



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



MCB Pakistan Stock Market 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	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited Standard Chartered bank of Pakistan Limited Summit Bank Limited JS Bank Limited NIB Bank Limited Habib 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 QUARTER ENDED SEPTEMBER 30, 2017

Dear Investor,

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

EQUITIES MARKET OVERVIEW

Equity market remained in the red zone throughout the quarter with political uncertainty taking the centre stage. After Prime Minister's disqualification and continuous worsening of external account caused the benchmark index to lose ~11.5% in 2MFY18, foreign buying drove gains in Sep'17 where KSE-100 gained 2.9% in Sep'17 to close at 42,409 pts. However, the first quarter of the new fiscal year closed itself down 8.9%, the worst quarterly return since FY09.

During the quarter, foreigners remained net sellers of USD 90 million; the buying was majorly absorbed by Banks (USD \$33.5 mn) & Insurance Companies (USD \$49.3 mn). Sep'17 saw the first net foreign inflow (US\$28 mn) since the start of fiscal year, primarily on account of inclusion of five Pakistani stocks (MCB, BAFL, SNGP, THAL and MTL) in the FTSE Global Indices. Average volumes during the quarter dwindled to 178 Mn shares compared to 280 Mn shares in the preceding quarter while average value traded declined to PKR 9.3 Bn from PKR 15.0 Bn from last quarter.

Amongst major sectors that pulled the index down were cements (down 28% QoQ) continuing the lackluster performance on concerns over future pricing discipline on upcoming capacity expansions of ~5 Mn tons in the next 6-7 months in the Southern region. In the banking space, sentiments turned out to be sour when HBL received a notice from New York (NY) State Department of Financial Services (DFS) seeking to impose a hefty penalty of USD 629.6 mn on the bank which was later reduced to US\$225 Mn. Fertilizer sector (down 3% QoQ) recouped some of the losses in third month of the quarter on the back of surge in international urea prices by ~22% in September 2017. Autos also continued to witness correction (-19% QTD) along with dampened sentiments due to anticipated pressure on USD-PKR parity as external account continued to deteriorate. E&Ps was the only major sector that witnessed gains (up by 8% QoQ) due to increase in oil prices by ~22% QoQ peaking at US\$ 56.6/bbl.

FUND PERFORMANCE

During the period, PSM posted a negative return of 8.64% compared to a negative return of 8.93% witnessed by the KSE100 Index. Overall equity exposure stood at 87.5% at the end of quarter. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments.

The Net Asset of the Fund as at September 30, 2017 stood at Rs. 9,790 million as compared to Rs. 11,629 million as at June 30 2017 registering a decrease of 15.81%.

The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs. 93.6435 as compared to opening NAV of Rs. 102.5017 per unit as at June 30, 2017 registering a decrease of Rs. 8.8582 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،

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ کے 30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

ایکویٹی مارکیٹ کا مجموعی جائزہ:

سیاسی عدم استحکام اور بیرونی اکاؤنٹ کے بڑھتے ہوئے خسارہ نے ایکویٹی مارکیٹ میں منفی رجحان پیدا کیا۔ سہ ماہی کے پہلے دہ ماہ میں بیج مارک اینڈیکس %11.5 کم ہوا۔ 17، Sep، میں بیرونی سرمایہ کاری سے KSE-100 %2.9 اضافے کے ساتھ ستمبر 2017 میں 42,909 پوائنٹس پر بند ہوا۔ اس سب کے ساتھ نئے مالیاتی سال کی پہلی سہ ماہی %8.9 پر بند ہوئی، جو کہ FY09 کے بعد اب تک کی کسی سہ ماہی میں پست ترین کارکردگی تھی۔ سہ ماہی کے دوران غیر ملکی 90 ملین ڈالر کے کلی خریدار رہے۔ زیادہ تر خریداری بینکوں (33.5 ملین ڈالر) اور انشورنس کمپنیوں نے جذب کی (49.3 ملین ڈالر)۔

مالی سال کی ابتداء سے 17 ستمبر میں پہلی مرتبہ 28 ملین کا حجم دیکھا گیا، بنیادی طور پر FTSE Global Indices میں پاکستانی اسٹاک (MTL، THAL، SNGP، BAFL، MCB) کی شمولیت کی وجہ سے ممکن ہوا۔ سہ ماہی کے دوران اوسط حجم 178 ملین شیئرز تک گرا، مقابل گزشتہ سہ ماہی جس میں حجم 280 ملین شیئرز تھا۔ اوسطاً تجارتی حجم گزشتہ سہ ماہی کے مقابلے میں 15.0 ملین سے 9.3 ملین تک زوال پذیر ہوا۔

بنیادی طور پر جو سیکٹرز انڈیکس کو زوال پزیر کرنے کا سبب بنے ان میں سیمینٹ (down 28% QoQ) کی کارکردگی مسلسل پست رہی بوجہ سیمینٹ کی قیمتوں میں مستقل کمی اور آنے والے توسیعی پروگرام جن میں اگلی اگلے 6-7 ماہ میں جنوبی خطے کی پیداوار کو پانچ ملین ٹن تک وسیع کرنے کا انتظام کرنا شامل رہا۔ بینکنگ کے شعبے میں رجحانات اس وقت ناخوش گوار ہو گئے جب H B L کو N.Y (New York) کے شعبے مالیاتی خدمات (DFS) کی طرف سے نوٹس موصول ہوا جس میں 629.6 ملین ڈالر کا جرمانہ بینک پر عائد کیا گیا تھا جو بعد میں کم کر کے 225 ملین ڈالر کر دیا گیا۔

فریٹ لائزر سیکٹر (down 3% QoQ) نے سہ ماہی کے تیسرے مہینے میں اپنے کچھ نقصانات کا ازالہ کیا جب عالمی منڈی میں Sept، 17 میں یورپ کی قیمتوں میں تقریباً %22 کا اضافہ ہوا۔ آٹوز کی کارکردگی بھی کمزور رہی (%19 Qtb-) کے ساتھ رجحانات مزید پست ہو گئے کیوں کہ بیرونی اکاؤنٹس کے حجم گرنے کے خدشات کی وجہ سے روپے اور ڈالر کی قدر کو برابر رکھنے کیلئے دباؤ کی امید کی جارہی تھی۔ E&P واحد ایسا سیکٹر تھا جس میں منافع (up by 8% QoQ) دیکھنے کو ملا بوجہ تیل کی قیمتوں میں %22 اضافہ جس سے تیل \$56.6/bbl پر پہنچ گیا۔

ڈائریکٹر رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

فنڈ کی کارکردگی:

دورانِ مدت فنڈ نے 8.64% کا منفی ریٹرن دیا بمقابلہ منفی ریٹرن 8.93% کے جس کو KSE 100 کے ذریعے دیکھا گیا۔ مجموعی ایکویٹی میں شمولیت مدت کے اختتام تک 87.5% تھی۔ فنڈ خارجی عناصر کے حوالے سے چوکتار ہا اور بنیادی ترقیاتی اقدامات کو مدنظر رکھتے ہوئے سرمایہ کاری کی حکمت عملی میں ضروری ترمیمات کی گئیں۔

30 ستمبر 2017ء کو فنڈ کے net اثاثہ جات کی مالیت 9,790 ملین روپے تھی، جو 30 جون 2017ء پر 11,629 ملین روپے مالیت کے مقابلے میں 15.81% کم ہے۔

30 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 93.6435 روپے تھی، جو 30 جون 2017ء پر 102.5017 روپے فی یونٹ قدر کے مقابلے میں 8.8582 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 ترمیم ضروری ہیں۔ اس کے باوجود اسٹاک مارکیٹ کے اعداد و شمار پُرکشش سطح پر ہیں اور جلد یا بدیر شیرازی قیمتوں میں بہتری آ سکتی ہے۔ خدشات کے پرمیئم (دس سالہ شرح منافع اور رینگ پیلڈ کی تفریق Equity Risk Premium) تاریخ کی اونچی سطح کے قریب ہونے کے باعث مارکیٹ کو بہت سستا رہنے کا اشارہ دے رہے ہیں۔ اس کے ساتھ ساتھ کے ایس ای 100، 7.9x PE Ratio پر اپنے ایمرجنگ مارکیٹ پیئر گروپ سے پینتیس فیصد سے زائد ڈسکاؤنٹ پر تجارت کر رہا ہے۔ سیاسی صورتحال سے قطع نظر ان پائیدار عوامل کو میڈیم 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 ادا نیکیوں کا توازن، فلکسڈ انکم مارکیٹوں کی سمت تعین کرنے میں اہم کردار ادا کرے گا۔

ڈائریکٹر ز 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 پورٹ



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

20 اکتوبر 2017ء



صدائے حبیب

ڈائریکٹر

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT September 30, 2017

		(Un-audited) September 30, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks		1,129,357	2,228,648
Investments	5	8,728,119	9,809,524
Receivable against sale of investments		48,929	98,104
Dividend and profit receivable		62,325	25,506
Prepayments, Advances and security deposits	6	7,476	7,311
Total assets		9,976,206	12,169,093
LIABILITIES			
Payable to the Management Company		45,351	37,897
Payable to the Central Depository Company of Pakistan Limited - Trustee		1,024	1,192
Payable to the Securities and Exchange Commission of Pakistan		2,573	10,045
Payable against purchase of investments		-	335,299
Accrued expenses and other liabilities	7	137,012	154,593
Payable against redemption of units		386	897
Total liabilities		186,345	539,923
NET ASSETS		9,789,862	11,629,170
Unit holders' funds (as per statement attached)		9,789,862	11,629,170
Contingencies and commitments	8		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		104,543,982	113,453,480
		(Rupees)	
NET ASSETS VALUE PER UNIT		93.6435	102.5017

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

**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

		Three months ended September 30,	
		2017	2016
		(Rupees in '000) -----	
Note			
INCOME			
	Capital gain on sale of investments - net	(290,992)	369,162
	Dividend income and other income	68,486	90,184
	Income from government securities	10,271	3,845
	Profit on bank deposits	12,885	6,151
		(199,350)	469,342
	Net element of Income included in prices of units issued less those in units redeemed.	-	6,326
	Unrealised (diminution) / appreciation on re-measurement of investments classified as at fair value through profit or (loss) - net	5.2 & 5.3 (435,683)	(2,178)
	Total income	(635,033)	473,490
EXPENSES			
	Remuneration of the Management Company	54,165	43,190
	Sindh Sales tax and Federal Excise Duty on remuneration of the Management Company	7,041	5,615
	Remuneration of the Central Depository Company of Pakistan Limited - Trustee	2,960	2,412
	Sindh Sales tax on Remuneration of the Trustee	385	314
	Securities and Exchange Commission of Pakistan - annual fee	2,573	2,052
	Allocated expense	3,060	2,440
	Marketing and Selling expense	10,833	-
	Securities transaction cost	13,242	5,713
	Settlement and bank charges	1,445	793
	Fees and subscriptions	154	200
	Auditors' remuneration	310	241
	Others	57	128
	Total expenses	96,226	63,098
		(731,259)	410,392
	Provision for Workers' Welfare Fund	7.2 -	-
	Net (loss) / income for the period before taxation	(731,259)	410,392
	Taxation	9. -	-
	Net (loss) / income for the period after taxation	(731,259)	410,392
Sep 30, 2017			
Allocation of Net income for the period:			
	(Loss) / income already shared (paid)/ on units redeemed- HFT	115,771	
	Accounting income available for distribution		
	-Relating to capital gains	(611,630)	
	-Excluding capital gains	(3,858)	
	Accounting losses available for Distribution		(615,488)

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

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



Chief Executive Officer



Chief Financial Officer

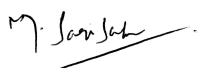


Director

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

	Three months ended September 30,	
	2017	2016
Note	(Rupees in '000)	
Net (loss) / income for the period after taxation	(731,259)	410,392
Net unrealised (diminution) / appreciation in value of investments classified as available for sale - net	(300,512)	295,606
Total comprehensive (loss) / income for the period	<u>(1,031,771)</u>	<u>705,998</u>

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**

	Three months ended September 30,	
	2017	2016
	----- (Rupees in '000) -----	
Net assets at beginning of the period	11,629,170	8,017,886
Issue of 22,923,854 (2016:14,507,122) units	2,250,286	1,323,089
Redemption of 31,833,352 (2016:13,046,942) units	(3,057,824)	(1,199,666)
	(807,538)	123,423
Accounting (loss) / income for the period	(615,488)	404,066
(loss) / income already shared (paid) on units redeemed	(115,771)	-
Net unrealised (diminution) / appreciation on re-measurement on investments classified as available for sale	(300,512)	295,607
Net assets as at the end of the period	9,789,862	8,840,982
Net Assets value per unit as at beginning of the period	102.5017	87.09
Net Assets value per unit as at end of the period	93.6435	94.53
Distribution during the period:		
Undistributed income brought forward comprises of:		
- Realised Gain	5,996,613	3,026,013
- Unrealised Gain	(656,605)	(35,218)
	5,340,008	2,990,795
Accounting income available for distribution:		
-Relating to capital gains	(611,630)	
-Excluding capital gains	(3,858)	
	(611,354)	454,493
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed -	-	44,101
Distributions during the period	-	-
Undistributed income carried forward	4,724,520	3,445,288
Undistributed income carried forward comprises of:		
- Realised Gain	5,160,203	3,447,466
- Unrealised Gain	(435,683)	(2,178)
	4,724,520	3,445,288

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

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



Chief Executive Officer



Chief Financial Officer



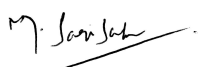
Director

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

	Three months ended September 30,	
	2017	2016
	----- (Rupees in '000) -----	
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period	(731,259)	410,392
Adjustments for non-cash charges and other items:		
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'		
Amortisation of preliminary expenses and floatation costs	435,683	2,178
Net element of (income) included in prices of units issued less those in units redeemed.	-	-
	(295,576)	406,245
(Increase) / decrease in assets		
Investments	345,210	(821,544)
Receivable against sale of investments	49,175	(157,769)
Dividend and profit receivable	(36,819)	(67,041)
Advances and security deposits	(165)	(142)
	357,401	(1,046,495)
Increase / (decrease) in liabilities		
Payable to the Management Company	7,454	652
Payable to the Central Depository Company of Pakistan Limited - Trustee	(168)	79
Payable to the Securities and Exchange Commission of Pakistan	(7,472)	(4,660)
Payable against purchase of investments	(335,299)	183,855
Accrued expenses and other liabilities	(17,582)	3,245
Payable against redemption of units	(511)	-
	(353,578)	183,171
Net cash (used in)/generated from operating activities	A (291,754)	(457,080)
B. CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from units sold	2,250,287	1,323,089
Cash paid on units redeemed	(3,057,824)	(1,199,666)
Net cash (used in) / generated from financing activities	B (807,538)	123,423
Net decrease in cash and cash equivalents during the period	A + B (1,099,291)	(333,657)
Cash and cash equivalents at beginning of the period	2,228,648	711,745
Cash and cash equivalents at end of the period	1,129,357	378,088

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

**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 FOR THE QUARTER ENDED SEPTEMBER 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB Pakistan Stock Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)].
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi, Pakistan.
- 1.3** The Fund has been categorised as equity scheme and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange. The Fund primarily invests in listed equity securities. However, it also invests in cash instruments and treasury bills not exceeding 90 days in maturities.
- 1.4** The Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2++ dated June 23, 2017 to the Management Company and 4-Star long term & 3-Star short term as performance rating dated June 15, 2017 to the Fund.
- 1.5** The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund. The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

- 2.1.1** This condensed interim financial information has been prepared in accordance with the approved accounting standard 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.
- 2.1.2** 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.
- 2.1.3** 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.
- 2.1.4** 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.
- 2.1.5** 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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.

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. FINANCIAL RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with that disclosed in the financial statements of the Fund as at and for the year ended June 30, 2017.

5. INVESTMENTS

		(Unaudited) September, 30 2017	(Audited) June, 30 2017
	Notes	----- (Rupees in '000) -----	
Available for sale			
Listed equity securities	5.1	1,785,116	2,327,996
At fair value through profit or loss - held for trading			
Listed equity securities	5.2	6,943,004	7,481,528
Government securities	5.3	-	-
		6,943,004	7,481,528
		8,728,119	9,809,524

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

5.1 Listed equity securities - Available for sale

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2017	As at September 30, 2017			Market value as percentage of net assets	Market value as percentage of total investments	Market value as percentage of total paid up capital of the investee company	
						Carrying Value	Market value	Appreciation/(diminution)				
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise												
Rupees in '000'												
----- % -----												
AUTOMOBILE ASSEMBLER												
INDUS MOTORS COMPANY LIMITED	4,150	-	-	3,440	710	1,106	1,222	115	0.01%	0.01%	0.01%	0.00
						1,106	1,222	115	0.01%	0.01%	0.01%	
CABLE AND ELECTRICAL GOODS												
PAK ELEKTRON	598,500	-	-	-	598,500	40,712	45,456	4,744	0.46%	0.46%	0.52%	0.12
						40,712	45,456	4,744	0.46%	0.46%	0.52%	
CHEMICALS												
ARCHROMA PAKISTAN LIMITED	5,050	-	-	-	5,050	2,966	3,318	352	0.03%	0.03%	0.04%	0.01
ICI PAKISTAN	108,800	-	-	44,800	64,000	27,072	58,472	31,400	0.60%	0.60%	0.67%	0.07
						30,038	61,790	31,752	0.63%	0.63%	0.71%	
CEMENT												
CHERAT CEMENT	1,394,200	-	-	1,394,200	-	-	-	-	0.00%	0.00%	0.00%	0.00
LUCKY CEMENT	290,100	-	-	-	290,100	162,834	163,959	1,125	1.67%	1.67%	1.88%	0.09
						162,834	163,959	1,125	1.67%	1.67%	1.88%	
COMMERCIAL BANKS												
MEEZAN BANK LIMITED	92,000	-	-	-	92,000	4,932	6,848	1,916	0.07%	0.07%	0.08%	0.01
MEEZAN BANK LIMITED(R)	-	-	5,520	-	5,520	-	110	110	0.00%	0.00%	0.00%	0.00
UNITED BANK LIMITED	1,237,100	-	-	357,400	879,700	158,952	167,293	8,340	1.71%	1.71%	1.92%	0.07
						163,884	174,251	10,367	1.78%	1.78%	2.00%	
ENGINEERING												
MUGHAL IRON & STEEL	11,760	-	-	-	11,760	1,036	673	(363)	0.01%	0.01%	0.01%	0.00
						1,036	673	(363)	0.01%	0.01%	0.01%	
FOOD AND PERSONAL CARE PRODUCTS												
AL-SHAHEER CORPORATION	10,455	-	-	-	10,455	585	331	(255)	0.00%	0.00%	0.00%	0.01
						585	331	(255)	0.00%	0.00%	0.00%	

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at September 30, 2017	As at September 30, 2017			Market value as percentage of net assets	Market value as percentage of total investments	Market value as percentage of total paid up capital of the investee company
						Carrying Value	Market value	Appreciation/(diminution)			
Rupees in '000'											
----- % -----											
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
OIL AND GAS EXPLORATION COMPANIES											
MARI PETROLEUM COMPANY	215,670	-	-	-	215,670	170,203	324,586	154,382	3.32%	3.72%	0.20
OIL & GAS DEVELOPMENT CO LTD	968,800	-	-	-	968,800	144,649	144,002	(646)	1.47%	1.65%	0.02
PAKISTAN OILFIELDS LIMITED	466,600	-	-	-	466,600	156,706	248,250	91,544	2.54%	2.84%	0.20
						471,558	716,838	245,280	7.33%	8.21%	
POWER GENERATION & DISTRIBUTION											
ALTERN ENERGY LIMITED	327,000	-	-	-	327,000	11,844	14,453	2,609	0.15%	0.17%	0.09
HUB POWER COMPANY LTD	1,872,400	-	-	-	1,872,400	232,462	209,353	(23,109)	2.14%	2.40%	0.16
K-ELECTRIC LTD	9,550,500	-	-	-	9,550,500	78,824	67,236	(11,589)	0.69%	0.77%	0.03
PAKGEN POWER LIMITED	15,500	-	-	-	15,500	476	339	(137)	0.00%	0.00%	0.00
						323,606	291,381	(32,225)	2.98%	3.34%	
PHARMACEUTICALS											
ABBOTT LABORATORIES (PAKISTAN)	108,400	-	-	-	108,400	75,167	85,528	10,360	0.87%	0.88%	0.11
SEARLE COMPANY	4,617	-	-	-	4,617	1,250	1,865	615	0.02%	0.02%	0.00
						76,417	87,392	10,975	0.89%	1.00%	
TEXTILE COMPOSITE											
KOHINOOR TEXTILE MILLS LTD	939,000	-	-	-	939,000	75,490	83,083	7,593	0.85%	0.95%	0.33
KOHINOOR TEXTILE MILLS LTD(R)	-	-	56,340	-	56,340	-	1,268	1,268	0.01%	0.01%	0.00
NISHAT (GHUNIAN) LIMITED	2,075,000	-	-	-	2,075,000	86,635	113,129	26,494	1.16%	1.30%	0.86
						162,125	197,480	35,355	2.02%	2.26%	
TECHNOLOGY AND COMMUNICATIONS											
NETSOL TECHNOLOGIES	671,000	-	-	-	671,000	41,698	44,286	2,588	0.45%	0.51%	0.75
SYSTEMS LIMITED	750	-	-	-	750	39	58	19	0.00%	0.00%	0.00
						41,737	44,344	2,607	0.45%	0.51%	
Total at September 30, 2017						1,475,638	1,785,116	309,478	18.23%	20.45%	
Total at June 30, 2017						1,711,927	2,327,996	616,069	20.01%	23.72%	

* These represent transactions with related parties

** The above include shares with a market value aggregating to Rs. 372.26 million which have been pledged with 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 SECP.

*** These represent right share options received and exercised during the period.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right Issue during the period	Sales during the period	As at September 30, 2017	As at September 30, 2017			Market value as percentage of total paid up capital of the investee company	
						Carrying Value	Market value	Appreciation/ (diminution)		
-----Rupees in '000'----- %										
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise										
AUTOMOBILE PARTS & ACCESSORIES										
GHANDHARA INDUSTRIES LTD	67,600	1,150	-	-	68,750	44,603	34,283	(10,320)	0.39%	0.32
HONDA ATLAS CARS(PAKISTAN) LIMITED	153,300	185,000	-	-	338,300	255,117	182,509	(72,607)	1.86%	0.24
INDUS MOTORS COMPANY LIMITED	127,980	-	-	127,980	-	-	-	-	0.00%	-
PAK SUZUKI MOTOR CO	272,900	-	-	258,000	14,900	11,627	6,819	(4,808)	0.07%	0.02
						311,347	223,612	(87,736)	2.28%	2.56%
AUTOMOBILE PARTS & ACCESSORIES										
GENERAL TYRE & RUBBER CO	172,400	50,000	-	-	222,400	62,315	44,769	(17,546)	0.46%	0.37
						62,315	44,769	(17,546)	0.46%	0.51%
CABLE & ELECTRICAL GOODS										
PAK ELEKTRON	2,371,500	1,455,400	-	1,860,000	1,966,900	199,388	149,386	(50,002)	1.53%	1.71%
TPL TRAKKER LTD	459,000	-	-	-	459,000	4,535	4,159	(376)	0.04%	0.05%
						203,923	153,545	(50,378)	1.57%	1.76%
CEMENT										
CHERAT CEMENT	177,800	-	-	177,800	-	-	-	-	0.00%	0.00%
D.G. KHAN CEMENT	1,736,300	-	-	1,733,200	3,100	661	455	(206)	0.00%	0.01%
FAUJI CEMENT CO LTD	2,500	1,300,000	-	1,302,500	-	-	-	-	0.00%	-
KOHAT CEMENT LTD	488,000	105,000	-	600	592,400	132,758	88,836	(43,922)	0.91%	1.02%
LUCKY CEMENT	678,450	90,000	-	519,200	249,250	206,639	140,871	(65,767)	1.44%	1.61%
MAPLE LEAF CEMENT FACTORY LTD	2,046,500	-	-	2,046,500	-	-	-	-	0.00%	0.08
THATTA CEMENT	80,000	-	-	-	80,000	3,198	2,056	(1,142)	0.02%	0.08
						343,255	232,219	(111,036)	2.37%	2.66%
CHEMICALS										
ARCHROMA PAKISTAN LIMITED	60,800	-	-	-	60,800	43,338	39,946	(3,392)	0.41%	0.18
ENGRO POLYMER & CHEMICAL	6,546,500	2,542,000	-	4,500,000	4,588,500	166,014	153,302	(12,712)	1.57%	0.69
						209,352	193,247	(16,104)	1.98%	2.22%
COMMERCIAL BANKS										
ALLIED BANK LIMITED	-	492,000	-	168,500	323,500	27,174	28,303	1,129	0.29%	0.29
ASKARI BANK LIMITED	297,500	7,099,000	-	-	7,396,500	150,345	140,534	(9,811)	1.44%	1.44
BANK AL FALAH LIMITED	6,856,500	4,719,000	-	-	11,575,500	467,328	491,033	23,704	5.02%	5.02
BANK AL HABIB LIMITED	1,833,500	2,255,500	-	550,000	3,539,000	199,251	203,846	4,595	2.08%	2.08
FAYSAL BANK LIMITED	8,109,000	2,952,500	-	-	11,061,500	247,773	247,778	4	2.53%	2.53
HABIB BANK LIMITED	-	600,000	-	600,000	-	-	-	-	0.00%	-
HABIB METROPOLITAN BANK	548,000	1,700,000	-	-	2,248,000	73,786	75,196	1,409	0.77%	0.77
MCB BANK LIMITED	-	2,491,700	-	806,900	1,684,800	350,869	352,123	1,254	3.60%	3.60
MEEZAN BANK LIMITED	89,000	-	-	-	89,000	7,031	6,624	(407)	0.07%	0.07
MEEZAN BANK LIMITED(R)	-	-	5,340	-	5,340	-	107	107	0.00%	-
UNITED BANK LIMITED	899,800	1,523,900	-	1,160,300	1,263,400	254,477	240,261	(14,216)	2.45%	2.45
						1,778,035	1,785,804	7,769	18.25%	20.46%

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

ENGINEERING ALISHA STEEL LTD AMRELI STEELS LIMITED CRESCENT STEEL & ALLIED PROD INTERNATIONAL INDUSTRIES INTERNATIONAL STEELS LTD ITTEFAQ IRON INDUSTRIES LIMITED MUGHAL IRON & STEEL	2,600,000	-	-	2,550,500	49,500	1,007	933	(74)	0.01%	0.01%	0.01
	1,190,000	796,600	-	1,925,000	61,600	7,489	6,281	(1,207)	0.06%	0.07%	0.02
	286,500	77,500	-	274,000	70,000	13,370	11,073	(2,297)	0.11%	0.13%	0.09
	980,000	26,000	-	9,000	997,000	366,197	289,329	(76,867)	2.96%	3.31%	0.83
	1,538,500	-	-	1,538,500	-	-	-	-	0.00%	0.00%	-
	929,781	1,500,000	-	1,664,500	765,281	22,749	19,048	(3,701)	0.19%	0.22%	0.58
	1,552,000	1,060,500	-	1,000,000	1,612,500	124,831	92,267	(32,563)	0.94%	1.06%	0.64
						535,642	418,932	(116,709)	4.27%	4.80%	
FERTILIZER ENGRO FERTILIZER LIMITED ENGRO CORPORATION LIMITED FAUJI FERTILIZER COMPANY LTD	61,500	2,103,500	-	2,165,000	-	-	-	-	0.00%	0.00%	-
	2,110,600	150,000	-	722,400	1,538,200	502,083	466,213	(35,870)	4.76%	5.34%	0.29
	-	2,010,000	-	2,010,000	-	-	-	-	0.00%	0.00%	-
						502,083	466,213	(35,870)	4.76%	5.34%	
GLASS & CERAMICS TARIQ GLASS INDUSTRIES	673,900	-	-	-	673,900	74,641	70,854	(3,787)	0.72%	0.81%	0.92
						74,641	70,854	(3,787)	0.72%	0.81%	
INSURANCE * ADAMJEE INSURANCE CO. LTD PAKISTAN REINSURANCE CO. LTD	1,559,500	57,000	-	-	1,616,500	110,341	101,840	(8,501)	1.04%	1.17%	0.46
	1,926,000	847,000	-	140,000	2,633,000	125,778	119,802	(5,977)	1.22%	1.37%	0.88
						236,119	221,641	(14,478)	2.26%	2.54%	
INV.BANKS/INV.CO M./SECURITIES COS. * ARIF HABIB LIMITED	662,000	-	-	662,000	-	-	-	-	0.00%	0.00%	-
LEATHER & TANNERIES SERVICE INDUSTRIES	40,700	-	-	-	40,700	56,125	37,118	(19,007)	0.38%	0.43%	0.34
						56,125	37,118	(19,007)	0.38%	0.43%	
MISCELLANEOUS SYNTHETIC PRODUCTS LTD	605,000	-	-	-	605,000	45,647	39,930	(5,717)	0.41%	0.46%	0.71
						45,647	39,930	(5,717)	0.41%	0.46%	
OIL & GAS EXPLORATION COMPANIES MARI PETROLEUM COMPANY OIL & GAS DEVELOPMENT CO LTD PAKISTAN OILFIELDS LIMITED PAKISTAN PETROLEUM LTD	9,800	1,540	-	11,060	280	447	421	(26)	0.00%	0.00%	-
	1,602,500	1,438,800	-	100,000	2,941,300	423,236	437,195	13,959	4.47%	5.01%	4.47
	129,000	421,700	-	58,400	492,300	235,039	261,923	26,884	2.68%	3.00%	2.68
	2,623,900	896,800	-	284,100	3,236,600	501,947	565,402	63,455	5.78%	6.48%	5.78
						1,160,669	1,264,941	104,272	12.93%	14.49%	
OIL AND GAS MARKETING COMPANIES ATTOCK PETROLEUM LIMITED HASCOL PETROLEUM HI-TECH LUBRICANTS PAKISTAN STATE OIL CO LTD. SHELL PAKISTAN SUI NORTHERN GAS SUI SOUTHERN GAS	2,150	-	-	-	2,150	1,347	1,345	(2)	0.01%	0.02%	0.01
	-	95,800	-	-	95,800	27,966	26,928	(1,037)	0.28%	0.31%	0.28
	162,300	170,800	-	-	333,100	35,601	32,824	(2,777)	0.34%	0.38%	0.34
	600	300,000	-	300,600	-	-	-	-	0.00%	0.00%	-
	22,200	-	-	-	22,200	12,773	9,232	(3,541)	0.09%	0.11%	0.09
	1,902,500	2,374,300	-	1,820,600	2,456,200	355,903	328,787	(27,116)	3.36%	3.77%	3.36
	-	2,784,500	-	2,775,000	9,500	366	344	(22)	0.00%	0.00%	-
						433,956	399,461	(34,495)	4.08%	4.59%	
PAPER AND BOARD CHERAT PACKAGING *** CHERAT PACKAGING(R)	301,100	-	-	-	301,100	71,596	60,220	(11,376)	0.62%	0.69%	1.02
	-	-	40,648	-	40,648	-	2,845	2,845	0.03%	0.03%	-
						71,596	63,065	(8,531)	0.65%	0.72%	
PHARMACEUTICAL S ABBOTT LABORATORIES PAKISTAN) GLAXOSMITHKLINE	14,300	-	-	9,950	4,350	4,066	3,432	(633)	0.04%	0.04%	-
	32,300	-	-	32,300	-	-	-	-	0.00%	0.00%	-
						4,066	3,432	(633)	0.04%	0.04%	

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

POWER GENERATION & DISTRIBUTION											
HUB POWER COMPANY LTD	4,141,500	594,800	-	-	4,736,300	555,287	529,565	(25,721)	5.41%	6.07%	0.41
KOT ADDU POWER CO. LTD	33,500	150,000	-	30,000	153,500	11,316	11,672	356	0.12%	0.13%	0.02
K-ELECTRIC LTD	11,295,000	3,200,000	-	-	14,495,000	99,408	102,045	2,636	1.04%	1.17%	0.05
* NISHAT POWER LTD	358,500	-	-	237,500	121,000	5,716	5,433	(283)	0.06%	0.06%	0.03
						671,727	648,715	(23,012)	6.63%	7.43%	
REFINERY											
ATTOCK REFINERY LIMITED	296,100	-	-	296,100		-	-	-	0.00%	0.00%	-
						-	-	-	0.00%	0.00%	
TECHNOLOGY & COMMUNICATIONS											
NETSOL TECHNOLOGIES	1,168,000	-	-	238,500	929,500	53,753	61,347	7,594	0.63%	0.70%	1.04
SYSTEMS LIMITED	-	2,500	-	-	2,500	188	194	6	0.00%	0.00%	-
						53,940	61,541	7,600	0.63%	0.70%	
TEXTILE COMPOSITE											
GUL AHMED TEXTILE	1,429,900	1,370,500	-	21,500	2,778,900	110,547	109,044	(1,503)	1.11%	1.25%	0.78
KOHINOOR TEXTILE MILLS LTD	250,000	1,408,700	-	157,400	1,501,300	151,303	132,835	(18,468)	1.36%	1.52%	0.53
* KOHINOOR TEXTILE MILLS LTD(R)	-	-	90,078	-	90,078	-	2,028	2,028	0.02%	0.02%	-
* NISHAT (CHUNIAN) LIMITED	2,014,500	-	-	410,000	1,604,500	82,343	87,477	5,134	0.89%	1.00%	0.67
* NISHAT MILLS LTD	200	1,947,300	-	-	1,947,500	280,058	282,582	2,524	2.89%	3.24%	0.55
						624,251	613,965	(10,285)	6.27%	7.03%	
Total at September 30, 2017											
						7,378,688	6,943,004	(435,684)	70.94%	79.55%	
Total at June 30, 2017											
						7,657,790	7,481,528	(176,262)	64%	76%	

* These represent transactions with related parties

*** These represent right share options received and exercised during the period.

5.3 Government securities - at 'fair value through profit or loss'-held for trading

Issue date	Tenor	Face value				As at September 30, 2017				Market value as percentage of net assets	Market value as percentage of total investment
		As at July 1, 2017	Purchases during the period	Sales / matured during the period	As at September 30, 2017	Cost	Market value	Appreciation / (diminution)			
<hr/>											
					(Rupees in 000)						
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

6. ADVANCES AND SECURITY DEPOSITS

Advance tax	4,120	3,997
Security deposits - National Clearing Company of Pakistan Limited	2,500	2,500
- Central Depository Company of Pakistan Limited	500	500
Others	256	314
	7,376	7,311
	7,376	7,311

7. ACCRUED EXPENSES AND OTHER LIABILITIES

Provision against Sindh Workers' Welfare Fund	7.2	57,875	57,875
Federal Excise Duty and related taxes on:			
- Management fee	7.1	54,774	54,774
- Sales load		3,933	3,933
Unclaimed dividend		9,838	9,838
Brokerage		5,838	21,266
Auditors' remuneration		230	579
Withholding tax on dividend and others		1,614	3,497
Printing and related expenditure		391	334
Zakat		6	10
Sales load payable		10	351
Other		2,503	2,136
		137,012	154,593
		137,012	154,593

7.1 Federal excise duty on Remuneration of Management Company

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 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 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.

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 till June 30, 2016 amounting to Rs 58.707 million (2016: Rs 58.707 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the 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 Re 0.56 per unit.

7.2 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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

Rs 0.5 million in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

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

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

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 had recommended the following to all its members on January 12, 2017:

- 'the entire provision against the Federal WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- '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) on January 12, 2017.

Accordingly, the provision for Sindh WWF 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 Re 0.55 per unit.

8. CONTINGENCIES AND COMMITMENTS

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

9. TAXATION

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders

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

10. 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.

11. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at September 30, 2017 is 0.9% which includes 0.12% 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 categorized as an equity fund.

12. TRANSACTIONS WITH CONNECTED PERSONS

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

12.1 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
Units				(Rupees in '000)		
MCB - Afti Habib Savings and Investment Limited - Management Company						
2,782,581	-	-	976,208	1,806,373	285,219	90,000
Associated Companies						
1,151,637	-	-	-	1,151,637	155,355	-
16,932,999	1,044,656	-	436,214	17,541,441	1,735,661	45,000
412,198	945,583	-	484,683	873,098	42,251	95,000
363,704	99,658	-	463,362	-	37,280	10,000
Nishat Power Limited Employees Provident Fund Trust -						
11,625	2,829	-	2,834	11,620	1,192	281
Retirement benefit scheme of a group company						
117,589	117,282	-	167,983	117,589	12,053	11,689
225,797	225,206	-	319,415	131,588	22,445	30,941
145,730	53,535	-	-	199,265	14,938	5,000
-	4,055,792	-	2,273,754	1,782,038	-	400,000
Nishat Mills Employees Provident Fund Trust						
-	-	-	-	-	-	223,000
Mandate Under Discretionary Portfolio Services						
10,722,140	4,168,218	-	8,963,218	5,927,140	1,099,037	869,833
Key management personnel						
134,001	32,447	-	13,228	153,220	13,735	1,263
					169,155	
						141,930
						1,642,641
						81,760
						-
						1,088
						6,264
						12,322
						18,660
						166,876
						555,038
						14,348

	For the quarter ended September 30, 2016					
	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016	As at September 30, 2016
	Units			(Rupees in '000)		
MCB - Arif Habib Savings and Investment Limited - Management Company						
Associated Companies						
Adamjee Life Assurance Company Limited - NUIL Fund	1,922,136	-	-	266,809	1,655,327	156,478
Adamjee Life Assurance Company Limited - IMF	2,263,530	-	-	533,220	1,730,310	163,566
D.G. Khan Cement Company Limited Employees Provident	15,627,429	1,062,037	-	917,728	15,771,738	1,490,902
	132,411	-	-	-	132,411	12,517
Key management personnel						
	143,025	21,699	-	52,416	127,160	12,020
Mandate under discretionary portfolio services						
	4,031,484	416,816	-	1,501,217	2,947,083	278,588
					39,000	137,946

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

12.2 Other Transactions

	Quarter ended September 30,	
	2017	2016
	'--- (Rupees in '000) ---	
Transactions during the period:		
MCB - Arif Habib Savings and Investment Limited - Management Company		
Remuneration including indirect taxes	61,206	48,805
Allocated expense	3,060	2,440
Marketing and Selling expense	10,833	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the trustee including indirect taxes	3,345	2,726
CDS charges	860	386
Arif Habib Limited		
Brokerage*	540	852
Next Capital Limited		
Brokerage*	287	844
MCB Bank Limited		
Bank charges	34	31
Mark-up income	267	116
Dividend income	6,519	-
Silk Bank Limited		
Purchase of securities Face Value:250,000,000 (2016: Nil)	247,657	-
Sale of securities Face Value:750,000,000 (2016: Nil)	743,582	-
Lalpir Power Limited		
Dividend income	-	2,101
Pakgen Power Limited		
Dividend income	16	5,318

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

12.3 Other Balances

	(Unaudited) September, 30 2017	(Audited) June, 30 2017
	----- (Rupees in '000) -----	
Amounts outstanding as at the period / year end		
MCB - Arif Habib Savings and Investment Limited		
- Management Company		
Remuneration payable	16,445	19,427
Sindh sales tax payable on management remuneration	2,138	2,526
Sales load payable including related taxes	836	1,635
Allocated expense payable	1,763	971
Payable against marketing and selling expenses	24,170	13,338
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	500	500
Remuneration payable	906	1,055
Sindh Sales Tax Payable on trustee remuneration	118	137
MCB Bank Limited		
Balance with bank	9,623	3,280
Accrued mark-up	31	51
Sales load payable	10	351
Next Capital Limited		
Brokerage payable	237	1,523
Arif Habib Limited		
Brokerage payable	307	1,817
Nishat Mills Limited		
1,947,500 shares held (June 30, 2017: 1,579,000)	282,582	170,375
Lalpir Power Limited		
Nil shares held (June 30, 2017: 8,399,000)	-	182,258
Pakgen Power Limited		
15,500 shares held (June 30, 2017: 5,667,500)	339	136,303
D.G. Khan Cement Company Limited		
3,100 shares held (June 30, 2017: 421,000 shares)	455	80,196
Nishat Power Limited		
121,000 shares held (June 30, 2017: 358,500 shares)	5,433	16,936
Nishat Chunian Limited		
3,679,500 shares held (June 30, 2017: 4,089,500 shares)	200,606	209,873
MCB Bank Limited		
1,684,800 shares held (June 30, 2017: Nil shares)	352,123	-
Mughal Iron & Steel		
1,624,260 shares held (June 30, 2017: Nil shares)	92,940	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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

13. 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.

14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on 20, October 2017.

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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