currency to rein in inflation. As a result of the stable indicators, the monetary policy committee maintained a status quo in its first meeting held for the current fiscal year.

Indicators that have started to sound a warning alarm include the widening fiscal deficit and current account deficit (CA). On the back of rising overall imports bill, the CA deficit for 2MFY18 has doubled from USD 1.3bn in SPLY to USD 2.6bn. As a result of the financing gap, the foreign exchange reserves of the country fell by USD 1.3 billion during the 1QFY18.

Fiscal account which was one source of comfort turned out to be a red herring. Fiscal deficit for FY17 was recorded at ~ PKR 1.8 tn and provinces recorded an unexpected deficit on account of election preparation spending. Keeping this in view we remain skeptical on the government's ability to meet the target of 4.1% of GDP.

PIB yields during the quarter inched up by ~45 bps for 3 year, and 56 bps for 5 year bonds. Political uncertainty along with deterioration in the external account kept the market participants at bay from long tenor bonds. Furthermore, the bearish sentiment was also backed by SBP in its MPS, which highlighted its concerns on external account as trade deficit widened.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.78% as against its benchmark return of 5.21%. The fund has increased the allocation in Cash to 99.8% at period end from 55.4% as at June 2017. The Net Assets of the Fund as at September 30, 2017 stood at Rs. 1,026 million as compared to Rs. 628 million as at June 30, 2017 registering an increase of 63.38%. The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs. 50.8853 as compared to NAV of Rs. 50.2794 per unit as at June 30, 2017 registering an increase of Rs. 0.6059 per unit.

FUTURE OUTLOOK

While the government has been able to stabilize the economy, its ambitious plan to revive the growth can come in doldrums if it is not able to contain the twin deficits. We project a current account deficit of USD 17 billion for the FY18, and as such the ability of government to manage inflows will be highly tested. Nevertheless, our in-house projections estimate a financing gap of USD 6 billion which will gobble up the existing foreign exchange reserves. On the whole, cracks have started appearing in the economic façade which warrant immediate policy measure by the government of Pakistan if the economic progress is expected to be kept on track.

Going forward, we expect market to remain volatile in the short run, as political uncertainty along with twin deficits continue to haunt the basic macroeconomic fundamentals. We believe certain policy adjustments are necessary to maintain the direction of economic growth. Nevertheless, market valuations remain at a very attractive level, and they will sooner or later come into play. The risk premiums (difference between earnings yield and 10-year interest rates) are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 7.9x, at a steep discount of 35% from its emerging market peer group. Enduring themes that should play out over the medium-term regardless of the political situation include (i) PKR depreciation and higher interest rates (ii) CPEC and continued GoP support for the textiles sector that would encourage exports. We advice local investors to carefully watch the economic trends and build exposure on any weakness.

On the fixed income front, market is expected to remain cautious on back of a precarious external account position along with an uptick in inflation trajectory. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
October 20, 2017



Samad A. Habib
Director

ڈائریکٹرز رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

عزیز سرمایہ کار

یورڈ آف ڈائریکٹرز کی طرف سے پاکستان کیش مینجمنٹ فنڈ کے 30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

مالی سال 2018ء کی پہلی سہ ماہی میں معاشی اشاریوں میں ملا جلا رجحان پایا گیا اور اکاؤنٹ سکور کارڈ میں صورتحال مختلف معاشی علامات کی بنیاد پر ملتی جلتی رہی۔ LSM نے توقعات سے زیادہ یعنی 13% YoY کے ساتھ فروغ پایا جس میں بنیادی کردار اسٹیل، آٹو اور غذائی اشیاء و مشروبات کی کارکردگی نے ادا کیا۔ علاوہ ازیں زرعی سیکٹر کی ترقی کے مطابق (جو کہ کپاس، چینی اور گیہوں کی فصلوں کے آنے والے اعداد و شمار سے ظاہر ہے) ہم پورے 2018ء کیلئے اپنا ہدف GDP 6% گروتھ حاصل کرنے کی راہ پر گامزن ہیں۔ پہلی سہ ماہی میں CPI اوسطاً 3.4% YoY پر رہا جسے تیل کی قیمت میں کمی اور غذائی اشیاء کی مستحکم قیمتوں سے سہارا ملا۔ ہمیں امید ہے کہ آگے افراط زر مقررہ حد میں رہے گا جس کا اوسط مالی سال 2018ء میں 4.5% سے کم رہنے کا امکان ہے کیونکہ کموڈٹی کی مستحکم قیمتوں کیساتھ روپے کی مضبوط قدر افراط زر کو قابو میں رکھے گی۔ لہذا ان سب انڈیکٹرز کے نتیجے میں مالیاتی پالیسی کمیٹی نے رواں مالی سال کیلئے ہونے والی اپنی پہلی میٹنگ میں شرح سود کو برقرار رکھا۔

انڈیکٹرز جنہوں نے انتہائی گھٹی بجائی شروع کردی ان میں شامل ہیں وسیع ہوتے ہوئے فیکل اور کرنٹ خسارہ جات شامل ہیں (CA)۔ بنیادی طور پر بڑھتے ہوئے امپورٹ بل کی وجہ سے اس سال کے پہلے دو ماہ میں ہی ڈیفیسیٹ 1.3 بلین ڈالر سے دوگنا ہو کر 2.6 بلین ڈالر ہو گیا۔ اس مالیاتی خلا کے نتیجے میں 1QFY18 کے دوران ملک کے غیر ملکی زرمبادلہ کے ذخائر میں 1.3 بلین ڈالر کمی ہوئی۔

فیکل اکاؤنٹ جو کہ پرسکون طور پر چل رہا تھا خطرے میں نظر آیا۔ FY17 میں فیکل ڈیفیسیٹ 1.8 ٹریلین روپے پر ریکارڈ کیا گیا اور صوبائی سطح پر آنے والے الیکشن کی وجہ سے غیر متوقع خسارہ ریکارڈ کیا گیا۔ اس صورتحال کو سامنے رکھتے ہوئے ہم حکومت کا 4.1% معاشی ترقی کا ہدف پورا کرنے کی صلاحیت پر غیر یقینی کا شکار ہیں۔

PIB کا منافع اس سہ ماہی کی دوران نہایت ہی سست رفتاری سے تین سالہ بانڈز کیلئے 45 bps اور پانچ سالہ بانڈز کیلئے 56bps بڑھا۔ سیاسی عدم استحکام اور بیرونی اکاؤنٹ کی نازک صورتحال نے مارکیٹ کے شراکت داروں کو طویل المیعاد بانڈز سے دور رکھا۔ مزید برآں SBP کے MPS میں روپے نے Bearish Sentiment کو سہارا دیا جس نے اپنے تحفظات کا اظہار بیرونی اکاؤنٹ پر کیا کیونکہ مالیاتی خسارہ وسعت اختیار کر گیا تھا۔

ڈائریکٹر رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے ایک سال پر محیط منافع 4.78% منافع حاصل کیا۔ بمقابل مقررہ معیار 5.21% کے۔ فنڈ مدت خاتمے تک اپنی ایلوکیشن نقد میں 99.8% تک بڑھا چکا ہے۔ بمقابل June, 17 کے جس میں ایلوکیشن 55.4% تھی۔ 30 ستمبر 2017ء کو فنڈ کے net اثاثہ جات کی مالیت 1,026 ملین روپے تھی، جو 30 جون 2017ء پر 628 ملین روپے مالیت کے مقابلے میں 63.38% زیادہ ہے۔

30 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 50.8853 روپے تھی، جو 30 جون 2017ء پر 50.2794 روپے فی یونٹ قدر کے مقابلے میں 0.6059 روپے فی یونٹ زیادہ ہے۔

مستقبل کا منظر

گوکہ حکومت اب تک معیشت کو مستحکم رکھنے میں خاصی کامیاب رہی ہے۔ تاہم خدشات ہیں کہ جڑواں خساروں کو سنبھالنا ایک چیلنج ثابت ہو سکتا ہے۔ ہمارے اندازوں کے مطابق کرنٹ اکاؤنٹ خسارہ FY18 میں 17 بلین ڈالر کے قریب ہوگا، جو جمع شدہ زرمبادلہ کو تیزی کے ساتھ کم کرنے کی صلاحیت رکھتا ہے۔ اگر سارے حالات کو دیکھا جائے تو معاشی افق پر واضح اور تسلسل کے ساتھ پالیسیوں پر کام کرنے کی فوری ضرورت ہے تاکہ ہم اپنی معاشی ترقی کی راہ پر گامزن رہ سکیں۔

مزید برآں، رجحان کے مطابق ابھی کچھ عرصے تک مارکیٹ غیر مستحکم رہ سکتی ہے کیونکہ سیاسی عدم استحکام بشمول جڑواں خساروں کے بنیادی مالیاتی بنیادوں پر اثر انداز ہوتا رہے گا۔ ہمارا یقین ہے کہ معاشی ترقی کی سمت کو برقرار رکھنے کیلئے کچھ پالیسی ترامیم ضروری ہیں۔ اس کے باوجود اسٹاک مارکیٹ کے اعداد و شمار پُرکشش سطح پر ہیں اور جلد یا بدیر شیراز کی قیمتوں میں بہتری آ سکتی ہے۔ خدشات کے پریئم (دس سالہ شرح منافع اور رینگ بیلڈ کی تفریق Equity Risk Premium) تاریخ کی اونچی سطح کے قریب ہونے کے باعث مارکیٹ کو بہت سستارہنے کا اشارہ دے رہے ہیں۔ اس کے ساتھ ساتھ کے ایس ای 100، 7.9x کے PE Ratio پر اپنے ایمرجنگ مارکیٹ پیئرز گروپ سے پینتیس فیصد سے زائد ڈسکاؤنٹ پر تجارت کر رہا ہے۔ سیاسی صورتحال سے قطع نظر ان پائیدار عوامل کو میڈیٹ ٹرم سے وسیع ہو کر دیکھنا چاہیے (i) پاکستانی روپے کی قیمت میں کمی اور سود کی اعلیٰ شرح (ii) سی پیک، اور ٹیکسٹائل کے شعبے کے لیے حکومت پاکستان کا تعاون جو کہ برآمدات کی حوصلہ افزائی کرے گا۔ ہم مقامی سرمایہ کاروں کو معاشی رجحانات پر خصوصی توجہ دیتے ہوئے کسی بھی گراؤٹ کو شیراز جمع کرنے کا موقع سمجھ کر سرمایہ کاری کرنے کا مشورہ دے رہے ہیں۔

فلکسڈ انکم مارکیٹ میں غیر معمولی بیرونی اکاؤنٹس کی محتاط پوزیشن پر رہنے کی امید ہے۔ معاشی محاذ پر صورتحال، خاص طور پر ادائیگیوں کا توازن، فلکسڈ انکم مارکیٹوں کی سمت تعین کرنے میں اہم کردار ادا کرے گا۔

ڈائریکٹر رپورٹ
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

اظہارِ تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز 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۔

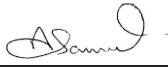
برائے اور من جانب بورڈ



محمد نایب سلیم

چیف ایگزیکٹو آفیسر

20 اکتوبر 2017ء



صدائے حبیب

ڈائریکٹر

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2017

	Note	30 September 2017 (Unaudited) ------(Rupees in '000)-----	30 June 2017 (Audited)
Assets			
Balances with banks	4	1,040,475	362,099
Investments	5	-	289,584
Mark-up and other receivables	6	1,526	1,784
Advances and prepayments	7	347	383
Total assets		1,042,348	653,850
Liabilities			
Payable to the Management Company	8	1,071	1,156
Payable to the Trustee	9	226	-
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	10	231	9
Accrued and other liabilities	11	14,435	24,852
Total liabilities		15,963	26,017
Net assets		1,026,385	627,833
Unit holders' fund (As per Attached Statement)		1,026,385	627,833
Contingencies and Commitments	12		
(Number of Units)			
NUMBER OF UNITS IN ISSUE		20,170,548	12,486,887
(Rupees)			
NET ASSETS VALUE PER UNIT		50.8853	50.2794

The notes 1 to 18 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Note	Quarter ended	
		30 September	30 September
		2017	2016
		------(Rupees in '000)-----	
Income			
Profit on bank deposits		4,988	3,424
Income from Government securities		13,831	18,647
Unrealised (diminution) / appreciation on re-measurement of investments as at fair value through profit or (loss)		-	(56)
Capital gain / (loss) on sale of investments		46	(212)
Net element of Income included in prices of units issued less those in units redeemed.		-	(1,814)
Back End Load Income		10	2
Other income		18,874	19,991
Expenses			
Remuneration of the Management Company	8.1	1,887	2,187
Sindh sales tax and federal excise duty on remuneration of Management Company	11.2	245	284
Remuneration of the Trustee	9	600	-
Sindh sales tax on trustee fee		78	-
Securities and Exchange Commission of Pakistan-Annual Fee	10	231	-
Expenses allocated by Management Company and related taxes		347	414
Brokerage and Settlement Charges		96	29
Bank Charges		33	-
Auditors' remuneration		137	-
Legal and professional charges		53	-
Fee and subscription Charges		94	-
Workers' Welfare Fund		301	-
Total Expenses		4,104	2,915
Net operating income for the period		14,770	17,076
Taxation	13	-	-
Net income for the period after taxation		14,770	17,076
Other comprehensive income for the period		-	-
Total comprehensive income for the period		14,770	17,076
Allocation of Net Income for the period:		September 30, 2017	
Income already paid on units redeemed		(3440)	
Accounting income available for distribution			
-Relating to capital gains		46	
-Excluding capital gains		11,823	
Accounting Income available for Distribution			11,330

The notes 1 to 18 form an integral part of these financial statements.

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


Chief Executive Officer


Chief Financial Officer


Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter ended	
	30 September 2017	30 September 2016
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	627,833	1,992,982
Issue of 21,329,089 units (2016: 9,048,384 units)	1,074,476	457,041
Redemption of 13,645,426 units (2016: 22,725,665 units)	(690,693)	(1,145,568)
	383,782	(688,527)
Accounting income for the period	11,330	18,890
Income already paid on units redeemed	3,440	-
Net unrealised appreciation on re-measurement on investments classified as available for sale	-	-
Net assets as at the end of the period	1,026,385	1,323,346
Net Assets value per unit as at beginning of the period	50.2794	50.2062
Net Assets value per unit as at end of the period	50.8853	50.8615
Distribution during for the period:		
Undistributed income brought forward comprises of:		
- Realised Gain	308	4,974
- Unrealised Gain	(11)	20
	297	4,994
Accounting income available for distribution:		
-Relating to capital gains	46	
-Excluding capital gains	11,283	
	11,330	17,076
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	-	(2,850)
Distributions during the period	-	-
Undistributed income carried forward	11,627	19,220
Undistributed income carried forward comprises of:		
- Realised Gain	11,627	19,276
- Unrealised Gain	-	(56)
	11,627	19,220

The notes 1 to 18 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



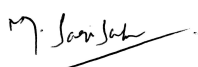
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter ended	
	30 September 2017	30 September 2016
	------(Rupees in '000)-----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the period before taxation	14,770	17,076
Adjustments		
Unrealised diminution / (appreciation) in value of investments-net	-	56
Element of income / (loss) and capital gains / (losses) included in prices of units less those in units repurchased	-	1,814
Net cash generated operations before working capital changes	14,770	18,946
Decrease / (Increase) in assets		
Investments	289,583	779,621
Profit receivable and Other receivables	258	(126)
Advances and Prepayments	36	-
	289,877	779,496
(Decrease) / Increase liabilities		
Payable to the Management Company	(85)	(108)
Payable to the Trustee	226	829
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	-	-
Accrued and other liabilities	222	-
	(10,416)	-
	(10,053)	722
Net cash generated / (used in) from operating activities	294,594	799,164
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipt against issue of units	1,074,476	457,041
Net payments on redemption of units	(690,693)	(1,145,568)
Net cash (used in) from financing activities	383,782	(688,527)
Net increase / (decrease) in cash and cash equivalents	678,376	110,637
Cash and cash equivalents at beginning of the period	362,099	756,620
Cash and cash equivalents at end of the period	1,040,475	867,257

The notes 1 to 18 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Cash Management Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Habib Metropolitan Bank Limited as Trustee on February 08, 2008.
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3** The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4** The Fund is categorized as "money market scheme" and is listed on the Pakistan Stock Exchange Limited. The Fund primarily invests in treasury bills, short term government instruments and reverse repurchase transactions against government securities.
- 1.5** Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.6** The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated July 12, 2017 to the Management Company and 'AAA(f)' stability rating to the Fund dated June 23, 2017.
- 1.7** Title to the assets of the Fund is held in the name of MCB Financial Services Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

- 2.1** 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 Act 2017, 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, Companies Act 2017 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, Companies Act 2017 or the directives issued by the SECP prevail.
- 2.2** The Companies Act, 2017 was enacted on 30th May 2017 and is applicable with immediate effect. However, owing to the practical difficulty being faced by the companies in the preparation of the Financial Statements Circular No. 17/ 2017 dated October 06, 2017 issued by Institute of Chartered Accountants of Pakistan to be read with circular no. 23 of 2017 dated October 04, 2017 issued by Securities and Exchange Commission of Pakistan (SECP) have notified that the companies whose interim period ends on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.3** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2017.
- 2.4** The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2017 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2017, where as the comparative in condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2016.
- 2.5** These condensed interim financial statements are unaudited and are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 3.1** The accounting policies adopted and the methods of computation of balances in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for change in accounting policy as stated in Note 3.2.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

- 3.2** The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008). The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (Amount distributable to unit holders) of the NBFC Regulations, 2008. As per the notification, Element of Income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed to the extent it was represented by distributable income earned during the year was recognised in the income statement and the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed represented by distributable income carried forward from prior period was included in the distribution statement.

As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, a change in accounting policy requires retrospective application as if that policy had always been applied. However, the management has applied the above changes in accounting policy prospectively from July 01, 2017 as per clarification issued by the Mutual Funds Association of Pakistan and, accordingly, corresponding figures have not been restated.

4 BALANCES WITH BANKS	Note	Unaudited September 30, 2017 (Rupees in '000)	Audited June 30, 2017
Deposit accounts	4.1	1,040,475	362,099
		1,040,475	362,099
4.1 These carry mark-up at rates ranging between 3.75% to 6.18% per annum (June 2017: 3.75% to 6.18% per annum) and include balance of Rs.1.116 million (June 2017: Rs.6.499 million) with MCB Bank Limited (a related party).			
5 INVESTMENTS			
Government securities at fair value through profit or loss- held for trading	5.1	-	289,584
		-	289,584

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

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

Tenor	Note	Face Value					Balance as at September 30,			Market value as a percentage of net assets
		Balance as at July 1, 2017	Purchases during the period	Sales during the period	Matured during the period	Balance as at September 30, 2017	Cost	Market value	Appreciation / (Diminution)	
(Rupees in '000')										
Market Treasury Bills										
3 Months	5.1.1	175,000	1,687,500	1,500,000	362,500	-	-	-	-	-
6 Months	5.1.2	116,000	350,000	150,000	316,000	-	-	-	-	-
Total as at September 30, 2017										
Total as at June 30, 2017										
							289,595	289,584	(11)	

5.1.1 These will mature latest by Nil (June 2017: August 03, 2017) and carry effective yield at the rates ranging from Nil per annum (June 2017: 5.93% to 5.98%).

5.1.2 These will mature latest by Nil (June 2017: August 17, 2017) and carry effective yield at the rate of Nil per annum (June 2017: 5.93% to 5.99).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

6	MARK-UP AND OTHER RECEIVABLES	Note	Unaudited September 30, 2017 (Rupees in '000)	Audited June 30, 2017
	Mark-up on bank deposits		1,345	1,603
	Receivable from management company		181	181
			1,526	1,784
7	ADVANCES AND PREPAYMENTS			
	Advance tax		259	249
	Prepaid stability rating fee - PACRA		67	134
	Prepayment of PSX Annual Fee		21	-
			347	383
8	PAYABLE TO THE MANAGEMENT COMPANY			
	Remuneration payable	8.1	566	719
	Sales tax on management fee		74	93
	Trustee fee		68	68
	Audit fee		9	9
	Rating Fee		141	141
	Legal fee		1	1
	Listing Fee		1	1
	Settlement Charges		2	2
	SECP		9	-
	Back Office Charges		200	-
	Expenses payable to Management Company and related taxes	8.2	-	122
			1,071	1,156

- 8.1** Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter two percent of such assets of the Fund. In the current period, the management fees is being calculated on the lower of 10% of the Fund's operating revenue or 1% of average daily net assets subject to minimum fee of 0.25% (June 2017: lower of 10% of the Fund's operating revenue or 1% of average daily net assets subject to minimum fee of 0.25%) of average daily net assets.
- 8.2** SECP vide letter # SCD/AMCW/MCBAHSIL/ PCF/475 /2017 dated March 17, 2017 approved the amendment made in the offering document, thereby all the expenses duly referred in offering documents which was previously borne by the Asset Management Company shall now be borne by the Fund with effective from 22 June 2017.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

		Unaudited September 30, 2017 (Rupees in '000)	Audited June 30, 2017
9	Note		
PAYABLE TO TRUSTEE			
Trustee Fee	9.1	200	-
Sales Tax on Trustee Fee		26	-
		226	-

9.1 The Trustee, MCB Financial Services Limited is entitled to a monthly remuneration of 1% for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily gross earnings value of the fund subject to minimum of Rs 200,000 per month

10 ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (June 2017: 0.075%) of the average daily net assets of the Fund.

		Unaudited September 30, 2017 (Rupees in '000)	Audited June 30, 2017
11	Note		
ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	11.1	1,498	1,197
Federal Excise Duty and related tax payable	11.2	11,933	11,933
Withholding tax		497	11,404
Brokerage Payable		19	42
Payable to Auditors		137	-
Payable to Legal Advisor		15	-
Printing Charges Payable		20	-
Others		316	276
		14,435	24,852

11.1 Provision For workers' welfare fund

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 Honorable 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

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.

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 and their CISs 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 WWF and SWWF on CISs / mutual funds, MUFAP has recommended the following to all its members on January 12, 2017:

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

Accordingly, on January 12, 2017 the provision for WWF was reversed 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 Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange Limited on January 12, 2017. The SECP vide its letter dated February 1, 2017 had 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, necessary adjustments in this respect were recorded in the books of the Funds on January 12, 2017.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Rs. 0.07 per unit.

11.2 FEDERAL EXCISE DUTY ON MANAGEMENT FEE

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.

During the period ended, 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. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgment of the SHC. The matter is still pending adjudication.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

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 made for the period from June 13, 2013 till September 30, 2017 amounting to Rs.11.93 million (June 30, 2017: Rs.11.93 million) is being retained in the financial statements 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 financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Rs.0.59 per unit (June 30 2017: Rs.0.95).

12 CONTINGENCIES AND COMMITMENTS

There are no contingencies & commitments as at 30 September 2017 and June 30, 2017.

13 Taxation

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

14 Total Expense Ratio

"The Total Expense Ratio (TER) of the Fund as at September 30, 2017 is 0.34%, which includes 0.06% 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 2 % prescribed under the NBFC Regulations, 2008 for a collective investment scheme categorized as an "Money Market Scheme" .

15 Earning Per Unit

Earning 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 CONNECTED PERSONS / OTHER RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings.

The transactions with connected persons are in the normal course of business.

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

16.1 Unit Holders' Fund

For the quarter ended September 30, 2017

	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017

Units

(Rupees in '000)

Associated Companies

Arif Habib Dolmen REIT Management Company

113

Mandate Under Discretionary Portfolio Services

7,361

Key management personnel

663

Unit holders holding 10% or more units

Fauji Oil Terminal & Distribution Co. Limited

153,082

Gul Ahmed Energy Limited

-

ISOI Employee's Provident Fund

121,392

Indus Motor Company Limited

-

For the quarter ended September 30, 2016

	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016

Units

(Rupees in '000)

Associated Companies

Arif Habib Dolmen REIT Management Company

106

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

16.2 Details of transactions with connected persons are as follows:

	Unaudited September 30, 2017	Unaudited September 30, 2016
	----- (Rupees in '000) -----	
MCB Arif Habib Savings and Investment Limited - Management Company		
Remuneration including indirect taxes	2,132	2,472
Expense allocated by Management Company and related sales tax	347	414
MCB Bank Limited		
Profit on bank deposits	111	128
NIB Bank Limited		
Purchase of securities face value ((2016: Nil)		
Silk Bank Limited		
Purchase of securities face value Rs. 527,500,000 (2016: Nil)	522,327	-
MCB Financial Services Limited - Trustee		
Remuneration of the Trustee	678	-

16.3 Balances outstanding at the quarter end are as follows:

	Unaudited September 30, 2017	Audited June 30, 2017
	----- (Rupees in '000) -----	
MCB Bank Limited		
Balance with bank	1,117	6,499
Profit receivable on bank deposits	88	96
MCB Arif Habib Savings and Investment Limited - Management Company		
Remuneration payable	566	719
Sales tax on management fee	74	93
Trustee fee	68	68
Audit fee	9	9
Rating Fee	141	141
Legal fee	1	1
Listing Fee	1	1
Settlement Charges	2	2
Expenses payable to Management Company and related taxes	200	122
Receivable from Management Company	181	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

17. GENERAL

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.

18. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorized for issue on 20th October, 2017 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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