



MCB-ARIF HABIB  
Savings and Investments Limited

AM2  
BY AKORA

# ANNUAL REPORT 2018

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

# **MCB PAKISTAN ASSET ALLOCATION FUND**

## CONTENTS

---

1	Fund's Information	447
2	Report of the Directors of the Management Company	448
3	Report of the Fund Manager	456
4	Trustee Report to the Unit Holders	458
5	Independent Auditor's Report to the Unit Holders	459
6	Statement of Assets and Liabilities	463
7	Income Statement	464
8	Statement of Other Comprehensive Income	465
9	Statment of Movement in Unit Holder's Fund	466
10	Cash Flow Statement	467
11	Notes to and Forming Part of the Financial Statements	468
12	Pattern of Units Holding by Size	499
13	Performance Table	500
14	Proxy Issued by Fund	501

## FUND'S INFORMATION

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

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

---

Dear Investor,

On behalf of the Board of Directors, We are pleased to present MCB **Pakistan Asset Allocation Fund** accounts review for the year ended June 30, 2018

## ECONOMY AND MONEY MARKET OVERVIEW

FY18 has been a rollercoaster ride of contradicting economic indicators with benign inflation and healthy LSM growth positively contributed to the economy, while mounting fiscal pressure, falling FX reserves, and political turmoil created a negative impact on the economy. Upward trending global commodity prices, especially rising crude oil prices, further added to the woes of the local economy.

GDP growth is expected to set at a record 10 years high of ~5.7% supported by a robust industrial and services sector growth. The marked end of power crises along with easing monetary cycle has led to an expansion in LSM growth which is expected to post a growth of ~7% for FY18. Inflation as measured by CPI has averaged ~4.0% owing to adequate supply of commodities and a stable currency during the most part of the year. However, for FY19, we expect CPI to jack up to average of ~7.5% owing to rising commodity prices along with weakness in currency. Furthermore, the weaker currency is also expected to shoot up the core inflation above 8.0%.

External sector has been the Achilles heel as a record high current account deficit along with financial flows by both bilateral and multilateral institutions have caused a scarcity of dollars. Current account deficit soared to USD 18 billion, nearly 5.8% of the GDP raising alarm bells for the economy. As a result of which, foreign exchange reserves of SBP have depleted by USD 6.5 bn during FY18 to USD 9.7 bn, providing a mere import coverage of ~2.0x. By large, Pakistan could be heading towards another IMF program during the second quarter of next fiscal year unless significant flows are generated via the amnesty scheme.

During FY18 State Bank of Pakistan increased Policy Rate by a cumulative 75bps mainly due to ballooning twin deficits, declining real interest rates and rapid increase in imports. In anticipation of an interest rate hike, bond yield curve showed an upward trajectory particularly during the second half of FY18. Pace of widening trade deficit remained alarmingly high which kept on diluting Forex reserves, keeping investors away from longer tenor securities. To extend maturity profile SBP introduced Floater rate 10 year bond with a base rate of 6-month MTB weighted average yield. Healthy participation of PKR 174 billion was witnessed in the very first auction of 10 year Floater bond out of which a total of PKR 20 billion was accepted at a rate of benchmark + 50 bps. Liquidity remained comfortable throughout FY18 owing to regular OMOs conducted by SBP. Scarcity of Shariah Compliant avenues continued in period under review as there was no fresh issuance of Ijara SUKUK despite ample liquidity in the market.

## EQUITIES MARKET OVERVIEW

Equities turned red after a span of nearly 9 years, as the benchmark index lost ~10% during the year. Both economic and political factors continued to haunt the investors; with the dominant theme prevailing around the external account crisis. Foreigners' in view of weak currency, kept offloading local equities, selling USD 288 mn of stocks which was mainly absorbed by Insurance companies (~USD 204 Mn) and Companies (~USD 100 Mn). Trading volumes during the year averaged around 174 mn shares/ USD 8.15 bn depicting a massive decline of ~49%/47% YoY respectively. Cyclical had the worst year as emerging concerns on the economic growth kept the investors at bay. Cement and Autos were major laggards as they lost ~42% and 30% respectively. Cements declined due to increasing coal prices and imminent supply additions in the sector. While, Autos lost mainly due to a weak local currency along with negative sentiments emanating post budget due to government's announcement of barring non-filers from purchasing vehicles. Power sector shrank by ~20% due to rising circular debt resulting in non-payment of dividends by some companies and shut-down of some FO plants post government orders. E&Ps and Fertilizers were the only major sectors providing positive return, gaining 20% and 3% respectively. Against the market movement, E&Ps posted a considerable gain of ~20% YoY due to surge in average oil prices by 29%. Fertilizer rallied due to improved sector dynamics in the form of comfortable inventory levels and enhanced pricing power of the manufacturers being reflected in increased fertilizer prices post-budget.

## FUND PERFORMANCE

The fund posted a return of -2.55% during the period under review against the benchmark return of 8.71%. The fund has gradually increased exposure in equities which reached to 50.1% by the end of June, 2018 and at the same time it also increased exposure in cash to 41.3% at the end of June, 2018 to benefit from lucrative rates offered by banks. On the equity side, the fund decreased exposure in Power Generation & Distribution, and Engineering. On the fixed income side, the fund decreased exposure in T-Bills from 17.6% to 0.31% while maintaining the PIB exposure at 0.1%. The Net Assets of the Fund as at June 30, 2018 stood at Rs. 3,213 million as compared to Rs. 3,439 million as at June

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

30, 2017 registering a decrease of 6.57%. The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 78.9595 as compared to opening NAV of Rs. 81.0263 per unit as at June 30, 2017 registering an decrease of 2.0668 per unit.

### FUTURE OUTLOOK

For the next year, the economic growth is expected to slightly slow down as a weak currency and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy will provide a respite to the economic managers during this critical juncture. We share the optimism on better governance & long term prospects for economic revival amid more focused and sincere efforts to address chronic issues on economic front by the new government; however, the path is likely to be tough and with a number of potentially un-popular policy steps. Given initial plans of PTI (ruling party) some sense of policy steps can be expected but given the precarious economic conditions, we think immediate term measures to address twin deficits are critical. Fiscal side is also expected to weaken as reckless spending by the government will cause fiscal deficit to cross above 6.0% of GDP. Given pressures on the external front along with rising inflation, State Bank is expected to further tighten the monetary policy, with 100 bps already increased, which shall result in higher debt servicing cost for the government during the next fiscal year. Along with entry to the IMF program, which will aim to curtail the fiscal deficit, developmental expenditures will be sharply cut during the next year.

On the equity side, post elections, we shall closely monitor the environment to incorporate the new policy guidance as it becomes available. In broader terms, we believe, the last two years market performance (down approx. 20% from peak levels) has reflected the concerns on political and economic direction & also reflected in performance of cyclical stocks where correction in stock prices is even sharper. We continue to reiterate our stance that current levels offer little downside potential which puts in a lot of comfort for long term investors. We believe upside in stocks shall unveil only gradually as confidence reigns back and economic policies shape the outlook in the expected manner. Therefore, going forward, stocks offer long term investment opportunity with rewards for patient investors. We continue to track trends in the economic indicators of the country and adjust our portfolio accordingly. Our Top-Down analysis favors sectors that benefit from currency depreciation and higher interest rates; however, we cannot ignore the individual company dynamics along with their prices that can play an important role in security selection.

### Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With seven (7) non-executive directors including three (3) independent Directors on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2018:

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

## 1. Meeting of the Audit Committee.

During the year, nine (9) meetings of the Audit Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Haroun Rashid	9	9	6	3
2. Mr. Ahmed Jahangir	9	9	9	-
3. Mr. Nasim Beg	9	9	7	2
4. Mr. Mirza Qamar Beg	9	9	7	2

## 2. Meeting of the Human Resource and Remuneration Committee.

During the year, five (5) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Dr. Syed Salman Shah	5	5	5	-
2. Mr. Nasim Beg	5	5	5	-
3. Mr. Ahmed Jahangir	5	5	5	-
4. Mr. Haroun Rashid	5	5	3	2
5. Mr. Muhammad Saqib Saleem -CEO	5	5	5	-

3. In the meeting held on September 14, 2018, the Risk Management Committee of the Board was formed consisting of the following members:

- (i) Mr. Mirza Qamar Beg - Chairman
- (ii) Mr. Nasim Beg
- (iii) Mr. Ahmed Jahangir

## EXTERNAL AUDITORS

The fund's external auditors, **A.F.Ferguson & Co. Chartered Accountants**, have retired during the year & **Deloitte Yousuf Adil Chartered Accountants** have been appointed as an external auditors of the fund for financial year ending June 30, 2019. **Deloitte Yousuf Adil Chartered Accountants** has also expressed their willingness to act as the fund auditors.

## 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  
September 14, 2018



**Nasim Beg**  
Director / Vice Chairman

## ڈائریکٹرز رپورٹ

### خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”ای وائے فور ڈیٹھوڈز“ چارٹرڈ اکاؤنٹنٹس دوران سال ریٹائر ہو گئے ہیں اور 30 جون 2019ء کو اختتام پذیر ہونے والے سال کے لئے فنڈ کے خارجی آڈیٹرز کے طور پر ”ڈیلویٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس“ چارٹرڈ اکاؤنٹنٹس کی تقرری کی گئی ہے۔ ڈیلویٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس نے بھی فنڈ کے آڈیٹرز کے طور پر کام کرنے کے لئے رضامندی کا اظہار کیا ہے۔

### اظہار تشکر

بورڈ آف ڈائریکٹرز 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، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ

ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

14 ستمبر 2018ء

## ڈائریکٹرز رپورٹ

- i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. تمام ڈائریکٹرز ”ڈائریکٹرز ٹریننگ پروگرام“ مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر تربیتی کورس میں شرکت سے مستثنیٰ ہیں۔
- k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔
- l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں پیش کی گئی ہیں۔ 30 جون 2018ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

### 1. آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی نو (9) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
3	6	9	9	1. جناب ہارون رشید
-	9	9	9	2. جناب احمد جہانگیر
2	7	9	9	3. جناب نسیم بیگ
2	7	9	9	4. مرزا محمد قمر بیگ

### 2. ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی پانچ (05) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
-	5	5	5	1. ڈاکٹر سید سلمان شاہ
-	5	5	5	2. جناب نسیم بیگ
-	5	5	5	3. جناب احمد جہانگیر
2	3	5	5	4. جناب ہارون رشید
-	5	5	5	5. جناب محمد ثاقب سلیم (سی ای او)

3. ستمبر 14، 2018 کے منعقدہ میٹنگ میں بورڈ کی رسک کمیٹی کا قیام کیا گیا ہے، جس کے اراکین مندرجہ ذیل ہیں:

- 1 جناب مرزا قمر بیگ - چیئرمین
- 2 جناب نسیم بیگ
- 3 جناب احمد جہانگیر

## مستقبل کا منظر

اگلے سال معاشی ترقی میں کچھ سست رفتاری متوقع ہے کیونکہ کھپت کے رجحان پر کمزور روپیہ اور تنگ مالیاتی پالیسی کا راج رہے گا۔ تاہم زیادہ بجلی کی فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس اہم موڑ پر معاشی منتظمین کو سہولت میسر ہوگی۔ دیرینہ مسائل کے حل کے لیے نئی حکومت کی مرکز اور مخلصانہ کوششوں کے پیش نظر ہم بہتر طرز حکومت اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں، تاہم راستہ دشوار اور پالیسی میں متعدد ناپسندیدہ اقدامات سے پُر ہو سکتا ہے۔ پاکستان تحریک انصاف (حکمران جماعت) کے ابتدائی منصوبوں کی روشنی میں بہتر پالیسی اقدامات کی توقع کی جاسکتی ہے، لیکن خطرناک معاشی حالات کے پیش نظر ہم سمجھتے ہیں کہ فوری میعاد والے اقدامات بے حد ضروری ہیں تاکہ جڑواں خساروں پر توجہ دی جاسکے۔

مالیاتی جہت میں بھی ضعف متوقع ہے کیونکہ حکومت کے بے دریغ خرچ کے باعث مالیاتی خسارہ مجموعی ملکی پیداوار (GDP) کے 6.0% سے تجاوز کر جائے گا۔ خارجی رُخ پر متعدد دباؤ کے ساتھ ساتھ افراط زر میں اضافے کے پیش نظر اسٹیٹ بینک کی جانب سے مالیاتی پالیسی میں مزید سختی متوقع ہے، جبکہ 100 bps اضافہ پہلے ہی ہو چکا ہے، جس کے نتیجے میں حکومت کے لیے اگلے مالی سال کے دوران قرضوں کی واپسی کی لاگت میں اضافہ ہو جائے گا۔ آئی ایم ایف پروگرام میں داخلے کے ساتھ ساتھ، جس کا مقصد مالیاتی خسارے میں کمی ہوگا، ترقیاتی اخراجات میں بھی اگلے سال تیزی سے کمی کی جائے گی۔

## کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم ہے۔ سات (7) نان ایگزیکٹو ڈائریکٹرز بشمول تین (3) خود مختار ڈائریکٹر پر مشتمل بورڈ مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہ اخلاق کی بہترین طریقوں سے متعلق شقوں کی، خاص طور پر نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے لیے پُر عزم ہے جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔ ذیل میں کارپوریٹ گورننس کے ضابطہ اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔  
b. فنڈ کی درست بگس آف اکاؤنٹس تیار کی گئی ہیں۔

c. مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، نان بینکنگ فنانس کمپنیز (اسٹابلشمنٹ اینڈ ریگولیشنز) کے ضوابط، 2003ء، نان بینکنگ فنانس اینڈ نوٹیفائیڈ انٹیلیجنس ریگولیشنز، 2008ء، متعلقہ ڈسٹ ڈیڈس کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور موثر انداز میں نافذ کیا گیا ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔

g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔

h. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔

## ایکویٹیز مارکیٹ کا مجموعی جائزہ

ایکویٹیز تقریباً 9 سال کے عرصے کے بعد خطرے کی حدود میں آگئیں کیونکہ انڈیکس کے مقررہ معیار میں دوران سال 10% کمی ہوئی۔ معاشی اور سیاسی دونوں عوامل نے سرمایہ کاروں کو پریشان کیے رکھا جن میں اہم ترین موضوع خارجی اکاؤنٹ کا بحران تھا۔ کمزور روپے کے پیش نظر غیر ملکی سرمایہ کار مقامی ایکویٹیز سے دستبردار ہوتے رہے، اور 288 ملین ڈالر مالیت کے اسٹاکس فروخت کیے جن کا زیادہ تر اثر انشورنس کمپنیوں (204 ملین ڈالر) اور کمپنیوں (100 ملین ڈالر) نے قبول کیا۔ دوران سال تجارتی حجم کا اوسط تقریباً 174 ملین حصص / 8.15 بلین ڈالر تھا، جو بالترتیب 49% / 47% YoY کی بڑی کمی تھی۔

Cyclicals کے لیے یہ بدترین سال تھا کیونکہ معاشی ترقی کے حوالے سے بڑھتے ہوئے خدشات کے باعث سرمایہ کاروں کی حوصلہ شکنی ہوئی۔ سیمنٹ اور آئوز بالترتیب 42% اور 30% کمی کے باعث پسماندہ ترین شعبے تھے۔ سیمنٹ کے شعبے میں پسماندگی کی وجہ کوئلے کی بڑھتی ہوئی قیمتیں اور فراہمیوں میں اضافہ ہے، جبکہ آئوز میں پسماندگی کے بنیادی عوامل کمزور روپیہ، اور بجٹ کے بعد ٹیکس ریٹرن فائل نہ کرنے والوں کے لیے گاڑیوں کی خریداری پر پابندی کے حکومتی اعلان سے پیدا ہونے والے منفی جذبات ہیں۔

بجلی کے شعبے میں 20% کمی ہوئی جس کا سبب یہ تھا کہ گروڈی قرضوں میں اضافے کی وجہ سے کچھ کمپنیوں نے ڈیویڈنڈ کی ادائیگی نہیں کی اور حکومتی احکام کے بعد کچھ FO پلانٹس بند کر دیئے گئے۔ صرف E&Ps اور فریٹلائزرز کے شعبوں میں بالترتیب 20% اور 3% ترقی ہوئی۔ E&Ps نے مارکیٹ کی صورتحال کے برخلاف 20% YoY منافع دیا جس کی وجہ تیل کی اوسط قیمتوں میں 29% اضافہ ہے۔ فریٹلائزرز میں ترقی کا سبب اس شعبے کے عوامل میں بہتری ہے، اور اس کے اسباب یہ ہیں کہ انوینٹری باسہولت سطحوں پر رہی، اور مینوفیکچررز کے قیمتیں طے کرنے کے اختیار میں اضافہ ہوا جس کی عکاسی بجٹ کے بعد فریٹلائزرز کی قیمتوں میں اضافے سے ہوئی۔

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا منافع -2.55% تھا جبکہ مقررہ معیار 8.71% تھا۔ فنڈ کی ایکویٹیز میں شمولیت میں بتدریج اضافہ کر کے اختتام جون 2018ء پر اس کو 50.1% کی سطح پر لے آیا گیا، اور بیک وقت نقد میں شمولیت کو بھی بڑھا کر اختتام جون 2018ء پر اس کو 41.3% تک پہنچا دیا گیا تاکہ بینکوں کی جانب سے پیش کردہ منافع بخش شرحوں سے فائدہ اٹھایا جاسکے۔

ایکویٹی کی جہت پر فنڈ کی پاور جنریشن اینڈ ڈسٹری بیوشن، اور انجینئرنگ میں شمولیت کو کم کیا گیا۔ مقررہ آمدنی کی جہت میں فنڈ کی ٹی بلز میں شمولیت کو 17.6% سے کم ہو کر 0.31% کر دیا گیا جبکہ پاکستان انویسٹمنٹ بانڈز (PIBs) میں شمولیت کو 0.1% پر برقرار رکھا گیا۔

30 جون 2018ء کو فنڈ کے net اثاثہ جات 3,213 ملین روپے تھے، جو 30 جون 2017ء کو 3,439 ملین روپے کے مقابلے میں 6.57% کمی ہے۔ 30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 78.9595 روپے تھی، جو 30 جون 2017ء کو 81.0263 روپے ابتدائی NAV کے مقابلے میں 2.0668 روپے فی یونٹ کمی ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان Asset Allocation فنڈ کے 30 جون 2018ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار زر کا جائزہ

مالی سال 2018ء متضاد معاشی علامات کے مدو جزر سے بھرپور رہا۔ مفید افراط زر اور LSM کی خاطر خواہ ترقی نے معیشت میں مثبت کردار ادا کیا جبکہ بڑھتے ہوئے مالیاتی دباؤ، غیر ملکی زرمبادلہ کے گھٹتے ہوئے ذخائر اور سیاسی ہلچل نے منفی اثرات مرتب کیے۔ عالمی اشیاء، خصوصاً خام تیل، کی بڑھتی ہوئی قیمتوں نے ملکی معیشت کے مسائل میں مزید اضافہ کیا۔

مجموعی ملکی پیداوار (GDP) میں 5.7% ترقی متوقع ہے جو گزشتہ دہائی کی سب سے اونچی سطح ہے، اور اس میں صنعتی اور خدمات کے شعبے کی بھرپور ترقی کی معاونت شامل ہے۔ بجلی کے بحران کے خاتمے اور مالیاتی چکر میں نرمی کے نتیجے میں LSM کی ترقی میں وسعت ہوئی ہے جو مالی سال 2018ء میں 7% متوقع ہے۔ CPI کی صورت میں پیمائش کردہ افراط زر کا اوسط 4.0% ہے جو سال کے اکثر حصے کے دوران اشیاء کی خاطر خواہ فراہمی اور مستحکم روپے کی بدولت ہے۔ تاہم مالی سال 2019ء کے لیے توقع ہے کہ اشیاء کی بڑھتی ہوئی قیمتوں اور روپے میں ضعف کے باعث CPI بڑھ کر 7.5% اوسط تک پہنچ جائے گا۔ مزید براں، کمزور روپیہ متوقع طور پر افراط زر کو 8.0% سے اونچی سطح پر لے جائے گا۔

خارجی شعبہ نازک مقام رہا کیونکہ کرنٹ اکاؤنٹ کے اب تک کے سب سے زیادہ خسارے کے ساتھ ساتھ دو جہتی اور کثیر الجہتی، دونوں قسم کے اداروں کی جانب سے مالیاتی آمدورفت کے باعث ڈالر میں قلت ہو گئی ہے۔ کرنٹ اکاؤنٹ کا خسارہ 18 بلین ڈالر تک پہنچ گیا، یعنی GDP کا تقریباً 5.8%، جو معیشت کے لیے خطرے کی گھنٹی ہے۔ اس کے نتیجے میں مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر 6.5 بلین ڈالر کم ہو کر 9.7 بلین ڈالر رہ گئے، جس سے صرف 2.0x درآمداتی تلافی فراہم ہوئی۔ مجموعی طور پر اگلے مالی سال کی دوسری سہ ماہی کے دوران پاکستان ایک IMF پروگرام کے رُخ پر گامزن ہو سکتا ہے، سوائے اس کے کہ ایمنسٹی اسکیم کے ذریعے خاطر خواہ آمدورفت پیدا کی جائے۔

مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی شرح میں مجموعی طور پر 75 bps اضافہ کیا جس کی بنیادی وجہ بڑھتے ہوئے بڑواں خسارے، ریئل انٹریسٹ کی گھٹتی ہوئی شرحیں، اور تیزی سے بڑھتی ہوئی درآمدات ہیں۔ انٹریسٹ کی شرحوں میں تیز رفتار اضافے کے امکانات کے باعث بانڈ کی آمدنی کا خم اوپر کی طرف گیا، خصوصاً مالی سال 2018ء کی دوسری سہ ماہی کے دوران۔ تجارتی خسارے میں اضافے کی رفتار خوفناک حد تک تیز رہی جس کے باعث غیر ملکی زرمبادلہ کے ذخائر متاثر ہوئے اور سرمایہ کاروں نے طویل المیعاد سیکیورٹیز میں دلچسپی کا اظہار نہیں کیا۔ میچورٹی کے دائرہ کار میں توسیع کے لیے اسٹیٹ بینک نے فلوٹر ریٹ 10 سالہ بانڈ متعارف کرایا جس کا base ریٹ 6 ماہ ایم ٹی بی weighted اوسط منافع ہے۔ 10 سالہ فلوٹر بانڈ کی سب سے پہلی نیلامی میں 174 بلین روپے کی بھرپور شرکت دیکھی گئی جس میں سے 20 بلین روپے پنچ مارک + 50 bps کی شرح پر قبول کر لیے گئے۔ مالی سال 2018ء کے دوران اسٹیٹ بینک کی جانب سے باقاعدگی کے ساتھ OMOs کے انعقاد کی بدولت نقدیت میں سہولت رہی۔ زیر جائزہ مدت میں شریعت سے ہم آہنگ مواقع کی قلت رہی کیونکہ مارکیٹ میں خاطر خواہ نقدیت کے باوجود تازہ اجارہ سلگ کا اجراء نہیں کیا گیا۔

## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

### Fund Type and Category

MCB Pakistan Asset Allocation Fund MCB-PAAF is an Open-End Asset Allocation Scheme for which SECP categorization in process.

### Fund Benchmark

The benchmark for MCB PAAF is 6 months KIBOR plus 200 bps.

### Investment Objective

MCB Pakistan Asset Allocation Fund is an asset allocation fund and its objective is to aim to provide a high absolute return by investing in equity and debt markets.

### Investment Strategy

The fund will aim to achieve the above-mentioned objective by investing up to 100% in equity securities or up to 100% in debt securities according to the market conditions.

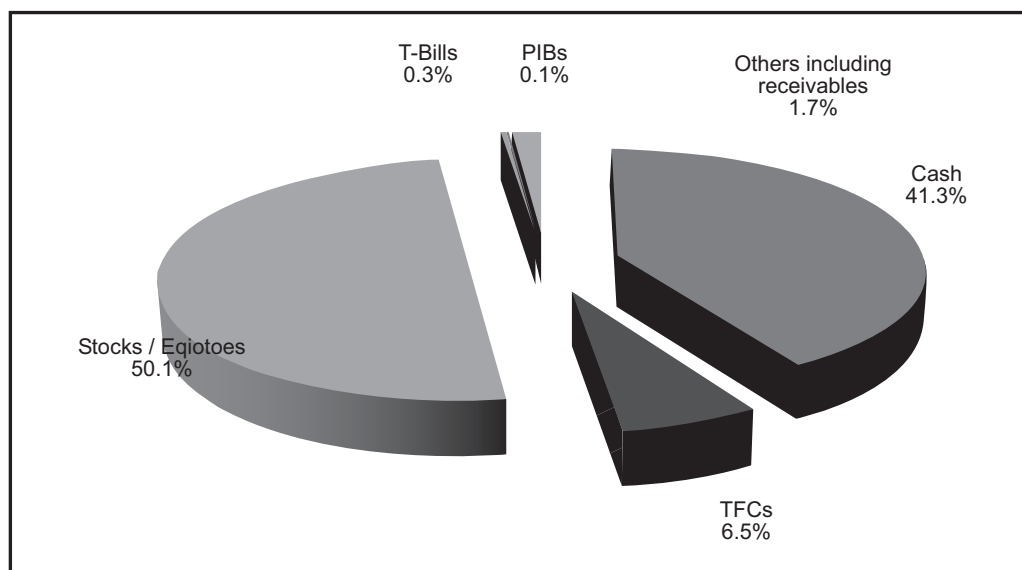
### Manager's Review

The fund posted a return of -2.55% during the period under review against the benchmark return of 8.71%. The fund has gradually increased exposure in equities which reached to 50.1% by the end of June, 2018 while increasing exposure in cash to 41.3% at the end of June 2018.

On the equity side, the fund decreased exposure in Power Generation & Distribution, Commercial Banks, Cements and Fertilizers. On the fixed income side, the fund increased exposure in T-Bills from 17.6% to 0.3% whereas PIB exposure remained at 0.1%.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 3,213 million as compared to Rs. 3,439 million as at June 30, 2017 registering a decrease of 6.57%. The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 78.9595 as compared to opening NAV of Rs. 81.0263 per unit as at June 30, 2017 registering a decrease of 2.0668 per unit.

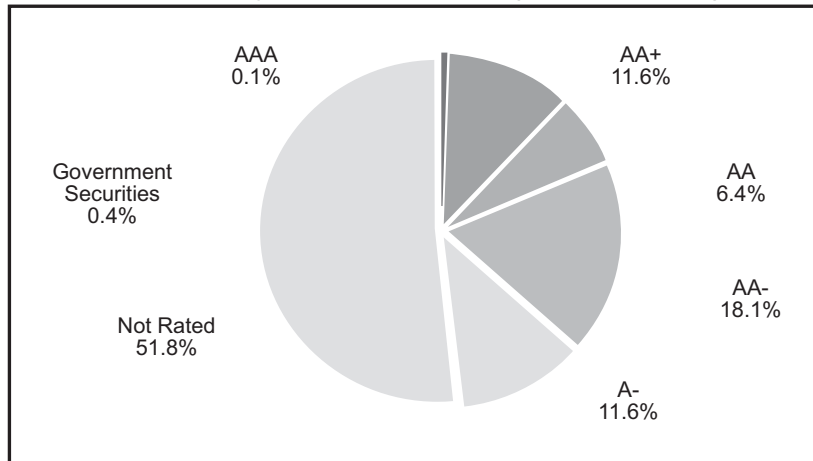
**Asset Allocation as on June 30, 2018 (% of total assets)**



## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

---

Asset Quality as on June 30, 2018 (% of total assets)



---

**Syed Abid Ali**  
Fund Manager

Karachi: September 14, 2018

## TRUSTEE REPORT TO THE UNIT HOLDERS

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office:

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### MCB PAKISTAN ASSET ALLOCATION FUND

#### Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Asset Allocation Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2018



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of MCB Pakistan Asset Allocation Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of MCB Pakistan Asset Allocation Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, cash flow statement and statement of movement in unit holders' funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Amendments to NBFC Regulations, 2008</b>  (Refer note 3.9 to the annexed financial statements)  The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impacts of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Funds'.	We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income.  We verified transactions on a test basis with the underlying records of the reports provided by the management to ensure their compliance with the revised regulations.

AFC

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

■ KARACHI ■ LAHORE ■ ISLAMABAD

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

2



A.F. FERGUSON & CO.

S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Funds. Element of income is explained in note 3.9.</p> <p>The above matters are significant accounting and regulatory developments/ events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p>	<p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p>
2	<b>Net Asset Value</b>	
	<p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and bank balances constitute the most significant component of the net assets value. The investments of the Fund as at June 30, 2018 amounted to Rs 1,896.981 million and bank balances aggregated to Rs 1,375 million.</p> <p>The proper valuation of investments and bank balances for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>Obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li> <li>Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies;</li> <li>Obtained approval of Board of Directors of the management company in relation to opening and closing of bank accounts; and</li> <li>Obtained bank reconciliation statements and tested reconciling items on a sample basis.</li> </ul>

## Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

AA S

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

3



A.F.FERGUSON & CO.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Board of Directors of the Management Company for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

AA S

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

4



A.F. FERGUSON & CO.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide board of directors of the management company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with board of directors of the management company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

*A.F. Ferguson & Co*

Chartered Accountants  
Karachi

Date: September 24, 2018

# STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
<b>ASSETS</b>			
Bank balances	4	1,375,000	1,232,442
Investments	5	1,896,981	2,062,777
Dividend and profit receivable	6	9,542	15,436
Receivable against sale of investments		37,069	202,521
Receivable from National Clearing Company of Pakistan Limited		3,315	23,133
Advances, deposits and prepayments	7	4,519	4,491
<b>Total assets</b>		<b>3,326,426</b>	<b>3,540,800</b>
<b>LIABILITIES</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	11,168	8,924
Payable to Central Depository Company of Pakistan Limited - Trustee	9	385	383
Payable to Securities and Exchange Commission of Pakistan	10	3,065	2,284
Payable against redemption of units		41	41
Payable against purchase of investments		50,906	18,250
Accrued expenses and other liabilities	11	48,212	72,118
<b>Total liabilities</b>		<b>113,777</b>	<b>102,000</b>
<b>NET ASSETS</b>		<b>3,212,649</b>	<b>3,438,800</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>3,212,649</b>	<b>3,438,800</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>(Number of units)</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>40,687,318</b>	<b>42,440,527</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>		<b>78.9595</b>	<b>81.0263</b>
<b>FACE VALUE PER UNIT</b>		<b>100.0000</b>	<b>100.0000</b>

The annexed notes 1 to 26 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

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
<b>Income</b>			
Gain / (loss) on sale of investments - net		82,502	239,285
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net	5.4	(218,428)	(46,162)
Profit / mark-up on:			
- bank balances		57,083	24,943
- term deposit receipts		7,090	16,002
- government securities		40,838	30,059
- term finance certificates		10,852	9,019
- clean placements		4,749	-
- commercial paper		897	-
Dividend income		63,644	65,186
Reversal of provision against Workers' Welfare Fund	11.2	-	13,732
Provision for impairment of equity securities classified as available-for-sale	5.6	(6,118)	(4,920)
Other income		56	30
<b>Total income</b>		<u>43,165</u>	<u>347,174</u>
<b>Expenses</b>			
Remuneration of the Management Company	8.1	64,526	48,076
Sindh sales tax on remuneration of the Management Company	8.2	8,388	6,250
Federal Excise Duty on remuneration of the Management Company	11.1	-	-
Remuneration of the Trustee	9.1	4,227	3,404
Sindh sales tax on remuneration of the Trustee	9.2	549	443
Annual fee to Securities and Exchange Commission of Pakistan	10	3,065	2,284
Allocated expenses and related taxes	8.3	3,645	2,716
Brokerage and settlement charges		20,327	16,130
Auditors' remuneration	13	980	805
Selling and marketing expenses	8.4	12,904	2,800
Provision against Sindh Workers' Welfare Fund	11.2	-	9,073
Other expenses		793	821
<b>Total operating expenses</b>		<u>119,404</u>	<u>92,802</u>
<b>Net (loss) / income from operating activities</b>		<u>(76,239)</u>	<u>254,372</u>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net			
- arising from realised / unrealised gains / (losses)		-	130,231
- arising from other income		-	(8,843)
		<u>-</u>	<u>121,388</u>
<b>Net (loss) / income for the year before taxation</b>		<u>(76,239)</u>	<u>375,760</u>
Taxation	16	-	-
<b>Net (loss) / income for the year after taxation</b>		<u>(76,239)</u>	<u>375,760</u>
<b>Earnings per unit</b>	3.13		
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		-	-
Income already paid on units redeemed		-	-
		<u>-</u>	<u>-</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
		<u>-</u>	<u>-</u>

The annexed notes 1 to 26 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**

# STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
<b>Net (loss) / income for the year after taxation</b>		(76,239)	375,760
Other comprehensive income for the year			
<i>Items that are or may be reclassified subsequently to the income statement</i>			
- Unrealised appreciation on re-measurement of investments classified as available-for-sale	5.5	(5,810)	6,610
- Unrealised diminution on re-measurement of investments classified as 'available for sale' transferred to income statement as impairment loss	5.6	-	362
- Unrealised (appreciation) / diminution on re-measurement of investments classified as 'available for sale' transferred to income statement upon sale of investments		-	(51,690)
<b>Total comprehensive (loss) / income for the year</b>		<u>(82,049)</u>	<u>331,042</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

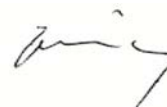
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	2018				2017
	Rupees				
	Capital Value	Undistributed income / (loss)	Unrealised appreciation/(diminution) on 'available for sale' investments	Total	Total
Net assets at beginning of the year	4,242,708	(810,518)	6,610	3,438,800	2,718,292
Issue of 14,713,907 units (2017: 33,266,736 units)					
- Capital value (at net asset value per unit at the beginning of the year)	1,192,213	-	-	1,192,213	2,608,604
- Element of loss	(9,645)	-	-	(9,645)	258,357
Total proceeds on issuance of units	1,182,568	-	-	1,182,568	2,866,961
Redemption of 16,467,117 units (2017: 25,210,685 units)					
- Capital value (at net asset value per unit at the beginning of the year)	1,334,270	-	-	1,334,270	2,009,894
- Element of income	(7,600)	-	-	(7,600)	136,969
Total payments on redemption of units	1,326,670	-	-	1,326,670	2,146,863
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-	-	-	-	(121,388)
Total comprehensive (loss) / income for the year	-	(76,239)	(5,810)	(82,049)	331,042
Distribution during the year	-	-	-	-	(209,244)
Net (loss) / income for the year less distribution	-	(76,239)	(5,810)	(82,049)	121,798
<b>Net assets at end of the year</b>	<b>4,098,606</b>	<b>(886,757)</b>	<b>800</b>	<b>3,212,649</b>	<b>3,438,800</b>
Undistributed income / (loss) brought forward					
- Realised		(705,678)			(597,931)
- Unrealised		(104,840)			(172,208)
		(810,518)			(770,139)
Accounting income / (loss) available for distribution					
- Relating to capital gains		-			-
- Excluding capital gains		-			-
Element of loss and capital losses included in prices of units issued less those in units redeemed - net					(206,895)
Net (loss) / income for the year after taxation		(76,239)			375,760
Distribution for the year		-			(209,244)
Undistributed income / (loss) carried forward		(886,757)			(810,518)
Undistributed income / (loss) carried forward					
- Realised income		(668,329)			(705,678)
- Unrealised income / (loss)		(218,428)			(104,840)
		(886,757)			(810,518)
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the year				<b>81.0263</b>	79.0558
Net assets value per unit at end of the year				<b>78.9595</b>	81.0263

The annexed notes 1 to 26 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

# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2018 (Rupees in '000)	2017
Net (loss) / income for the year after taxation		(76,239)	375,760
<b>Adjustments for:</b>			
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net		218,428	46,162
Provision for impairment of equity securities classified as available-for-sale		1,198	4,920
Reversal of provision against Workers' Welfare Fund		-	(13,732)
Provision against Sindh Workers' Welfare Fund		-	9,073
Element (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed - net			
- arising from realised / unrealised gains / (losses)		-	(130,231)
- arising from other income		-	8,843
		143,387	300,795
<b>Decrease / (increase) in assets</b>			
Investments - net		(364,560)	351,785
Fair value of derivative asset		-	4,466
Dividend and profit receivable		5,894	(4,847)
Receivable against sale of investments		165,452	(198,690)
Receivable from National Clearing Company of Pakistan Limited		19,818	(8,901)
Advances, deposits and prepayments		(28)	(89)
		(173,424)	143,724
<b>(Decrease) / increase in liabilities</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		2,244	3,163
Payable to Central Depository Company of Pakistan Limited - Trustee		2	27
Payable to the Securities and Exchange Commission of Pakistan		781	(699)
Payable against redemption of units		-	-
Payable against purchase of investments		32,656	(81,253)
Accrued expenses and other liabilities		(23,906)	20,201
		11,777	(58,561)
<b>Net cash flows (used in) / generated from operating activities</b>		(13,340)	385,958
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received against issuance of units		1,182,568	2,866,961
Amount paid against redemption of units		(1,326,670)	(2,146,863)
Cash distributions made during the year		-	(209,244)
<b>Net cash flows (used in) / generated from financing activities</b>		(144,102)	510,854
<b>Net increase in cash and cash equivalents during the year</b>		(157,442)	896,812
Cash and cash equivalents at beginning of the year		1,532,442	635,630
<b>Cash and cash equivalents at end of the year</b>	15	1,375,000	1,532,442

The annexed notes 1 to 26 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 FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## 1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Asset Allocation Fund ("the Fund") was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007. It was constituted under a Trust Deed dated November 22, 2007 between MCB-Arif Habib Savings and Investments Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and the Central Depository Company of Pakistan Limited as the Trustee.

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

The Fund has been categorised as an "Asset Allocation Scheme" in accordance with the requirements of circular no. 7 of 2009 dated March 6, 2009 issued by the SECP. The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2++' (2017: 'AM2++') dated December 28, 2017 to the Management Company, while the Fund has been assigned a Fund performance rating of 3-star on May 24, 2018.

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

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

"These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:"

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

### 2.2 Standards, Interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

### 2.3 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IFRS-9 Financial Instruments	July 1, 2018
- IFRS-15 Revenue from contracts with customers	July 1, 2018
- IFRS-16 Leases	January 1, 2019

These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

## 2.4 Critical accounting estimates and judgments

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

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- Classification and valuation of investments (note 3.2.1 and 5)
- Impairment of financial assets (note 3.2.6)
- Provision for taxation (note 3.6 and 16)

## 2.5 Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain investments which are stated at fair value.

## 2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

### 3.2 Financial assets

#### 3.2.1 Classification

The Fund classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

---

assets were acquired. The management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

### **a) Financial assets at fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

### **b) Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

### **c) Available-for-sale**

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

### **3.2.2 Derivatives**

These are measured at fair value. Derivatives with positive fair values (unrealised gains) are included in fair value of derivative asset and derivatives with negative fair values (unrealised losses) are included in fair value of derivative liability in the statement of assets and liabilities. The resultant gains and losses are included in the income statement.

### **3.2.3 Regular way contracts**

Regular purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

### **3.2.4 Initial recognition and measurement**

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed out in the income statement.

### **3.2.5 Subsequent measurement**

#### **a) 'Financial assets at fair value through profit or loss' and 'available-for-sale financial assets'**

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available-for-sale' are measured at fair value.

Gains or losses arising, from changes in the fair value and on sale of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement.

Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in other comprehensive income until derecognised or impaired, when the accumulated fair value adjustments recognised in other comprehensive income are included in the Income Statement.

#### **Basis of valuation**

- The fair value of investments in listed equity securities is determined by reference to Stock Exchange quoted market prices at the close of period end.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

---

- The fair value of investments in Government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the MUFAP website.
- The fair value of investments in Term Finance Certificates (TFCs) and Sukuks is determined by reference to the quotations obtained from valuation sheet on the MUFAP website except as specified when a discretionary discount rate is adopted for valuation.

### **b) Loans and receivables**

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the Income Statement when the financial assets carried at amortised cost are derecognised or impaired.

### **3.2.6 Impairment**

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and included in the Income Statement. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

### **3.2.7 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

### **3.3 Financial liabilities**

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

### **3.4 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **3.5 Provisions**

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions, if any, are regularly reviewed and adjusted to reflect the current best estimate.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

---

### 3.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend.

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.

### 3.7 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

Distributions declared including bonus units are recorded in the period in which they are approved. Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

### 3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, and charges on redemption, if applicable.

### 3.9 Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. 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. 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 net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income 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 Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on the clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income / (loss) been recognised as per the previous accounting policy, the loss of the Fund would have been higher by Rs 2.045 million net of charge for SWWF provision in respect of element of income and the NAV per unit of the Fund would have increased by Re. 0.0010. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

### 3.10 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in the statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

### 3.11 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as available for sale is included in other comprehensive income in the period in which it arises.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit / mark-up on bank balances, term deposit receipts and government securities is recognised on an accrual basis using the effective interest method.
- Income from investments in term finance certificates / sukuks and government securities is recognised on an accrual basis.

### 3.12 Expenses

All expenses including management fee and trustee fee are recognised in the Income Statement on an accrual basis. Allocated expenses (note 8.3) and selling and marketing expenses (note 8.4) are recognised at the rate of 0.1% and 0.4% per annum respectively of the average annual net assets of the Fund.

### 3.13 Earnings per unit

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

4	BANK BALANCES	Note	2018 (Rupees in '000)	2017
	In saving accounts	4.1	1,374,993	1,228,668
	In current accounts	4.2	<u>7</u>	<u>3,774</u>
			<u>1,375,000</u>	<u>1,232,442</u>

- 4.1 These carry profit at the rates ranging between 3.75% to 8.10% (2017: 3.75% and 6.35%) per annum. It includes bank balance of Rs 4.055 million (2017: Rs 6.233 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 3.75% (2017: 3.75%) per annum and Rs. 385.112 million (2017: Nil) maintained with Silk Bank Limited (a related party) which carries profit at the rate of 7.50% per annum.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

4.2 This represents bank balance maintained with MCB Bank Limited, (a related party).

5 INVESTMENTS	Note	2018 (Rupees in '000)	2017
<b>Financial assets 'at fair value through profit or loss' - held for trading</b>			
- Listed equity securities	5.1.1	1,650,953	796,714
- Listed debt securities - Term Finance Certificates	5.1.2	10,036	135,531
- Unlisted debt securities - Term Finance Certificates	5.1.3	105,900	
- Unlisted debt securities - Sukuk Certificates	5.1.4	100,065	
- Government securities - Market Treasury Bills	5.1.5	9,889	624,490
		1,876,843	1,556,735
<b>Available-for-sale</b>			
- Listed equity securities	5.2.1	17,131	52,878
- Government securities - Pakistan Investment Bonds	5.2.2	3,007	3,164
		20,138	56,042
<b>Loans and receivables</b>			
Term deposit receipts (TDR)	5.3	-	450,000
		1,896,981	2,062,777

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

### 5.1.1 Listed equity securities

Ordinary shares have a face value of Rs. 10 each unless stated otherwise

Name of investee company	As at July 1, 2017	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
	----- (Number of shares) -----					----- (Rupees in '000) -----					
<b>Automobile Assembler</b>											
Indus Motor Company Limited	1,480	8,500	-	9,980	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	5,250	-	5,250	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	104,200	-	95,350	8,850	2,710	2,800	90	0.09%	0.15%	0.01%
						2,710	2,800	90	0.09%	0.15%	0.01%
<b>Cable and Electrical Goods</b>											
Pak Elektron Limited	500,000	2,457,500	-	2,957,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Cement</b>											
Cherat Cement Company Limited	-	194,700	-	194,700	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited*	375,396	1,875,000	-	1,817,896	432,500	49,606	49,517	(89)	1.54%	2.61%	0.10%
Fauji Cement Company Limited		5,929,500	-	4,718,500	1,211,000	28,903	27,671	(1,232)	0.86%	1.46%	0.09%
Maple Leaf Cement Factory	-	1,251,500	-	257,500	994,000	63,749	50,436	(13,313)	1.57%	2.66%	0.17%
Dewan Cement Limited	-	1,885,500	-	750,000	1,135,500	28,449	20,439	(8,010)	0.64%	1.08%	0.23%
Lucky Cement Limited	112,600	468,950	-	310,600	270,950	183,922	137,624	(46,298)	4.28%	7.25%	0.08%
Pioneer Cement Limited	-	300,000	-	300,000	-	-	-	-	-	-	0.00%
						354,629	285,687	(68,942)	8.89%	15.06%	0.67%
<b>Commercial Banks</b>											
Bank Alfalah Limited	1,002,000	6,358,500	-	5,933,500	1,427,000	73,593	74,618	1,025	2.32%	3.93%	0.09%
Bank Al Habib Limited	-	1,882,000	-	1,882,000	-	-	-	-	-	-	0.00%
Bank of Punjab	-	7,849,500	-	4,569,000	3,280,500	40,615	39,596	(1,019)	1.23%	2.09%	0.12%
Faysal Bank Limited	-	6,014,000	677,100	6,657,000	34,100	697	887	190	0.03%	0.05%	0.00%
Habib Bank Limited	199,500	1,971,900	-	1,014,900	1,156,500	242,712	192,488	(50,224)	5.99%	10.15%	0.08%
MCB Bank Limited*	-	1,542,100	-	1,234,200	307,900	66,489	60,893	(5,596)	1.90%	3.21%	0.03%
United Bank Limited	155,100	855,700	-	1,010,800	-	-	-	-	-	-	0.00%
						424,106	368,482	(55,624)	11.47%	19.43%	0.32%

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Name of investee company	As at July 1, 2017	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
----- (Number of shares) -----					----- (Rupees in '000) -----						
<b>Engineering</b>											
Aisha Steel Limited *	1,000,000	-	-	1,000,000	-	-	-	-	-	-	-
Crescent Steel & Allied Products	-	336,200	-	210,400	125,800	16,929	11,469	(5,460)	0.36%	0.60%	0.16%
International Steels Limited	-	531,000	-	531,000	-	-	-	-	-	-	-
International Industries Limited	145,900	640,200	-	571,900	214,200	65,275	49,757	(15,518)	1.55%	2.62%	0.18%
Mughal Iron and Steel Industries Limited *	71,000	310,000	-	381,000	-	-	-	-	-	-	-
						82,204	61,226	(20,978)	1.91%	3.22%	0.34%
<b>Fertilizer</b>											
Engro Corporation Limited	225,100	1,282,100	-	1,408,200	99,000	31,481	31,072	(409)	0.97%	1.64%	0.02%
Fauji Fertilizer Company Limited	-	675,000	-	675,000	-	-	-	-	-	-	-
						31,481	31,072	(409)	0.97%	1.64%	0.02%
<b>Insurance</b>											
Adamjee Insurance Company Limited *	-	295,000	-	-	295,000	17,034	14,375	(2,659)	0.45%	0.76%	0.08%
Pakistan Reinsurance Company Limited	488,000	-	-	15,500	472,500	23,063	15,536	(7,527)	0.48%	0.82%	0.16%
						40,097	29,911	(10,186)	0.93%	1.58%	0.24%
<b>Paper And Board</b>											
Cherat Packaging Limited	15,000	5,500	2,025	22,525	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Pharmaceuticals</b>											
AGP Limited	-	890,548	-	890,500	48	4	4	-	-	-	-
						4	4	-	-	-	-
<b>Power Generation and Distribution</b>											
Hub Power Company Limited	644,100	374,600	-	843,700	175,000	16,012	16,128	116	0.50%	0.85%	0.02%
K-Electric Limited (face value of Rs 3.5 per share)	6,898,500	4,899,500	-	7,428,000	4,370,000	30,883	24,822	(6,061)	0.77%	1.31%	0.02%
						46,895	40,950	(5,945)	1.27%	2.16%	0.04%
<b>Refinery</b>											
Attock Refinery Limited	-	235,000	-	235,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Technology and Communication</b>											
Systems Limited	-	816,500	-	426,000	390,500	32,052	39,525	7,473	1.23%	2.08%	0.35%
TRG Pakistan Limited	-	936,500	-	-	936,500	36,032	26,821	(9,211)	0.83%	1.41%	0.17%
NetSol Technologies Limited	400,000	25,000	-	425,000	-	-	-	-	-	-	-
						68,084	66,346	(1,738)	2.06%	3.49%	0.52%
<b>Textile Composite</b>											
Gul Ahmed Textile Mills Ltd	-	4,228,500	-	2,336,500	1,892,000	82,853	81,224	(1,629)	2.53%	4.28%	0.53%
Kohinoor Textile Mills Ltd	-	400,000	-	-	400,000	30,000	21,996	(8,004)	0.68%	1.16%	0.13%
Nishat Mills Limited *	-	1,279,000	-	546,600	732,400	114,935	103,210	(11,725)	3.21%	5.44%	0.21%
						227,788	206,430	(21,358)	6.42%	10.88%	0.87%
<b>Leather &amp; Tanneries</b>											
Service Industries Limited	1,420	-	-	-	1,420	1,958	1,115	(843)	0.03%	0.06%	0.00%
						1,958	1,115	(843)	0.03%	0.06%	0.00%

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Name of investee company	As at July 1, 2017	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
	----- (Number of shares) -----					----- (Rupees in '000) -----					
<b>Chemicals</b>											
Engro Polymer and Chemicals Limited	500,000	12,404,500	-	9,809,500	3,095,000	114,943	97,059	(17,884)	3.02%	5.12%	0.16%
Engro Polymer & chemical - Right Issue	-	-	960,150	114	960,036	-	8,468	8,468	0.26%	0.45%	0.05%
						114,943	105,527	(9,416)	3.28%	5.57%	0.21%
<b>Investment Banks / Investment Companies / Securities Companies</b>											
Arif Habib Limited *	230,000	100,000	-	-	330,000	24,603	20,130	(4,473)	0.63%	1.06%	0.21%
						24,603	20,130	(4,473)	0.63%	1.06%	0.21%
<b>Leasing Companies</b>											
Orix Leasing Pakistan Ltd	-	250,000	-	250,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Transport</b>											
P.N.S.C.	-	363,300	-	232,600	130,700	13,675	10,710	(2,965)	0.33%	0.56%	0.03%
						13,675	10,710	(2,965)	0.33%	0.56%	0.03%
<b>Miscellaneous</b>											
Synthetic Products Ltd*	-	730,500	-	-	730,500	32,208	37,328	5,120	1.16%	1.97%	0.30%
						32,208	37,328	5,120	1.16%	1.97%	0.30%
<b>Total as at June 30, 2018</b>						<b>1,868,160</b>	<b>1,650,953</b>	<b>(217,207)</b>	<b>51%</b>	<b>87%</b>	
<b>Total as at June 30, 2017</b>						<b>843,234</b>	<b>796,714</b>	<b>(46,520)</b>	<b>23.15%</b>	<b>38.61%</b>	

\* These denote related parties / connected persons.

**5.1.1.1** The cost of investment in listed equity securities as at June 30, 2018 is Rs 2,421.148 million (2017: Rs 909.906 million).

**5.1.1.2** Investments include shares with market value aggregating to Rs 89.698 million (2017: Nil) which have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

## **5.1.2 Listed debt securities - Term Finance Certificates**

Certificates having a face value of Rs. 5,000 each unless stated otherwise

Tenor	Face value				Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018						
----- (Rupees in 000) -----										
<b>Commercial Banks</b>										
Bank Alfalah Limited-V	2,000	-	-	2,000	10,265	10,036	(229)	0.31%	0.53%	0.04%
<b>Total as at June 30, 2018</b>					<b>10,265</b>	<b>10,036</b>	<b>(229)</b>	<b>0.31%</b>	<b>0.53%</b>	
<b>Total as at June 30, 2017</b>					<b>10,199</b>	<b>10,269</b>	<b>70</b>	<b>0.30%</b>	<b>0.50%</b>	

**5.1.2.1** Significant terms and conditions of term finance certificates outstanding as at June 30, 2018 are as follows:

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

**5.1.2.2** The cost of investments as at June 30, 2018 amounted to Rs 11.473 million (2017: Rs 11.473 million). These carry profit at the rate of 7.68% (2017: 7.39%) per annum.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## 5.1.3 Unlisted debt securities - Term Finance Certificates

Certificates having a face value of Rs. 5,000 each unless stated otherwise

Tenor	Face value				Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018						
----- (Rupees in 000) -----										
Commercial Banks										
Bank Al Habib Limited-II	-	21,228	-	21,228	106,957	105,900	(1,057)	3.30%	5.58%	0.53%
Habib Bank Limited-I	1,250	-	1,250	-	-	-	-	-	-	-
Total as at June 30, 2018					106,957	105,900	(1,057)	3.30%	5.58%	
Total as at June 30, 2017					124,969	125,262	293	3.64%	6.07%	

5.1.3.1 Significant terms and conditions of term finance certificates outstanding as at June 30, 2018 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Bank Al Habib Limited-II	6 months KIBOR + 0.75%	17-Mar-16	17-Mar-26	AA

5.1.3.2 The cost of investments as at June 30, 2017 amounted to Rs 106.999 million (2017: Rs 123,676 million). These carry profit at the rate of 7.23% (2017: 6.64%) per annum.

## 5.1.4 Unlisted debt securities - Sukuk Certificates

Certificates having a face value of Rs. 100,000 each unless stated otherwise

Tenor	Face value				Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size
	As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018						
(Rupees in 000)										
Dawood Hercules Corporation Limited	-	1,000	-	1,000	100,000	100,065	65	3.11%	5.27%	0.02%
Total as at June 30, 2018					100,000	100,065	65	3.11%	5.27%	
Total as at June 30, 2017					-	-	-	-	-	

5.1.4.1 Significant terms and conditions of term finance certificates outstanding as at June 30, 2018 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Dawood Hercules Corporation Limited	3 months KIBOR + 1%	1-Mar-18	1-Mar-23	AA

5.1.4.2 The cost of investments as at June 30, 2018 amounted to Rs 100 million (2017: Nil). These carry profit at the rate of 7.80% (2017: Nil) per annum.

## 5.1.5 Government securities - Market Treasury Bills

Tenor	Issue date	Face value				Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018					
----- (Rupees in 000) -----										
Treasury bills - 3 months	13-Apr-2017	625,000	-	625,000	-	-	-	-	-	-
Treasury bills - 3 months	20-Jul-2017	-	1,560,000	1,560,000	-	-	-	-	-	-
Treasury bills - 3 months	3-Aug-2017	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 3 months	31-Aug-2017	-	1,000,000	1,000,000	-	-	-	-	-	-

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Tenor	Issue date	Face value				Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation/(diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018					
(Rupees in 000)										
Treasury bills - 3 months	14-Sep-2017	-	250,000	250,000	-	-	-	-	-	-
Treasury bills - 3 months	26-Oct-2017	-	800,000	800,000	-	-	-	-	-	-
Treasury bills - 3 months	9-Nov-2017	-	500,000	500,000	-	-	-	-	-	-
Treasury bills - 3 months	23-Nov-2017	-	250,000	250,000	-	-	-	-	-	-
Treasury bills - 3 months	7-Dec-2017	-	1,580,000	1,580,000	-	-	-	-	-	-
Treasury bills - 3 months	4-Jan-2018	-	1,430,000	1,430,000	-	-	-	-	-	-
Treasury bills - 3 months	18-Jan-2018	-	4,350,000	4,350,000	-	-	-	-	-	-
Treasury bills - 3 months	1-Feb-2018	-	250,000	250,000	-	-	-	-	-	-
Treasury bills - 3 months	15-Feb-2018	-	3,083,000	3,083,000	-	-	-	-	-	-
Treasury bills - 3 months	12-Apr-2018	-	250,000	250,000	-	-	-	-	-	-
Treasury bills - 3 months	26-Apr-2018	-	300,000	300,000	-	-	-	-	-	-
Treasury bills - 3 months	7-Jun-2018	-	900,000	890,000	10,000	9,889	9,889	-	0.31%	0.52%
Treasury bills - 6 months	8-Jun-17	-	138,400	138,400	-	-	-	-	-	-
Treasury bills - 12 months	19-Jan-17	-	37,465	37,465	-	-	-	-	-	-
Total as at June 30, 2018						9,889	9,889	-	0.31%	0.52%
Total as at June 30, 2017						624,495	624,490	5	18.16%	30.27%

**5.1.5.1** The cost of investments in Market Treasury Bills as at June 30, 2018 is Rs 9.848 million (2017: Rs 616.52 million). These carry yield at the rate of 6.70% (2017: 5.96%) per annum and are due to mature by August 30, 2018 (2017: July 6, 2017).

## 5.2 Available-for-sale

### 5.2.1 Listed equity securities

Ordinary shares have a face value of Rs. 10 each unless stated otherwise

Name of investee company	As at July 1, 2017	Purchased during the year	Bonus/ right issue during the year	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation/(diminution) as at June 30, 2018	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
(Number of shares)						(Rupees in '000)					
<b>Automobile Assembler</b>											
Indus Motor Company Limited	1,500	-	-	1,500	-	-	-	-	-	-	-
<b>Food and Personal Care Products</b>											
Shezan International Limited	4,650	-	-	-	4,650	2,099	2,651	552	0.08%	0.14%	0.06%
<b>Pharmaceuticals</b>											
The Searle Company Limited	1,516	-	303	29	1,790	448	607	159	0.02%	0.03%	0.00%
<b>Power Generation and Distribution</b>											
Kot Addu Power Company	308,000	-	-	308,000	-	-	-	-	-	-	-
<b>Textile Composite</b>											
Kohinoor Textile Mills Limited	238,000	-	14,280	-	252,280	19,991	13,873	(6,118)	0.43%	0.73%	0.08%
<b>Total as at June 30, 2018</b>						<b>22,538</b>	<b>17,131</b>	<b>(5,407)</b>	<b>-</b>	<b>-</b>	
<b>Total as at June 30, 2017</b>						<b>46,263</b>	<b>52,878</b>	<b>6,615</b>	<b>1.54%</b>	<b>2.57%</b>	

\* These denote related parties / connected persons

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**5.2.1.1** The cost of investment in listed equity securities amounted to Rs 26.908 million (2017: Rs 57.697 million).

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

### 5.2.2 Government securities - Pakistan Investment Bonds

Tenor	Issue date	Face value				Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018					
(Rupees in 000)										
Pakistan investment bonds - 5 years	26-Mar-15	-	100,000	100,000	-	-	-	-	-	-
Pakistan investment bonds - 5 years	21-Apr-16	-	100,000	100,000	-	-	-	-	-	-
Pakistan investment bonds - 5 years	18-Jul-13	3,000	3,000	3,000	3,000	3,008	3,007	(1)	0.09%	0.16%
Total as at June 30, 2018						3,008	3,007	(1)	0.09%	0.16%
Total as at June 30, 2017						3,169	3,164	(5)	0.09%	0.15%

**5.2.2.1** The cost of investments as at June 30, 2018 amounts to Rs 3.080 million (2017: Rs 3.306 million). These securities are held in the IPS account of Bank Alfalah Limited maintained with the State Bank of Pakistan. These carry profit at the rate of 11.5% (2017: 11.5%) per annum and will mature on July 18, 2018 (2017: July 18, 2018).

**5.3** These carried mark-up at rates ranging from 6.18% to 6.5% per annum and were due to mature by September 13, 2017.

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
<b>5.4 Unrealised diminution on re-measurement of investments classified as financial assets at fair value through profit or loss - net</b>			
Market value as at June 30, 2018	5.1.1, 5.1.2, 5.1.3, 5.1.4 & 5.1.5	1,876,843	1,556,735
Less: Carrying value as at June 30, 2018	5.1.1, 5.1.2, 5.1.3, 5.1.4 & 5.1.5	(2,095,271)	(1,602,897)
		<u>(218,428)</u>	<u>(46,162)</u>

<b>5.5 Unrealised appreciation on re-measurement of investments classified as available for sale - net</b>			
Market value as at June 30, 2018	5.2.1 & 5.2.2	20,138	56,042
Less: Carrying value as at June 30, 2018	5.2.1 & 5.2.2	(25,546)	(49,432)
		<u>(5,408)</u>	<u>6,610</u>

**5.6** Deficit on revaluation of investments classified as 'available for sale' transferred to income statement as impairment loss

Impairment loss against investment in listed equity securities is recognised by the Fund as follows:

	2018 (Rupees in '000)	2017 (Rupees in '000)
Original cost	(19,991)	(27,102)
Market value as at June 30	13,873	22,182
Impairment loss for the year	<u>(6,118)</u>	<u>(4,920)</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2018 (Rupees in '000)	2017
<b>6 DIVIDEND AND PROFIT RECEIVABLE</b>		
Dividend receivable	-	4,065
Profit receivable on:		
- term finance certificates	3,139	3,293
- government securities	156	156
- bank balances	6,247	7,043
- term deposit receipts	-	879
	<u>9,542</u>	<u>15,436</u>

## 7 ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposit with National Clearing Company of Pakistan Limited	3,934	3,934
Security deposit with Central Depository Company of Pakistan Limited	100	100
Others	485	457
	<u>4,519</u>	<u>4,491</u>

8 PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY	Note	2018 (Rupees in '000)	2017
Management remuneration payable	8.1	5,173	5,141
Sindh sales tax payable on management remuneration	8.2	672	668
Load payable		1,879	58
Payable against allocated expenses	8.3	259	257
Payable against selling and marketing expenses	8.4	3,185	2,800
		<u>11,168</u>	<u>8,924</u>

- 8.1** The Management Company has charged remuneration at a rate of 2% per annum of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.
- 8.2** During the year, Sindh Sales Tax on management fee has been charged at 13% (2017: 13%).
- 8.3** In accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, with effect from November 27, 2015 the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- 8.4** The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of net assets of the fund or actual expenses whichever is lower. Accordingly, such expenses have been charged to the Fund at the rate of 0.4% of its net assets, that being lower than the actual expenses incurred during the year.

However, during the year, the SECP has further amended the above mentioned circular No. 40 of '2016 vide its circular NO.5 of 2018 dated June 4, 2018. As per the amendment, the Management 'Company is entitled to a reimbursement of fees and expenses in relation to selling and marketing 'expenses to be charged to all categories of open-end mutual funds (except fund of funds and money 'market funds) up to a maximum of 0.4% per annum of net assets of the fund or actual, whichever is 'less.

<b>9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	<b>2018</b>	<b>2017</b>
	<b>(Rupees in '000)</b>	
Trustee remuneration payable	341	339
Sindh Sales Tax payable on trustee remuneration	44	44
	<u>385</u>	<u>383</u>

- 9.1** Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears as per the following tariff structure. There has been no change in the tariff structure during the year

<b>Net Assets Value (NAV)</b>	<b>Tariff per annum</b>
Up to Rs 1,000 million	Rs 0.7 million or 0.20% per annum of Net Assets, whichever is higher
On an amount exceeding Rs. 1,000 million	Rs 2 million plus 0.10% per annum of Net Assets exceeding Rs 1,000 million

- 9.2** Sindh Sales Tax at 13% (2017: 13%) is charged on Trustee fee.

**10**

<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)</b>	<b>2018</b>	<b>2017</b>
	<b>(Rupees in '000)</b>	
Annual fee payable to the SECP	<u>3,065</u>	<u>2,284</u>

- 10.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund.

<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>(Rupees in '000)</b>	
Federal excise duty and other related taxes payable on management remuneration	11.1	19,027	19,027
Federal excise duty and other related taxes payable on sales load		16,173	16,173
Provision against Sindh Workers' Welfare Fund	11.2	9,073	9,073
Withholding tax payable (deducted on capital gains)		8	246
Auditors' remuneration payable		562	473
Brokerage payable		2,033	5,523
Sindh sales tax payable on allocated expenses		992	574
Advance against issuance of units		-	20,000
Others		344	1,029
		<u>48,212</u>	<u>72,118</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- 11.1** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 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 year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 19.03 million (2017: Rs 19.03 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 June 30, 2018 would have been higher by Re 0.4676 per unit (2017: Re 0.4483 per unit).

- 11.2** 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. However, as a matter of abundant caution provision in respect of SWWF is being 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).

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2018 would have been higher by Re 0.2230 per unit. (2017: Re 0.2138 per unit)

## **12 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2018 and June 30, 2017.

	Note	2018	2017
<b>13 AUDITORS' REMUNERATION</b>		<b>(Rupees in '000)</b>	
Annual audit fee		420	400
Half yearly review fee		236	225
Other certifications		110	105
Out of pocket expenses		214	75
		<u>980</u>	<u>805</u>

## **14 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2018 is 3.64% which includes 0.37%

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Asset Allocation scheme.

15 CASH AND CASH EQUIVALENTS	2018 (Rupees in '000)	2017
Bank balances	1,375,000	1,232,442
Term deposit receipts (with original maturity of three months or less)	-	300,000
	<u>1,375,000</u>	<u>1,532,442</u>

### 16 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund 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. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

### 17 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

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

#### 17.1 Details of transactions with related parties / connected persons during the year

MCB-Arif Habib Savings and Investments Limited - Mana	2018 (Rupees in '000)	2017
Remuneration of the Management Company (including indirect taxes)	72,914	54,326
Allocated expenses and related taxes	3,645	2,716
Selling and marketing expenses	12,904	2,800
Load	11,332	-
Redemption of Nil units (2017: 974,696 units)	-	85,501

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in '000)	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee (including indirect taxes)	4,776	3,847
CDC settlement charges	590	379
<b>MCB Bank Limited - holding company of the Management Company</b>		
Purchase of shares 2018: 1,542,100 (2017: 419,400)	326,752	89,822
Sale of shares 2018: 1,234,200 (2017: 419,400)	259,421	95,268
Dividend income	6,730	328
Profit on bank balances	133	410
Bank charges	44	11
Purchase of securities		
Face Value 2018: Nil (2017: 500,000,000)	-	499,000
Sale of securities		
Face Value 2018: 80,000,000 (2017: 600,000,000)	79,030	605,835
Load	326	149,346
<b>Aisha Steel Mills Limited</b>		
Purchase of Shares 2018: Nil (2017: 2,000,000 )	-	47,898
Sale of Shares 2018: 1,000,000 (2017: 1,000,000 )	23,488	29,606
<b>Silk Bank Limited</b>		
Purchase of securities		
Face Value 2018: 1,485,865,000 (2017: 200,000,000)	1,467,302	216,573
Sell of securities		
Face Value 2018: 2,823,000,000 (2017: Nil)	4,157,230	-
<b>D. G. Khan Cement Company Limited</b>		
Purchase of Shares 2018: 1,875,000 (2017: 768,900 )	265,971	166,064
Sale of Shares 2018: 1,817,896 (2017: 708,504 )	284,913	139,945
Dividend income	3	-
<b>D. G. Khan Cement Company Limited (Employee's Provident Fund)</b>		
Issue of Nil units (2017: 2,253 units)	-	180
Dividend Paid	-	180
<b>Adamjee Insurance Company Limited</b>		
Purchase of Shares 2018: 295,000 (2017: 26,000)	17,034	1,908
Sale of Shares 2018: Nil (2017: 26,000)	-	1,923
Dividend income	145	-
<b>Pakgen Power Limited</b>		
Sale of Shares 2018: Nil (2017: 1,575,500)	-	35,812
Dividend income	-	2,306
<b>Lalpir Power Limited</b>		
Sale of Shares 2018: Nil (2017: 752,000)	-	16,628
Dividend income	-	597

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

		2018 (Rupees in '000)	2017
<b>Arif Habib Limited</b>			
Purchase of Shares 2018: 100,000 (2017: 230,000)		6,109	22,349
Dividend income		2,300	-
Brokerage expense	17.3	15,235	1,127
<b>Next Capital Limited</b>			
Brokerage expense	17.3	1,277	766
<b>Directors and key management personnel of the Management Company</b>			
Issue of 659 units (2017: 121,078 units)		50	10,625
Redemption of 45,176 units (2017: 72,662 units)		3,712	6,370
Dividend paid		-	319
	<b>Note</b>	<b>2018</b>	<b>2017</b>
		<b>(Rupees in '000)</b>	
<b>Adamjee Life Assurance Company Limited Employee Gratuity Fund</b>			
Issue of Nil units (2017: 28,189 units)		-	2,471
Dividend paid		-	147
<b>Adamjee Life Assurance Company Limited (Conventional Business)</b>			
Issue of Nil units (2017: 10,334 units)		-	827
Redemption of 210,744 units (2017: Nil units)		17,174	-
Dividend paid		-	1,102
<b>Nishat Power Limited Employees Provident Fund Trust</b>			
Issue of 3,491 units (2017: Nil units)		280	-
Redemption of 3,491 units (2017: Nil units)		281	-
<b>Adamjee Life Insurance Company Limited Employee Gratuity Fund</b>			
Issue of 144,853 units (2017: Nil units)		11,619	-
Redemption of 144,853 units (2017: Nil units)		11,689	-
<b>Adamjee Life Insurance Company Limited Employee Provident Fund</b>			
Issue of 278,148 units (2017: Nil units)		22,310	-
Redemption of 278,148 units (2017: Nil units)		22,476	-
<b>Adamjee Life Assurance Company Limited (NUIL Fund)</b>			
Issue of 71,293 units (2017: Nil units)		6,000	-
<b>Adamjee Life Assurance Company Limited (ISF)</b>			
Issue of 450,785 units (2017: Nil units)		35,000	-
<b>Adamjee Life Assurance Company Limited</b>			
Issue of Nil units (2017: 17,301 units)		-	1,384
Redemption of 352,830 units (2017: Nil units)		28,511	-
Dividend paid		-	1,845
<b>Adamjee Life Assurance Company Limited (IMF)</b>			
Issue of 2,075,255 units (2017: Nil units)		163,858	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in '000)	
<b>Fatima Fertilizer Company Limited</b>		
Purchase of Shares 2018: Nil (2017: 107,000)	-	3,630
Sale of Shares 2018: Nil (2017: 107,000)	-	3,754
Dividend income	-	125
<b>Nishat Mills Limited</b>		
Purchase of Shares 2018: 1,279,000 (2017: 991,500)	199,278	144,605
Sale of Shares 2018: 546,600 (2017: 1,814,000)	84,911	252,069
Dividend income	1,796	2,400
<b>Mughal Iron and Steel Industries Limited</b>		
Purchase of Shares 2018: 310,000 (2017: 171,000)	21,695	12,848
Sale of Shares 2018: 381,000 (2017: 596,500)	25,127	56,167
Dividend income	157	1,932
<b>Synthetic Products Enterprises Limited</b>		
Purchase of Shares 2018: 730,500 (2017: Nil)	32,209	-
<b>Nishat (Chunian) Limited</b>		
Purchase of Shares 2018: Nil (2017: 3,009,500)	-	136,922
Sale of Shares 2018: Nil (2017: 3,009,500)	-	144,554
Dividend income	-	520
<b>Security General Insurance Company Limited</b>		
Issue of Nil units (2017: 183,665 units)	-	14,693
Dividend paid	-	19,590
<b>Separately Managed Accounts</b>		
Issue of 3,566,890 units (2017: 1,606,119 units)	286,093	137,101
Redemption of 4,275,559 units (2017: 897,449 units)	346,270	77,612
Dividend paid	-	358

### 17.2 Details of balances with related parties / connected persons as at year end

	2018	2017
	(Rupees in '000)	
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Management remuneration payable	5,173	5,141
Sindh sales tax payable on management remuneration	672	668
Sales load payable	1,879	58
Payable against allocated expenses	259	257
Payable against selling and marketing expenses	3,185	2,800
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration payable	341	339
Sindh Sales Tax payable on trustee remuneration	44	44
Security deposits	100	100

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
<b>MCB Bank Limited - Parent of the Management Company</b>			
Bank balances		4,062	10,007
Profit receivable		-	23
Sale load payable		16	35
307,900 shares held by the Fund (2017: Nil shares)		60,893	-
<b>Adamjee Life Assurance Company Limited (Conventional Business)</b>			
Outstanding Nil units (2017: 210,744 units)		-	17,076
<b>Adamjee Life Assurance Company Limited</b>			
Outstanding Nil units (2017: 352,830 units)		-	28,589
<b>Adamjee Life Assurance Company Limited (IMF)</b>			
Outstanding 2,075,255 units (2017: Nil units)		163,858	-
<b>Adamjee Life Assurance Company Limited Employee Gratuity Fund</b>			
Outstanding 28,189 units (2017: 28,189 units)		2,226	2,284
<b>Adamjee Insurance Company Limited</b>			
295,000 shares held by the Fund (2017: Nil shares)		14,375	-
<b>Adamjee Life Assurance Company Limited (NUIL Fund)</b>			
Outstanding 71,293 units (2017: Nil units)		5,629	-
<b>Adamjee Life Assurance Company Limited (ISF)</b>			
Outstanding 450,785 units (2017: Nil units)		35,593	-
<b>Arif Habib Limited</b>			
330,000 shares held by the Fund (2017: 230,000 shares)		20,130	18,494
Brokerage payable	17.3	108	8
<b>D.G. Khan Cement Company Limited Employees Provident Fund Trust</b>			
Outstanding 35,028 units (2017: 35,028 units)		2,766	2,838
<b>Next Capital Private Limited</b>			
Brokerage payable	17.3	250	8
<b>Nishat Mills Limited</b>			
732,400 shares held by the Fund (2017: Nil shares)		103,210	-
<b>D.G. Khan Cement Company Limited</b>			
432,500 shares held by the Fund (2017: 375,396 shares)		49,517	80,019
<b>Mughal Iron &amp; Steel</b>			
Nil shares held by the Fund (2017: 71,000 shares)		-	5,732
<b>Aisha Steel Mills Limited</b>			
Nil shares held by the Fund (2017: 1,000,000 shares)		-	20,340

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Rupees in '000)	
<b>Security General Insurance Company Limited</b>		
Outstanding 3,745,546 units (2017: 3,745,546 units)	295,746	303,488
<b>Directors and key management personnel of the Management Company</b>		
Outstanding Nil units (2017: 61,514 units)	17.4	4,984
<b>Separately Managed Accounts</b>		
Outstanding Nil units (2017: 708,670 units)	-	57,421
<b>Synthetic Products Enterprises Limited</b>		
730,500 shares held by the Fund (2017: Nil shares)	37,329	-

**17.3** The amount disclosed represents the amount of brokerage expense or brokerage payable to related parties / 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 related parties / connected persons.

**17.4** This reflects the position of related party / connected persons status as at June 30, 2018.

**17.5** The Fund's investment in related parties are disclosed in note 5.

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2018, all the financial assets carried on the statement of assets and liabilities are categorised either as loans and receivables or financial assets at fair value through profit or loss or available for sale. All the financial liabilities carried on the statement of assets and liabilities are categorised as financial liabilities measured at amortised cost.

Particulars	June 30, 2018			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total
(Rupees in '000)				
<b>Financial assets</b>				
Bank balances	1,375,000	-	-	1,375,000
Investments	-	1,876,843	20,138	1,896,981
Dividend and profit receivable	9,542	-	-	9,542
Receivable against sale of investments	37,069	-	-	37,069
Receivable from National Clearing Company of Pakistan Limited	3,315	-	-	3,315
Deposits	4,034	-	-	4,034
	<u>1,428,960</u>	<u>1,876,843</u>	<u>20,138</u>	<u>3,325,941</u>

Particulars	June 30, 2018		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total
(Rupees in '000)			
<b>Financial liabilities</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	11,168	4,168
Payable to Central Depository Company of Pakistan Limited - Trustee	-	385	341
Payable against redemption of units	-	41	41
Payable against purchase of investments	-	50,906	50,906
Accrued expenses and other liabilities	-	2,939	2,939
	<u>-</u>	<u>65,439</u>	<u>65,439</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Particulars	June 30, 2017			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total
(Rupees in '000)				
<b>Financial assets</b>				
Bank balances	1,232,442	-	-	1,232,442
Investments	450,000	1,556,735	56,042	2,062,777
Dividend and profit receivable	15,436	-	-	15,436
Receivable against sale of investments	202,521	-	-	202,521
Receivable from National Clearing Company of Pakistan Limited	23,133	-	-	23,133
Deposits	4,034	-	-	4,034
	<u>1,927,566</u>	<u>1,556,735</u>	<u>56,042</u>	<u>3,540,343</u>

Particulars	June 30, 2017		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total
(Rupees in '000)			
<b>Financial liabilities</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	8,924	8,924
Payable to Central Depository Company of Pakistan Limited - Trustee	-	383	383
Payable against redemption of units	-	41	41
Payable against purchase of investments	-	18,250	18,250
Accrued expenses and other liabilities	-	27,025	27,025
	<u>-</u>	<u>54,623</u>	<u>54,623</u>

## 19 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 19.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

#### 19.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

#### 19.1.2 Yield / Interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks, investments in term finance certificates and sukuk certificates and investments in government securities. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

The interest rate risk profile of the Fund, as a result of investment in financial instruments is as follows:

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018	2017
		-----Rupees-----	
<b>Variable rate instrument (financial asset)</b>			
Bank balance		1,374,993	1,228,668
Debt securities (listed and unlisted)	5.1.2, 5.1.3 & 5.1.4	216,001	135,531
		<u>1,590,994</u>	<u>1,364,199</u>
<b>Fixed rate instruments (financial assets)</b>			
Government securities - Market Treasury Bills	5.1.5	9,889	624,490
Government securities - Pakistan Investment Bonds	5.2.2	3,007	3,164
Term deposit receipts (TDR)		-	450,000
		<u>12,896</u>	<u>1,077,654</u>

## a) Sensitivity analysis for variable rate instrument

Presently, the Fund holds KIBOR based term finance certificates and sukuks certificates and balances with banks which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs 15.91 million (2017: Rs 13.64 million).

## b) Fair value sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund holds market treasury bills which are classified as financial assets at fair value through profit or loss' and Pakistan Investment bonds classified as available for sale exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan for market treasury bills and with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs 0.13 million (2017: Rs 10.78 million). In case of 100 basis points decrease in those rates, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.13 million (2017: Rs. 10.78 million).

The composition of the Fund's investment portfolio, KIBOR rates and the rates announced by the Financial Markets Association of Pakistan are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Particulars	As at June 30, 2018					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and up to one year	More than one year		
	%	(Rupees in '000)				

----- (Rupees in '000) -----

### On-balance sheet financial instruments

#### Financial assets

Bank balances	3.75% and 8.10%	1,374,993	-	-	7	1,375,000
Investments	6.64% to 11.5%	228,897	-	-	1,668,084	1,896,981
Dividend and profit receivable		-	-	-	9,542	9,542
Receivable against sale of investments		-	-	-	37,069	37,069
Receivable from National Clearing Company of Pakistan Limited		-	-	-	3,315	3,315
Deposits		-	-	-	4,034	4,034
<b>Sub total</b>		<u>1,603,890</u>	<u>-</u>	<u>-</u>	<u>1,722,051</u>	<u>3,325,941</u>

#### Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	11,168	11,168
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	385	385
Payable against redemption of units		-	-	-	41	41

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Particulars	As at June 30, 2018					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and up to one year	More than one year		
	%	----- (Rupees in '000) -----				
Payable against purchase of investments		-	-	-	50,906	50,906
Accrued expenses and other liabilities		-	-	-	2,939	2,939
Sub total		-	-	-	65,439	65,439
On-balance sheet gap		1,603,890	-	-	1,656,612	3,260,502
Total interest rate sensitivity gap		1,603,890	-	-	1,656,612	3,260,502
Cumulative interest rate sensitivity gap		1,603,890	1,603,890	1,603,890		

Particulars	As at June 30, 2017					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
	%	----- (Rupees in '000) -----				

## On-balance sheet financial instruments

### Financial assets

Bank balances	3.75% and 6.35%	1,228,668	-	-	3,774	1,232,442
Investments	5.96% to 11.5%	1,074,490	-	13,433	849,592	1,937,515
Dividend and profit receivable		-	-	-	15,436	15,436
Receivable against sale of investments		-	-	-	202,521	202,521
Receivable from National Clearing Company of Pakistan Limited		-	-	-	23,133	23,133
Deposits		-	-	-	4,034	4,034
<b>Sub total</b>		2,303,158	-	13,433	1,098,490	3,415,081

### Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	8,924	8,924
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	338	338
Payable against redemption of units		-	-	-	41	41
Payable against purchase of investments		-	-	-	18,250	18,250
Accrued expenses and other liabilities		-	-	-	27,025	27,025
<b>Sub Total</b>		-	-	-	54,623	54,623

<b>On-balance sheet gap</b>		2,303,158	-	13,433	1,043,867	3,360,458
<b>Total interest rate sensitivity gap</b>		2,303,158	-	13,433	1,043,867	3,360,458
<b>Cumulative interest rate sensitivity gap</b>		2,303,158	2,303,158	2,316,591		

## 19.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A reasonably possible change of 5% increase or decrease in fair values at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 83.40 million (2017: Rs 42.48 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 19.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted and arises principally from bank balances, investments, profit and other receivable.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

#### 19.2.1 Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2018 was as follows:

	2018		2017	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances	1,375,000	1,375,000	1,232,442	1,232,442
Investments	1,896,981	216,001	2,062,777	585,531
Dividend and profit receivable	9,542	9,386	15,436	15,280
Receivable against sale of investments	37,069	37,069	202,521	202,521
of Pakistan Limited	3,315	3,315	23,133	23,133
Deposits	4,034	4,034	4,034	4,034
	<u>3,325,941</u>	<u>1,644,805</u>	<u>3,540,343</u>	<u>2,062,941</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in listed equity securities and Government securities of Rs 1,680.980 million (2017: Rs 1,477.246 million) including profit receivable on such government securities of Rs 0.156 million (2017: Rs 0.156 million) is not exposed to credit risk.

#### 19.2.2 Bank balances

The Fund held bank balances at June 30, 2018 with banks having following credit ratings:

Rating	2018		2017	
	Rupees in '000	%	Rupees in '000	%
AAA	4,502	0.33%	556,414	45.14%
AA+	384,666	27.98%	606,265	49.19%
AA-	600,657	43.68%	4,160	0.34%
AA	14	0.00%	65,568	5.32%
A+	23	0.00%	10	0.00%
A-	385,112	28.01%	5	0.00%
A	26	0.00%	20	0.00%
	<u>1,375,000</u>	<u>100.00%</u>	<u>1,232,442</u>	<u>100%</u>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS as of June 30, 2018.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 19.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Details of the Fund's concentration of credit risk of financial instruments by economic sectors are as follows:

	2018		2017	
	Rupees in '000	%	Rupees in '000	%
Commercial banks (including profit receivable)	1,499,682	91.17%	1,703,926	88.67%
Dividend receivable	-	-	4,065	0.20%
Financial Institution (Dawood Hercules Corporation Limited)	100,705	6.12%	-	-
National Clearing Company of Pakistan Limited	44,391	2.70%	229,588	11.13%
Central Depository Company of Pakistan Limited (security deposit)	100	0.01%	100	0.00%
Other Receivables	17	0.00%	-	-
	<u>1,644,895</u>	<u>100.00%</u>	<u>1,937,679</u>	<u>100.00%</u>

### 19.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is therefore to invest the majority of its assets in short term instruments in order to maintain liquidity.

As per the NBFC Regulations, 2008, the Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month.

2018	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	Rupees in '000				
<b>Financial assets</b>					
Bank balances	1,375,000	-	-	-	1,375,000
Investments	1,671,091	9,889	-	216,001	1,896,981
Dividend and profit receivable	9,542	-	-	-	9,542
Receivable against sale of investments	37,069	-	-	-	37,069
Receivable from National Clearing Company of Pakistan Limited	3,315	-	-	-	3,315
Deposits	4,034	-	-	-	4,034
	<u>3,100,151</u>	<u>9,889</u>	<u>-</u>	<u>216,001</u>	<u>3,325,941</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
<b>2018</b>					
	Rupees in '000				
<b>Financial liabilities</b>					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	11,168	-	-	-	11,168
Payable to Central Depository Company of Pakistan Limited - Trustee	385	-	-	-	385
Payable against redemption of units	41	-	-	-	41
Payable against purchase of investments	50,906	-	-	-	50,906
Accrued expenses and other liabilities	2,939	-	-	-	2,939
	65,439	-	-	-	65,439
<b>Net assets</b>	<b>3,034,612</b>	<b>9,889</b>	<b>-</b>	<b>216,001</b>	<b>3,260,502</b>
<b>2017</b>					
	Rupees in '000				
<b>Financial assets</b>					
Bank balances	1,232,442	-	-	-	1,232,442
Investments	1,474,082	450,000	-	13,433	1,397,515
Dividend and profit receivable	15,436	-	-	-	15,436
Receivable against sale of investments	202,521	-	-	-	202,521
Receivable from National Clearing Company of Pakistan Limited	23,133	-	-	-	23,133
Deposits	4,034	-	-	-	4,034
	2,951,648	450,000	-	13,433	3,415,081
<b>Financial liabilities</b>					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8,924	-	-	-	8,924
Payable to Central Depository Company of Pakistan Limited - Trustee	383	-	-	-	383
Payable against redemption of units	41	-	-	-	41
Payable against purchase of investments	18,250	-	-	-	18,250
Accrued expenses and other liabilities	27,025	-	-	-	27,025
	54,623	-	-	-	54,623
<b>Net assets</b>	<b>2,897,025</b>	<b>450,000</b>	<b>-</b>	<b>13,433</b>	<b>3,360,458</b>

### 19.4 Fair value measurement

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

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

Fair value of investments is determined as per the policy disclosed in note 3.2.5 to these financial statements.

#### Fair value hierarchy

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

- Level 1: Quoted price (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2018 and June 30, 2017, the Fund held the following assets measured at fair values:

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

As at June 30, 2018				
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
<b>At fair value through profit or loss - held for trading</b>				
- Listed equity securities	1,650,953	-	-	1,650,953
- Listed debt securities - Term Finance Certificates	-	10,036	-	10,036
- Unlisted debt securities - Term Finance Certificates	-	105,900	-	105,900
- Unlisted debt securities - Sukuk Certificates	-	100,065	-	100,065
- Government securities - Market Treasury Bills	-	9,889	-	9,889
<b>Available-for-sale</b>				
- Listed equity securities	17,131	-	-	17,131
- Government securities - Pakistan Investment Bonds	-	3,007	-	3,007
As at June 30, 2017				
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
<b>At fair value through profit or loss - held for trading</b>				
- Listed equity securities	796,714	-	-	796,714
- Listed debt securities - Term Finance Certificates	-	10,269	-	135,531
- Government securities - Market Treasury Bills	-	624,490	-	624,490
<b>Available-for-sale</b>				
- Listed equity securities	52,878	-	-	52,878
- Government securities - Pakistan Investment Bonds	-	3,164	-	3,164

### 19.5 Unit holders' fund risk management

The Fund's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders, to maintain a strong base of assets to meet unexpected losses or opportunities and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs.100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

### 20 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the members of the investment committee of the Fund are as follows:

S.No.	Name	Designation	Experience in years	Qualification
1	Muhammad Saqib Saleem	Chief Executive Officer	21	FCA & FCCA
2	Muhammad Asim	Chief Investment Officer	15	MBA & CFA
3	Awais Abdul Sattar	Head of Research	7	MBA & CFA
4	Saad Ahmed	Head of Fixed Income	13	MBA
5	Muhammad Aitazaz Farooqui	Senior Analyst	5	MBA & CFA
6	Syed Abid Ali	Head of Equity	10	MBA

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

**20.1** Syed Abid Ali is the Manager of the Fund. He is also managing MCB Pakistan Frequent Payout Fund, Pakistan Capital Market Fund, MCB Pakistan Stock Market Fund, Pakistan Pension Fund, Alhamra Islamic Stock Fund, Alhamra Islamic Active Allocation Plan-I and Plan-II, Alhamra Islamic Pension Fund and Alhamra Islamic Asset Allocation Fund.

### **21 TRANSACTIONS WITH BROKERS / DEALERS**

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2018.

S.No.	Particulars	Percentage
1	Foundation Securities Ltd	9.41%
2	Arif Habib Limited	9.15%
3	Next Capital Ltd	7.63%
4	Intermarket Securities Ltd	6.45%
5	JS Global Capital Limited	6.38%
6	BIPL Securities Limited	6.31%
7	First Capital Securities Ltd	5.14%
8	DJM Securities Pvt Limited	4.66%
9	Al Falah Securities Pvt Ltd	4.60%
10	AKD Securities Ltd	4.31%

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2017.

S.No.	Particulars	Percentage
1	JS Global Capital Limited	8.31%
2	Arif Habib Limited	8.12%
3	Elixir Securities Pakistan (Private) Limited	6.74%
4	EFG Hermes Pakistan Limited	6.59%
5	Foundation Securities (Private) Limited	5.48%
6	Next Capital Limited	5.35%
7	BMA Capital Management Limited	5.09%
8	Intermarket Securities Limited	4.32%
9	Topline Securities (Private) Limited	4.19%
10	AKD Securities Limited	4.16%

### **22 UNIT HOLDING PATTERN OF THE FUND**

Following is the holding patterns of the Fund as at June 30, 2018 and June 30, 2017.

Category	As at June 30, 2018			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)				
Individuals	1,787	24,271,094	1,916,433	59.65%
Insurance companies	1	3,745,546	295,746	9.21%
Retirement funds	32	8,452,947	667,440	20.78%
Trust	2	14,120	1,115	0.03%
Associated companies	5	2,660,549	210,076	6.54%
Others	13	1,543,062	121,839	3.79%
	<u>1,840</u>	<u>40,687,318</u>	<u>3,212,649</u>	<u>100.00%</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Category	As at June 30, 2017			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)				
Individuals	1,858	31,301,749	2,536,265	73.75%
Insurance companies	2	4,098,376	332,076	9.66%
Retirement funds	33	4,511,201	365,526	10.63%
Trust	1	120,644	9,775	0.28%
Associated companies	3	273,961	22,198	0.65%
Others	10	1,798,765	145,747	4.24%
Companies	2	335,831	27,213	0.79%
	<u>1,909</u>	<u>42,440,527</u>	<u>3,438,800</u>	<u>100.00%</u>

### 23 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 134th, 135th, 136th, 137th, 138th, 139th, 140th, 141st and 142nd meeting of the Board of Directors were held on July 6, 2017, August 04, 2017, September 07, 2017, October 12, 2017, October 20, 2017, February 02, 2018, February 23, 2018, April 19, 2018 and June 11, 2018 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

S.No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
Directors					
1	Mr. Mian Muhammad Mansha	9	4	5	134th, 135th, 136th, 138th and 142nd
2	Mr. Nasim Beg	9	9	-	-
3	Mr. Ahmed Jahangir	9	9	-	-
4	Mr. Mirza Qamar Beg	9	7	2	138th and 142nd
5	Mr. Syed Salman Shah	9	7	2	134th and 138th
6	Mr. Haroun Rashid	9	6	3	135th, 136th and 142nd
7	Mr. Samad A Habib	9	5	4	134th, 136th, 138th and 139th
8	Mr. Muhammad Saqib Saleem	9	9	-	

### 24 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements, other than those resulting from changes as disclosed in the note 3.9.

### 25 GENERAL

Figures have been rounded off to the nearest thousand rupees.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

---

### 26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 14, 2018 by the Board of Directors of the Management Company.

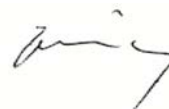
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE  
FOR THE YEAR ENDED JUNE 30, 2018**

<b>No. of Unit Holders</b>	<b>Unit Holdings</b>	<b>Total Units Held</b>
1310	0-10000	2,437,534
466	10001 - 100000	13,029,422
58	100001 - 1000000	13,407,600
6	1000001 - Onwards	11,812,761
<u>1840</u>		<u>40,687,318</u>

## PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2018

Performance Information	2018	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	3,213	3,439	2,718	2,640	779
Net Assets value per unit – Rupees	78.9595	81.03	79.06	77.38	71.87
Closing Offer Price	81.6362	83.7731	82.3217	80.6043	74.8946
Closing Repurchase Price	78.9595	81.03	79.06	77.38	71.87
Highest offer price per unit	88.3454	98.54	84.55	90.26	83.05
Lowest offer price per unit	77.9099	82.13	79.12	74.66	74.49
Highest Redemption price per unit	85.4487	90.77	81.19	86.65	79.70
Lowest Redemption price per unit	75.3554	79.35	75.98	71.67	71.49
Distribution per unit – Rs. *		5.50	0.80	8.50	8.00
<b>Average Annual Return - %</b>					
One year	-2.55	9.54	3.21	19.41	11.95
Two year (inception date Mar 11, 2008)	3.50	6.38	11.31	15.68	11.95
Three year	3.40	10.72	11.52	15.68	11.95
Net Income / (loss) for the period – Rs. in million	(76.24)	331.04	24.88	394.75	83.82
Distribution made during the year – Rs. in million	-	209.24	21.61	215.63	78.22
Accumulated Capital Growth – Rs. in million	(84.09)	121.80	3.27	179.12	5.60

\* Date of Distribution

2017	
Date	Rate
June 21, 2017	5.50

2016	
Date	Rate
June 27, 2016	0.80

2014	
Date	Rate
June 27, 2014	8.00

2015	
Date	Rate
June 22, 2015	8.50

### Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.

## PROXY ISSUED BY FUND FOR THE YEAR ENDED JUNE 30, 2018

The Board of Directors of MCB - Arif Habib Savings and Investments Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website ([www.mcbah.com](http://www.mcbah.com)). During the financial year, the Management Company on behalf of the fund did not participate in 01 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Abstain Reason for Abstaining
Number	30	30	-	-	-
(%ages)	100	100	-	-	-

Detailed information regarding actual proxies voted by the Management Company on behalf of the Fund will be provided without any charges on request of unit holders.

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

**Head Office:** 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900  
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH), 111-468-378 (111-INVEST), Fax: (+92-21) 35316080, 35316081,  
URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)