



MCB-ARIF HABIB
Savings and Investments Limited

QUARTERLY REPORT

SEPTEMBER
2018
(UNAUDITED)

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

Vision

To become synonymous with Savings.

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholders' value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building and its insistence on universal best practices at all times.

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MCB DCF INCOME FUND

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FUND'S INFORMATION

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

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Dear Investor,

On behalf of the Board of Directors, we are pleased to present **MCB DCF Income Fund** accounts review for the quarter ended September 30, 2018.

MARKET & ECONOMIC REVIEW

Economy and Money Market Review

First quarter of FY19 has been a run of political uncertainty, external pressures and economic slowdown. Given the uptick in oil prices, increasing trend in inflation, continuity of external worries, The Monetary Policy Committee of State Bank of Pakistan opted for 100 bps increases in each of the two meetings conducted in this quarter. The major reason was due to the emergence of inflationary pressures with core inflation expected to creep up with the advent of higher oil and gas prices. Moreover, the MPC highlighted the precarious external account position and need for slowdown in GDP growth to arrest the dwindling foreign exchange reserves.

CPI for the 1QFY19 was registered at 5.6% as the impact of low base kicked in. Higher international oil prices, weaker currency and upward revision in domestic gas prices is expected to jack up overall inflation figure in FY19, which is expected to average ~8.1% compared to last year's inflation of 3.8%. Meanwhile, core inflation is expected to jump above 8.5%.

The external account position kept on highlighting worrisome position for the economy. Current account witnessed a deficit of USD 2.7 billion in first two months of FY19 compared to USD 2.5 billion in the same period last year. A surge in international oil prices is masking the improvement in non oil imports caused by remedial measures, thus causing the current account deficit to remain high. However, the lagged impacts of currency adjustments and monetary tightening are becoming visible as reflected by balance of trade (data of Pakistan Statistical Bureau) declining by 1.6% in the quarter led by decline in non-oil imports. Despite receiving inflows from China, foreign reserves declined by an average of ~USD 115 mn per week. State Bank's foreign exchange reserves stood at USD 8.41 billion reflecting import cover based on SBP's reserves has reached an alarming level of lesser than 2 months imports.

Rising interest rates, rupee adjustment and external pressures are having impact on growth trajectory of economy as reflected by large scale manufacturing index which posted a meager increase of 0.5% YoY in the month of July'18 broadly supported by production of petroleum products.

Subsequent to monetary tightening by State Bank, bond yield curve showed an upward trajectory where most of the activity took place in floater PIBs. During 1QFY19 State Bank of Pakistan conducted 3rd Floater PIB auction which witnessed a healthy participation of PKR 151 billion out of which bids worth PKR 108 billion were accepted at a rate of benchmark + 70 bps. Concerns over external front kept market participants shy away from longer tenor Treasury bills with persistence towards accumulation in papers having maturity below or equal to 3 months.

Liquidity remained comfortable throughout 1QFY19 owing to regular OMOs conducted by SBP, while 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.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.47% as against its benchmark return of 8.02%. Fund's WAM was recorded at 2.4 YTM because of rising interest rate outlook during the year. The fund allocation remained notably in TFCs and Cash at the end of the period under review. At period-end, the fund was invested 34.1% in TFCs and 39.9% in Cash.

The Net Assets of the Fund as at September 30, 2018 stood at Rs. 3,846 million as compared to Rs. 4,872 million as at June 30 2018 registering a decrease of 21.06%.

The Net Asset Value (NAV) per unit as at September 30, 2018 was Rs.107.9307 as compared to opening NAV of Rs. 111.3412 per unit as at June 30, 2018 registering a decrease of Rs.3.4105 per unit.

MARKET & ECONOMY - FUTURE OUTLOOK

The government has announced to approach the IMF for an economic program to support the fragile external account situation. The program would lead to required remedial actions of rupee adjustment, monetary tightening, and expenditure

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2018

curtailment to slow down growth, control the import bill and arrest foreign reserves decline.

For the next year, the economic growth is expected to slow down as currency adjustments 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, 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 would be difficult to manage where we expect fiscal deficit to hover around 5.5% of GDP. Expenditure constraints would lead to public sector development program curtailments amid higher domestic debt servicing cost due to interest rate increase.

Given pressures on the external front along with rising inflation, State Bank is expected to further tighten the monetary policy by at least 100 bps already increased.

The equity market would follow developments on the economic front. Swift economic policy actions would be required to arrest the precarious economic standing and would guide market towards better multiples. 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 market multiples (~7.5x) 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.

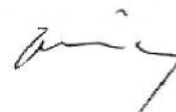
ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
October 22, 2018

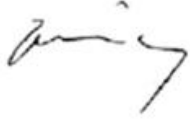


Nasim Beg
Vice Chairman / Director

اظہار تشکر:

مینجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، ان کی مسلسل حمایت اور تعاون کے لئے پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ کے شکرگزار ہیں۔ ڈائریکٹرز بھی کمپنی میں ان کے اعتماد کے لئے ان کے عزم اور لگن اور حصص یافتگان کے لیے کمپنی کے ملازمین کی کوششوں کی تعریف کرتے ہیں۔

منجانب ڈائریکٹرز،



نسیم بیک

ڈائریکٹر/نائب چیئرمین

22 اکتوبر، 2018



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

22 اکتوبر، 2018

کیا ہے۔ پروگرام کو مینی ایڈجسٹمنٹ، مالیاتی سختی، اور اخراجات میں کمی کی ضرورت ہوتی ہے، ترقی کو مست کرنے، درآمدات کے بل کو کنٹرول کرنے اور غیر ملکی ذخائر کو کم کرنے میں کمی کی ضرورت ہوتی ہے۔

اگلے سال کے لئے اقتصادی ترقی میں کمی کی توقع کی جاسکتی ہے کیونکہ کرنسی ایڈجسٹمنٹ اور مانیٹری پالیسی کی کھپت کے نمونے پر مل جائے گی۔ تاہم معیشت کی دستاویزات کے ساتھ ساتھ بجلی کی فراہمی میں اضافے کو اس اہم مرحلے کے دوران معاشی مینیجرز کو ایک مہلت فراہم ہوگی۔ ہم نئی حکومت کی طرف سے اقتصادی محاذ پر دائمی مسائل کو حل کرنے کے لئے زیادہ توجہ مرکوز کریں گے اور مخلص کوششوں کے درمیان اقتصادی اصلاح کے لئے بہتر حکومتی نظام اور طویل مدتی امکانات پر خوشگوار اشتراک کرتے ہیں۔ تاہم یہ راستہ سخت اور ممکنہ غیر مقبول پالیسی کے اقدامات میں امکانات کا امکان ہے۔ پاکستان تحریک انصاف کی ابتدائی منصوبہ بندی کو دیکھتے ہوئے کچھ پالیسیوں کی ترقی کی توقع کی جاسکتی ہے لیکن غیر معمولی معاشی حالات کو پورا کرنے کے لئے ہم سوچتے ہیں کہ دونوں خساروں کو حل کرنے کے لئے فوری طور پر اقدامات کیے جاتے ہیں۔

مالیاتی ادارے کے لئے یہ انتظام کرنا مشکل ہوگا کہ ہم مالی خسارے کے متوقع ہو سکتے ہیں یا مجموعی گھریلو مصنوعات (GDP) کی 5.5 فی صد کی کمی ہو رہی ہے۔ اخراجات میں اضافے، گھریلو قرضوں کی قیمتوں میں اضافے کی وجہ سے عوامی شعبے کی ترقی کے پروگرام میں کمی کا سبب بنے گا۔

بڑھتی ہوئی افراط زر کے ساتھ ساتھ بیرونی فرنٹ پر دیئے جانے والے دباؤ پر اسٹیٹ بینک سے کم از کم 100 بنیادی پوائنٹس (bps) میں پہلے ہی اضافہ ہوا ہے۔

ایکویٹی مارکیٹ میں اقتصادی محاذ پر پیش رفت کرے گی۔ فوری معیشت کے اقدامات ناقابل اعتماد اقتصادی موقف کو روکنے کے لئے ضروری ہوگی اور مارکیٹ میں بہتر ملحقہ کی راہنمائی کرے گی۔ وسیع تر شرائط پر ہم یقین رکھتے ہیں کہ گزشتہ دو سال میں مارکیٹ کی کارکردگی (چوٹی کی سطح سے تقریباً 20 فی صد) نے سیاسی اور اقتصادی سمت پر خدشات کی عکاسی کی ہے اور یہ بھی سائیکل اسٹاک کی کارکردگی میں عکاسی کرتی ہے، جہاں اسٹاک کی قیمتوں میں اضافہ بھی تیز ہوگا۔ ہم اپنے موقف کا دوبارہ تسلسل جاری رکھیں گے کہ موجودہ مارکیٹ کے ملحقہ (تقریباً 7.5 اوقات) تھوڑی دیر میں ممکنہ پیشکش کرتے ہیں جو طویل مدتی سرمایہ کاروں کے لئے آرام دہ ہے۔ ہم یقین رکھتے ہیں کہ اسٹاک میں اسٹیٹس صرف آہستہ آہستہ انکشاف کریں گا جس سے اعتماد میں آئیں گے اور اقتصادی پالیسیوں کو متوقع طور پر نظر انداز کرتے ہیں۔ لہذا آگے آگے اسٹاک مریض سرمایہ کاروں کے لئے انعامات کے ساتھ طویل مدتی سرمایہ کاری کا موقع پیش کرتے ہیں۔ ہم ملک کے اقتصادی اشارے میں رجحانات کو ٹریک کرتے ہیں اور اس کے مطابق اپنے پورٹ فولیو کو ایڈجسٹ کرتے ہیں۔ ہمارے اوپر سے نیچے کا تجزیہ سے شعبوں نے فائدہ اٹھایا ہے جو کرنسی کی قیمتوں میں اضافے اور اعلیٰ سود کی شرح سے فائدہ اٹھایا۔ تاہم ہم انفرادی کمپنی کو متحرک نظر انداز نہیں کر سکتے، جو ان کی قیمتوں کے ساتھ سیکورٹی انتخاب میں اہم کردار ادا کر سکتا ہے۔

بڑھتی ہوئی سود کی شرح، منی ایڈجسٹمنٹ اور بیرونی دباؤ معیشت کی ترقی کے اثرات پر اثر انداز کر رہی ہیں، جس میں بڑے پیمانے پر مینوفیکچرنگ انڈیکس کی طرف اشارہ کیا گیا جس سے پٹرولیم کی مصنوعات میں جولائی 2018 کے مہینے میں 0.5 فیصد اضافہ ہوا۔ اسٹیٹ بینک کی جانب سے مالیاتی تنصیبات کے بعد بانڈ کی پیداواری گراف نے ایک ایسی پیش رفت ظاہر کی، جہاں پاکستان کی سرمایہ کار بانڈز (PIB) میں زیادہ سے زیادہ سرگرمی ہوئی۔ مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی کے دوران، اسٹیٹ بینک آف پاکستان نے تیسرے فلوٹر پاکستان سرمایہ کاری بانڈ (PIB) کی نیلامی کا اہتمام کیا جس میں 151 ارب روپے کی بڑی شراکت کی۔ جس میں سے 108 بلین روپے کا معیار +70 بنیادی پوائنٹس (bps) کی قیمتوں میں منسلک کیا گیا تھا۔ خارجہ محاذ کے بارے میں خدشات نے مارکیٹ کے شرکاء کو طویل عرصے سے خزانہ بلوں سے لے کر رکھا ہے جس میں جمع ہونے والی کاغذات میں 3 مہینے کے برابر یا مساوی ہونے کے سلسلے میں مسلسل اضافہ ہوتا ہے۔

اسٹیٹ بینک آف پاکستان نے باقاعدہ اوپن مارکیٹ آپریشنز (OMOs) کے ذریعہ مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی میں آرام دہ اور پرسکون رہا، جبکہ شرعی مطابقت پذیر راستے کی کمی کا جائزہ لینے کے دوران جاری رہا کیونکہ بازار میں کافی ہالچل کے باوجود Ijara Sukuk کا کوئی تازہ اجراء نہیں ہوا تھا۔

فنڈ کی کارکردگی:

جائیداد کے تحت مدت کے دوران، فنڈ نے سالانہ شرح 5.47 فی صد کی واپسی کی ہے جس کے مقابلے میں 8.02% کی اس کی ریٹرن کے خلاف۔ فنڈ کے WAM سال کے دوران بڑھتی ہوئی سود کی شرح نقطہ نظر کے باعث 2.4 (YTM) ریکارڈ کیا گیا تھا۔ فنڈ مختص TFCs اور کیش میں جائزہ کے تحت مدت کے اختتام پر خاص طور پر رہے۔ عرصے کے اختتام پر، فنڈ میں 34.1 فیصد سرمایہ کاری (TFCs) اور 39.9% کیش میں سرمایہ کاری کی گئی تھی۔

ستمبر 2018، 30 کے طور پر فنڈ کے نیٹ اثاثے 3,846 ملین روپے کے مقابلے میں۔ جون 2018، 30 میں 4,872 ملین کی کمی میں 21.06 فیصد کمی آئی۔

ستمبر 2018، 20 کو فی یونٹ نیٹ اثاثہ ویلیو (NAV) فی یونٹ 107.9307 روپے کے طور پر تھا۔ جون 2018، 30 میں فی یونٹ 111.3412 فی یونٹ میں 3.4105 فی یونٹ کی کمی درج کی گئی۔

مارکیٹ اور اقتصادی - مستقبل کے حل:

حکومت نے بین الاقوامی مالیاتی فنڈ (IMF) سے متعلق معاشی پروگرام کے نازک بیرونی اکاؤنٹ کی صورتحال کی حمایت کرنے کا اعلان

عزیز سرمایہ کار!

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی ڈی سی ایف انکم فنڈ کے 30 ستمبر، 2018 کو اختتام پزیر ہونے والے نو ماہ اکاؤنٹس کا جائزہ پیش خدمت ہے۔

مارکیٹ اور اقتصادی جائزہ:

معیشت اور منی مارکیٹ کا جائزہ:

مالی سال 2018-19 کی پہلی سہ ماہی میں (1QFY19) سیاسی غیر یقینی، بیرونی دباؤ اور اقتصادی کمی کا شکار ہو گیا ہے۔ تیل کی قیمتوں میں اضافہ، بیرونی افواج کی مسلسل تسلسل، بڑھتی ہوئی رجحان میں اضافہ، اسٹیٹ بینک آف پاکستان کے مونیٹری پالیسی کمیٹی (MPC) نے اس سہ ماہی میں منعقد ہونے والے دونوں اجلاسوں میں 100 بنیادی پوائنٹس (bps) کے اضافے کے لئے انتخاب کیا۔ اہم وجہ یہ تھی کہ انفراسٹرکچر کے دباؤ کے نتیجے میں بنیادی افراط زر کے ساتھ اعلیٰ تیل اور گیس کی قیمتوں کی آمد کے ساتھ پیدا ہونے کی امید ہے۔ اس کے علاوہ، مونیٹری پالیسی کمیٹی (MPC) نے غیر ملکی خارجہ اکاؤنٹ کی حیثیت کو کم کرنے کے لئے غیر ملکی ادارے کی حیثیت اور مجموعی گھریلو مصنوعات (GDP) کی ترقی میں کمی کی ضرورت پر زور دیا ہے۔

مالی سال 2018-19 کی پہلی سہ ماہی کے لئے صارفین کی قیمت انڈیکس (CPI) 5.6 فیصد کے اثرات کے طور پر رجسٹر کیا گیا تھا۔ عالمی بین الاقوامی قیمتوں میں اضافہ، گھریلو گیس کی قیمتوں میں کمزور کرنسی اور اوپر کی نظر ثانی کی امید ہے، مالی سال 2018-19 (مجموعی طور پر انفراسٹرکچر کے اعداد و شمار کو جیک)، جو گزشتہ سال کی شرح 3.8 فی صد کی شرح سے تقریباً 8.1 فیصد ہوا ہے۔ دریں اثنا، بنیادی افراط زر کی شرح 8.5 فیصد سے زائد ہے۔

معیشت کے لئے تشویشناک پوزیشن کو نمایاں کرنے پر بیرونی اکاؤنٹ کی حیثیت رکھتی ہے۔ موجودہ اکاؤنٹ نے مالی سال 2018-19 کے پہلے دو مہینوں میں 2.7 ارب امریکی ڈالر کا خسارہ دیکھا تھا جو گزشتہ سال اسی مدت میں 2.5 بلین ڈالر ہوا تھا۔ بین الاقوامی آئل کی قیمتوں میں اضافے کی وجہ سے نجی درآمدات کی وجہ سے غیر تیل کی درآمد میں بہتری آرہی ہے، اس وجہ سے موجودہ اکاؤنٹ کے خسارے کو زیادہ رہنے کا باعث بنتا ہے۔ تاہم، کرنسی کے ایڈجسٹمنٹ کے نقطہ نظر اور مالیاتی سختی کی وجہ سے تجارت کی توازن (پاکستان کے اعداد و شمار، بیورو کے اعداد و شمار) کے طور پر ظاہر ہوتا ہے کہ غیر تیل درآمد میں کمی کی وجہ سے سہ ماہی میں 1.6 فی صد کمی ہوئی۔ چین سے آمدنی حاصل کرنے کے باوجود، ہر ہفتے غیر ملکی ذخائر تقریباً 115 ملین امریکی ڈالر سے کم ہو گئے۔ اسٹیٹ بینک کے غیر ملکی کرنسی کے ذخائر 8.41 بلین ڈالر پر کھڑے ہوئے ہیں جو اسٹیٹ بینک کے ذخائر کی بنیاد پر درآمد کا احاطہ کرتا ہے، اس سے دو ماہ کے مقابلے میں زیادہ خطرناک حد تک پہنچ گئی ہے۔

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2018

		Un-audited September 30, 2018	Audited June 30, 2018
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks		1,792,557	2,944,793
Investments	4	2,035,572	1,687,001
Mark-up, dividend and other receivables		34,914	44,738
Receivable against sale of investments		460,566	221,310
Receivable against margin trading system (MTS)		96,220	1,893
Advances, deposits and prepayments		82,840	142,248
Total assets		4,502,669	5,041,983
LIABILITIES			
Payable to the Management Company		6,349	7,138
Payable to the Trustee		400	441
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)		797	4,114
Payable against redemption of units		-	4,739
Payable against purchase of investments		493,625	-
Accrued and other liabilities	5	155,790	153,058
Total liabilities		656,961	169,490
NET ASSETS		3,845,708	4,872,493
Unit holders' fund (as per statement attached)		3,845,708	4,872,493
Contingencies and commitments	6.		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		35,631,267	43,761,823
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT		107.9307	111.3412

The annexed notes from 1 to 13 form an integral part of these Condensed interim financial statement.

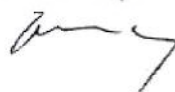
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

		September 30, 2018 ----- (Rupees in '000) -----	September 30, 2017 ----- (Rupees in '000) -----
	Note		
INCOME			
Mark-up on bank deposits and term deposit receipts		37,956	53,688
Mark-up on margin trading system (MTS)		5,884	17,125
Net loss on sale of investments		(15,563)	(2,978)
Income from Government securities		8,398	4,480
Income from term finance and sukuk certificates		30,474	29,345
Dividend income		5,007	5,755
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	4.6	(15,594)	(4,385)
Net unrealised appreciation on derivatives		2,581	3,073
Income from spread transactions - net		25,087	(931)
Other income		121	61
Reversal of provision against debt securities		-	(241)
Total income		84,351	104,992
EXPENSES			
Remuneration of the Management Company		15,941	23,457
Sales tax on remuneration of the Management Company		2,072	3,049
Expenses allocated by the Management Company and related taxes		1,201	1,767
Remuneration of the Trustee		1,118	1,498
Sales tax on remuneration of the Trustee		145	195
Annual fee to SECP		797	1,173
Auditors' remuneration		214	194
Brokerage, settlement and bank charges		3,239	4,823
Legal and professional charges		55	54
Others		196	228
Provision for Sindh Workers' Welfare Fund (SWWF)	5.1	1,188	1,371
Total expenses		26,166	37,808
Net income for the period from operating activities		58,185	67,184
Net income for the period before taxation		58,185	67,184
Taxation	7	-	-
Net income for the period after taxation		58,185	67,184
Earning per unit	10		
<i>Allocation of net income for the period:</i>			
Net income for the period after taxation		58,185	67,184
Income already paid on units redeemed		(6,715)	(3,484)
		51,470	63,700
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		-	-
- Excluding capital gains		51,470	63,700
		51,470	63,700

The annexed notes from 1 to 13 form an integral part of these Condensed interim financial statement.

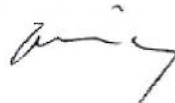
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

	September 30, 2018	September 30, 2017
	----- (Rupees in '000) -----	
Net income for the period after taxation	58,185	67,184
Net unrealised diminution on re-measurement of investments previously classified as 'available-for-sale'	7	(5)
Total comprehensive income for the period	58,192	67,179

The annexed notes from 1 to 13 form an integral part of these Condensed interim financial statement.

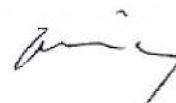
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	September 30, 2018			September 30, 2017	
	Capital value	Undistributed income	Unrealised appreciation / (diminution) on FVTOCI (Previously: AFS) (Rupees in '000)	Total	Total
Net assets at beginning of the period	4,299,274	573,226	(7)	4,872,493	6,189,761
Issue of 3,955,651 units -including additional units (2017: 4,578,383 units)					
- Capital value (at net assets value per unit at beginning of the period)	421,130	-	-	421,130	-
- Element of income	1,149	-	-	1,149	-
	422,279	-	-	422,279	483,234
Redemption of 12,086,206 (2017:5,923,295) units:					
- Capital value (at net assets value per unit at beginning of the period)	1,286,733	-	-	1,286,734	-
- Element of income	323	6,715	-	7,038	-
	1,287,057	6,715	-	1,293,773	627,749
Total comprehensive income for the period	-	58,185	7	58,192	67,179
Final Distribution for the year ended June 30, 2018 (including additional units) at the rate of Rs. 4.8783 per unit (Declared on July 04, 2018)	(31,092)	(182,392)	-	(213,484)	-
	(31,092)	(124,207)	7	(155,292)	67,179
Net assets at end of the period	3,403,405	442,303	-	3,845,708	6,112,425
Undistributed income brought forward					
- Realised		590,511			392,130
- Unrealised		(17,285)			(1,296)
		573,226			390,834
Accounting income available for distribution:					
- Relating to capital gains		-			-
- Excluding capital gains		51,470			63,700
		51,470			63,700
Cash distribution during the period		(182,392)			-
Undistributed income carried forward		442,303			454,534
Undistributed income / (loss) carried forward:					
- Realised		455,316			455,846
- Unrealised		(13,013)			(1,312)
		442,303			454,534
Net assets value per unit at beginning of the period				111.3412	106.4294
Net assets value per unit at end of the period				107.9307	107.5876

The annexed notes from 1 to 13 form an integral part of these Condensed interim financial statement.

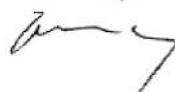
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	September 30, 2018	September 30, 2017
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	58,185	67,184
Adjustments for:		
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	15,594	4,385
(Reversal of provision) / provision against debt securities	-	241
	<u>73,779</u>	<u>71,810</u>
(Increase) / Decrease in assets		
Investments	(363,321)	(18,012)
Mark-up, dividend and other receivables	9,824	(75,176)
Receivable against margin trading system (MTS)	(94,327)	(982,046)
Receivable against sale of investments	(239,256)	(408,288)
Advances, deposits and prepayments	59,408	54
	<u>(627,672)</u>	<u>(1,483,468)</u>
Increase / (decrease) in liabilities		
Payable to the Management Company	(789)	1,372
Payable to the Trustee	(41)	(14)
Annual fee payable to SECP	(3,317)	(3,958)
Payable against redemption of units	(4,739)	22,838
Payable against purchase of Investments	493,625	22,712
Accrued and other liabilities	2,732	(17,976)
	<u>487,471</u>	<u>24,974</u>
Net cash generated from operating activities	<u>(66,422)</u>	<u>(1,386,684)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts against issue of units	422,279	483,234
Net payments on redemption of units	(1,293,773)	(627,749)
Dividend paid	(213,484)	-
Net cash used in financing activities	<u>(1,084,977)</u>	<u>(144,515)</u>
Net (decrease) in cash and cash equivalents during the period	<u>(1,151,399)</u>	<u>(1,531,199)</u>
Cash and cash equivalents at beginning of the period	3,093,159	4,243,357
Cash and cash equivalents at end of the period	<u>1,941,760</u>	<u>2,712,158</u>

8

The annexed notes from 1 to 13 form an integral part of these Condensed interim financial statement.

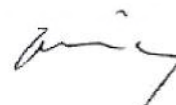
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB DCF Income Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) on December 12, 2006.
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4** The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.5** The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.6** The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2++' dated October 08, 2018 to the Management Company and a rating of "A+(f)" dated June 30, 2018 to the Fund.
- 1.7** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

"This Condensed interim financial information has 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 (IFRS Standards) 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 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** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

- 2.3** In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at September 30, 2018.
- 2.4** These condensed interim financial statements are unaudited. 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 and rounded to the nearest thousand rupees, unless otherwise specified.
- 2.5** The "date of initial application" of IFRS 9 is the date when the entity first applies its requirements. Therefore, the beginning of an interim or annual reporting period i.e July 01, 2018 is the date of initial application and applied prospectively because it is not possible to do so without the use of hindsight and is impracticable, therefore comparative figures are not restated. The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at September 30, 2018 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2018, whereas the comparatives in the condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement have been extracted from the unaudited condensed interim financial information of the Fund for the quarter ended September 30, 2017.

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

- 3.1** The accounting policies, financial risk management objectives & policies, basis of accounting estimates applied & methods of computation adopted in the preparation of the condensed interim financial statement and all standards, interpretations and amendments to published approved accounting standards are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2018, except with respect to adoption of IFRS- 9 as explained in detail in note 3.2.
- 3.2** In July 2014 IASB issued a revised version of IFRS 9 'Financial Instruments' which supersedes all its previous versions and is mandatorily effective for periods beginning on or after January 1, 2018. The SECP has adopted the IFRS 9 effectively from July 1, 2018 and will be applicable for the Fund as well. Further, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9. From July 01, 2018 the Fund has adopted IFRS-9 as per approved accounting and reporting standards as applicable in Pakistan.

Key requirements of IFRS 9:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt and equity instruments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election at initial recognition to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

losses are recognised. However, the SECP through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Classification and measurement:

Classification and Measurement of Financial Assets and Financial Liabilities after the adoption of IFRS-9 is discussed as under:

- Listed equity securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;
- Listed equity securities classified as 'at Available for sale' investments carried at fair value have been re-designated & will be measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;
- Debt securities (Listed / Unlisted) and government securities classified as 'at Fair value through Profit or Loss' investments carried at fair value will continue to be subsequently measured at Fair value through Profit or Loss upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;
- all financial assets classified as Loans and receivable as on June 30, 2018 have now been re-classified as Amortized cost. These assets under IFRS - 9 will continue to be measured on the same bases as was adopted under IAS 39.
- All other financial assets and financial liabilities under IFRS - 9 will continue to be measured on the same bases as was adopted under IAS 39.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

		(Un-Audited) September 30, 2018	(Audited) June 30, 2018
	Note	----- (Rupees in '000) -----	
4 INVESTMENTS			
At fair value through profit or loss			
Government securities - Market treasury bills	4.1	149,203	148,366
Government securities - Pakistan investment bonds	4.2	149,985	-
Listed equity securities	4.3	198,376	117,007
Listed debt securities	4.4	380,215	383,026
Unlisted debt securities	4.5	1,155,213	1,038,946
Future Stock Contract		2,581	(1,057)
		2,035,572	1,686,288
Previously classified as available-for-sale - under IAS 39			
Government securities - Pakistan investment bonds		-	713
		2,035,572	1,687,001

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

4.1 Market treasury bills - 'at fair value through profit or loss'

Name of security	Note	Date of issue	Face Value				As at September 30, 2018			Market value	
			As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at September 30, 2018	Carrying Value	Market value	Unrealised gain / (loss)	As a percentage of net assets	As a percentage of total investments
(Rupees in '000)											
Market Treasury Bills - 3 months		June 07, 2018	150,000		150,000	-	-	-	-	0.00%	0.00%
	4.1.1	August 2, 2018	-	2,300,000	2,150,000	150,000	149,246	149,203	(44)	3.88%	7.33%
		July 19, 2018	-	1,000,000	1,000,000	-					
Total as at September 30, 2018							149,246	149,203	(44)		
Total as at June 30, 2018							148,356	148,366	10		

4.1.1 The above includes Market treasury bill with a face value aggregating to Rs.150 (2017: Rs.100) million which has been pledged with National Clearing Company of Pakistan Limited as security against MTS trades and exposure margin / MTM losses as per Circular no. 11 dated October 23, 2007 issued by the SECP.

4.2 Pakistan Investment Bonds - 'at fair value through profit or loss'

Name of security	Note	Date of issue	Face Value				As at September 30, 2018			Market value	
			As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at September 30, 2018	Carrying Value	Market value	Unrealised gain / (loss)	As a percentage of net assets	As a percentage of total investments
Pakistan Investment Bonds - 10 Years		August 9, 2018	-	150,000	-	150,000	151,403	149,985	(1,418)	3.90%	7.37%
Total as at September 30, 2018							151,403	149,985	(1,418)		
Total as at June 30, 2018							-	-	-		

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

4.3 Listed equity securities - 'at fair value through profit or loss'

Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise

Name of investee company	Number of shares				Balance as at September 30, 2018			Market Value		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
	As at July 01, 2018	Purchased during the year	Sold during the year	As at September 30, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of net assets	As a percentage of total investments	
(Rupees in '000)										
Automobile Parts & Accessories										
Loads Limited	33,000	100,000	133,000	-	-	-	-	0.00%	0.00%	0.00%
					-	-	-	0.00%	0.00%	0.00%
Cable & Electrical Goods										
Pak Elektron Limited	86,500	3,142,000	2,716,000	512,500	16,110	15,754	(356)	0.41%	0.77%	0.10%
					16,110	15,754	(356)	0.41%	0.77%	0.10%
Cement										
Fauji Cement Company Limited	270,000	105,000	270,000	105,000	2,344	2,348	4	0.06%	0.12%	0.01%
Lucky Cement Limited	2,500	146,000	148,500	-	-	-	-	0.00%	0.00%	0.00%
D.G. Khan Cement Company Limited	25,000	389,000	414,000	-	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Factory Limited	42,000	944,000	986,000	-	-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Limited	31,000	-	31,000	-	-	-	-	0.00%	0.00%	0.00%
					2,344	2,348	4	0.06%	0.12%	0.01%
Chemicals										
Descon Oxychem Limited	284,500	1,396,500	1,681,000	-	-	-	-	0.00%	0.00%	0.00%
Engro Polymer and Chemicals Limited	33,500	9,348,500	7,982,000	1,400,000	44,601	40,656	(3,945)	1.06%	2.00%	0.15%
Ghani Gases	-	5,000	5,000	-	-	-	-	0.00%	0.00%	0.00%
Lotte Chemical Pakistan Limited	1,272,500	2,725,500	3,998,000	-	-	-	-	0.00%	0.00%	0.00%
					44,601	40,656	(3,945)	1.06%	2.00%	0.15%
Commercial Banks										
United Bank Limited	-	50,000	50,000	-	-	-	-	0.00%	0.00%	0.00%
					-	-	-	0.00%	0.00%	0.00%
Engineering										
International Industries Limited	7,000	1,000	8,000	-	-	-	-	0.00%	0.00%	0.00%
International Steels Limited	9,000	10,000	19,000	-	-	-	-	0.00%	0.00%	0.00%
Mughal Iron & Steel Industries Limited	500	-	500	-	-	-	-	0.00%	0.00%	0.00%
					-	-	-	0.00%	0.00%	0.00%
Fertilizer										
Engro Fertilizer Limited	200,500	489,500	690,000	-	-	-	-	0.00%	0.00%	0.00%
Engro Corporation Limited	500	192,000	192,500	-	-	-	-	0.00%	0.00%	0.00%

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise

Name of investee company	Number of shares			Balance as at September 30, 2018		Market Value		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
	As at July 01, 2018	Purchased during the year	Sold during the year	As at September 30, 2018	Carrying value	Market value	As a percentage of total investments	
					(Rupees in '000)	Unrealised (loss) / gain	As a percentage of net assets	%
Fauji Fertilizer Bin Qasim Limited	12,500	1,107,500	372,000	748,000	27,716	117	0.72%	1.37%
Fauji Fertilizer Company Limited***	14,500	522,000	512,000	24,500	2,392	17	0.06%	0.00%
					30,092	133	0.79%	1.48%
Food & Personal Care Products								
Engro Foods Limited	1,000	56,500	57,500	-	-	-	0.00%	0.00%
Fauji Foods Limited	-	865,500	865,500	-	-	-	0.00%	0.00%
					-	-	0.00%	0.00%
Glass & Ceramics								
Shabbir Tiles & Ceramics Limited**	28,000	1,505,000	1,372,500	160,500	3,440	(414)	0.08%	0.15%
					3,440	(414)	0.08%	0.15%
Insurance								
Adamjee Insurance Co. Limited	7,000	34,000	41,000	-	-	-	0.00%	0.00%
					-	-	0.00%	0.00%
Miscellaneous								
Siddiqsons Tin Plate Limited	-	1,010,000	1,010,000	-	-	-	0.00%	0.00%
					-	-	0.00%	0.00%
Oil & Gas Exploration Companies								
Oil & Gas Development Company Limited	12,500	111,000	123,500	-	-	-	0.00%	0.00%
Pakistan Oilfields Limited	1,500	71,000	72,500	-	-	-	0.00%	0.00%
Pakistan Petroleum Limited	5,500	41,000	46,500	-	-	-	0.00%	0.00%
					-	-	0.00%	0.00%
Oil And Gas Marketing Companies								
Pakistan State Oil Company Limited.	6,000	113,500	119,500	-	-	-	0.00%	0.00%
Sui Northern Gas Pipelines Limited	153,500	2,237,500	1,257,500	1,133,500	105,301	(4,283)	2.63%	4.96%
Sui Southern Gas Company Limited	188,000	727,500	915,500	-	-	-	0.00%	0.00%
					105,301	(4,283)	2.63%	4.96%

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise

Name of investee company	Number of shares			Balance as at September 30, 2018			Market Value		Paid-up value of shares held as a percentage of total paid-up capital of the investee company	
	As at July 01, 2018	Purchased during the year	Sold during the year	As at September 30, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of net assets		As a percentage of total investments
Pharmaceuticals										
The Searle Company Limited	2,000	288,000	290,000	-	-	-	-	0.00%	0.00%	0.00%
Power Generation & Distribution										
Hub Power Company Limited	8,500	58,500	67,000	-	-	-	-	0.00%	0.00%	0.00%
K-Electric Limited*	2,547,500	5,859,500	7,407,000	1,000,000	5,403	5,350	(53)	0.14%	0.26%	0.00%
Kot Addu Power Co. Limited	21,000	16,500	37,500	-	-	-	-	0.00%	0.00%	0.00%
Refinery										
Attock Refinery Limited	-	4,500	4,500	-	-	-	-	0.00%	0.00%	0.00%
Byco Petroleum Pakistan Limited	80,500	500,500	581,000	-	-	-	-	0.00%	0.00%	0.00%
Technology & Communications										
	30,500	935,000	965,500	-	-	-	-	0.00%	0.00%	0.00%
Textile Composite										
Nishat (Chunian) Limited	34,000	193,000	227,000	-	-	-	-	0.00%	0.00%	0.00%
Nishat Mills Limited	13,500	114,500	128,000	-	-	-	-	0.00%	0.00%	0.00%
Transport										
Pakistan Intentional Bulk Terminal Limited	601,500	1,516,500	2,118,000	-	-	-	-	0.00%	0.00%	0.00%
Total as at September 30, 2018										
					207,291	198,376	(8,914)			
Total as at June 30, 2018										
					118,378	117,007	(1,371)			

* These have a face value of Rs.3.5 per share

** These have a face value of Rs.5 per share

*** These shares has been pledged as been pledged with National Clearing Company of Pakistan Limited as security against MTM losses as per Circular no. 11 dated October 23, 2007 issued by the SECP.

4.3.1 The movement in equity securities represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income / (loss) due to difference in ready and future stock prices.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

4.4 Listed debt securities - Term Finance Certificates (TFCs) - 'at fair value through profit or loss' (face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates			Balance as at September 30, 2018			Market value	
	As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at September 30, 2018	Carrying value	Unrealised (loss) / gain	As a percentage of net assets	As a percentage of total investments
Commercial banks								
Bank Alfalah Limited-V (February 20, 2013)	65,581	-	-	65,581	329,024	327,309	(1,715)	8.51%
The Bank of Punjab Limited - TFC I* (December 23, 2016)	550	-	-	550	53,936	52,906	(1,031)	1.38%
					382,961	380,215	(2,746)	9.89%
								18.69%
Financial services								
Saudi Pak Leasing Company Limited (March 13, 2010)	10,000	-	-	10,000	27,548			
Less: Provision for impairment (see note 6.4.1)					(27,548)			
					-	-	-	0.00%
Total as at September 30, 2018					382,961	380,215	(2,746)	
Total as at June 30, 2018					391,558	383,026	(8,532)	

* Nominal value of these term finance certificates is Rs.100,000 per certificate.

4.5 Unlisted debt securities - Term Finance Certificates (TFCs) and Sukuks - 'at fair value through profit or loss' (face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates			Balance as at September 30, 2018			Market value		
	As at July 01, 2018	Purchased during the year	Sold / matured during the year	As at September 30, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of net assets	As a percentage of total investments
----- (Rupees in '000) ----- % -----									
Commercial banks									
Askari Bank Limited IV - TFC (September 30, 2014)	39,000	-	-	39,000	194,762	195,729	968	5.09%	9.62%
Bank ALHabib Limited - TFC II (March 17, 2016)	52,500	-	-	52,500	261,854	260,916	(937)	6.78%	12.82%
					456,615	456,645	30	11.88%	22.43%

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Particulars	Number of certificates				Balance as at September 30, 2018		Market value	
	As at July 01, 2018	Purchased during the year	Settled during the year	As at September 30, 2018	Carrying value	Unrealised (loss) / gain	As a percentage of net assets	As a percentage of total investments
Chemical								
Ghani Gases Limited - Sukuk * (February 02, 2017)	500	-	-	500	37,467	37,414 (52)	0.97%	1.84%
					37,467	37,414 (52)	0.97%	1.84%
Fertilizer								
Engro Fertilizers Limited - Sukuk (July 09, 2014)	15,800	-	-	15,800	27,927	27,817 (109)	0.72%	1.37%
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017)	3,500	-	-	3,500	350,700	350,192 (508)	9.11%	17.20%
Dawood Hercules Corporation Limited - Sukuk (March 01, 2018)	1,000	-	-	1,000	100,065	99,936 (128)	2.60%	4.91%
					478,691	477,945 (746)	12.43%	23.48%
Commercial banks								
The Bank of Punjab Limited - TFC II * (April 23, 2018)	-	850	-	850	85,000	83,400 (1,600)	2.17%	4.10%
					85,000	83,400 (1,600)	2.17%	4.10%
Investment bank								
Jahangir Siddiqui & Co. Ltd. - TFC (March 06, 2018)	10,000	-	-	10,000	50,036	49,933 (103)	1.30%	2.45%
Jahangir Siddiqui & Co. Ltd. - TFC (July 18, 2017)	-	10,000	-	10,000	49,875	49,875 -	1.30%	2.45%
					99,911	99,808 (103)	2.60%	4.90%
Household goods								
New Allied Electronics Industries (Private) Limited - TFC (May 15, 2007)	10,400	-	-	10,400	22,337	(22,337)	-	-
Less: Provision for impairment (see note 4.5.1)					-	-	0.00%	0.00%
New Allied Electronics Industries (Private) Limited - Sukuk (July 25, 2007)	112,000	-	-	112,000	35,063	(35,063)	-	-
Less: Provision for impairment (see note 4.5.1)					-	-	0.00%	0.00%
Total as at September 30, 2018					1,157,684	1,155,213 (2,471)		
Total as at June 30, 2018					1,045,281	1,038,946 (6,335)		

* Nominal value of this sukuk certificate is Rs. 100,000 per certificate.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

4.5.1 Details of non-compliant investments with the investment criteria as specified by the SECP

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at September 30, 2018, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of total investments
Listed debt securities						
Saudi Pak Leasing Company Limited	TFC	27,548	(27,548)	-	0.00%	0.00%
Unlisted debt securities						
New Allied Electronics Industries (Private) Limited	TFC	22,337	(22,337)	-	0.00%	0.00%
New Allied Electronics Industries (Private) Limited	Sukuk	35,063	(35,063)	-	0.00%	0.00%

(Un-Audited)
September 30, 2018
September 30, 2017

4.6 Net unrealised (loss) / gain on re-measurement of investments classified as 'at fair value through profit or loss'

Market value of investments	2,032,991	2,189,626
Less: Carrying value of investments	2,048,585	2,194,011
	(15,594)	(4,385)

Note
4.1 to 4.5

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Note	(Un-Audited) September 30, 2018 ----- (Rupees in '000) -----	(Audited) June 30, 2018
5 ACCRUED AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund (SWWF)	5.1	22,925	21,737
Federal Excise Duty on remuneration to the Management Company	5.2	99,060	99,060
Federal Excise Duty and related taxes payable on sales load		27,933	27,933
Sale load payable to MCB Bank Limited (a related party)		149	6
Auditors' remuneration		171	505
Withholding tax payable		848	241
Brokerage payable		1,846	887
Others		2,858	2,689
		<u>155,790</u>	<u>153,058</u>

5.1 There is no change in the status of the SWWF as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the provision for SWWF not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at September 30, 2018 would have been higher by Re. 0.64 per unit (June 30, 2018 Re. 0.5 per unit).

5.2 There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the said provision for FED not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at September 30, 2018 would have been higher by Re.2.78 per unit (June 30, 2018: Re.2.26 per unit).

6. CONTINGENCIES AND COMMITMENTS

6.1 CONTINGENCIES

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

	(Un-Audited) September 30, 2018 ----- (Rupees in '000) -----	(Audited) June 30, 2018
6.2 COMMITMENTS		
Future buy transactions of equity securities entered into by the Fund in respect of which the buy transactions have not been settled as at period end	<u>493,625</u>	<u>-</u>
Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at period end	<u>460,566</u>	<u>116,691</u>
Margin Trading System (MTS) transactions entered into by the Fund which have not been settled as at period end:		
- Purchase transactions	<u>-</u>	<u>-</u>
- Sale transactions	<u>9,535</u>	<u>949</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

7 TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly, no provision for taxation has been made in these condensed interim financial statements.

8 CASH AND CASH EQUIVALENTS	(Un-Audited) September 30, 2018	(Audited) June 30, 2018
	----- (Rupees in '000) -----	
Balances with banks	1,792,557	2,944,793
Treasury bills maturing within 3 months	149,203	148,366
	<u>1,941,760</u>	<u>3,093,159</u>

9. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, its parent and the related subsidiaries of the parent, associated companies / undertakings of the Management Company, its parents and the related subsidiaries, other funds managed by the Management Company, post employment benefit funds of the Management Company, employment funds of the parent, subsidiaries and its associated undertakings. It also includes the Central Depository Company of Pakistan Limited being the Trustee of the Fund, the directors and officers of the Management Company and any person or Company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

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

The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the period end, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

9.1 Unit Holders' Fund

For the quarter ended September 30, 2018 (Un-Audited)						
	As at July 01, 2018	Issuance (including additional units)	Redeemed	As at September 30, 2018	As at July 01, 2018	Issuance* (Rupees in '000)
Group / associated companies	Units					As at September 30, 2018
MCB Employees' Provident Fund	1,255,728	57,539	-	1,313,267	139,814	6,126
MCB Employees' Pension Fund	1,255,728	57,539	-	1,313,267	139,814	6,126
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	173	-	3,950	421	18
Adamjee Insurance Company Limited - Employees' Gratuity Fund	166,862	7,645	174,508	-	18,579	4,405
Nishat Power Limited Employees Provident Fund Trust	86,109	3,945	90,055	-	9,587	2,273
Adamjee Insurance Co.Ltd Employees Provident Fund	335,292	15,363	350,656	-	37,332	8,851
Mandate under discretionary portfolio services	2,927,904	164,679	3,092,583	-	232,242	3,349
						329,674

* Includes additional units issued at zero cost.

For the quarter ended September 30, 2017 (Un-Audited)						
	As at July 01, 2017	Issuance	Redeemed	As at September 30, 2017	As at July 01, 2017	Issued for cash (Rupees in '000)
Associated Companies	Units					As at September 30, 2017
MCB Employees Provident Fund	1,255,728.00	-	-	1,255,728	133,646	-
MCB Employees Pension Fund	1,255,728	-	-	1,255,728	133,646	-
D.G. Khan Cement Company Limited - Employees Provident Fund Trust	3,777	-	-	3,777	402	-
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	27,549	-	-	27,549	2,932	-
Mandate Under Discretionary Portfolio Services	331,381	-	-	331,381	35,269	-
						35,652
Key management personnel	9704	-	-	9704	1,033	-
						1,044
Unit holders holding 10% or more units	6,667,860	337,914	-	7,005,774	709,666	35,999
Gul Ahmed Energy Limited						-
						753,734

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

	(Un-Audited)	
	September 30, 2018	September 30, 2017
	----- (Rupees in '000) -----	
9.2 Transactions during the period:		
Management Company		
MCB Arif Habib Savings and Investment Limited		
Remuneration (including indirect taxes)	18,013	26,506
Expense allocated by the Management Company and related taxes	1,201	1,767
Central Depository Company of Pakistan Limited - Trustee		
Remuneration (including indirect taxes)	1,263	1,693
Settlement charges	51	373
Group / associated companies		
MCB Bank Limited		
Mark-up on deposit accounts	1	1
Bank charges	5	7
Silk Bank Limited		
Mark-up on deposit accounts	17,873	43,922
Bank charges	40	30
Sale of Government securities having face value of Rs.1,000,000,000 (2017: Nil)	982,501	-
Next Capital Limited - Brokerage House		
Brokerage and settlement charges *	112	20
Adamjee Insurance Company Limited		
Purchase of 34,000 (2017: 7,500) shares	1,664	478
Sale of 34,000 (2017: 7,500) shares	1,685	481
Nishat (Chunian) Limited		
Purchase of 193,000 (2017:271,000) shares	9,862	14,178
Sale of 193,000 (2017: 264,500) shares	9,973	13,922
D.G. Khan Cement Company Limited		
Purchase of 389,000 (2017: 957,500) shares	42,436	147,884
Sale of 389,000 (2017:169,500) shares	42,654	30,207

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

(Un-Audited)
September 30, September 30,
2018 2017
----- (Rupees in '000) -----

Nishat Mills Limited

Purchase of 114,500 (2017: 434,500) shares	15,745	64,458
Sale of 114,500 (2017:189,500) shares	15,872	28,934

Fatima Fertilizer Limited

Purchase of Nil (2017: 8,500) shares	-	270
Sale of Nil (2017:8,500) shares	-	272

(Un-Audited) (Audited)
September 30, June 30
2018 2018
----- (Rupees in '000) -----

9.3 Balances outstanding at period end:

Management Company

MCB-Arif Habib Savings and Investments Limited

Remuneration payable	4,998	5,638
Sales tax payable on remuneration payable	650	733
Sales load payable	289	322
Sales tax payable on sales load	38	42
Back End Load Payable	41	27
Expense allocated by the Management Company	333	376

Central Depository Company of Pakistan Limited - Trustee

Security deposit	200	200
Remuneration payable (including indirect taxes)	400	441

Group / associated companies

MCB Bank Limited

Balances with bank	9,297	3,242
Sales load payable	149	6

Silk Bank Limited

Balances with bank	96,795	1,674,650
Profit Recievable	6,337	11,771

Next Capital Limited - Brokerage House

Brokerage and settlement charges payable*	112	136
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NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	(Un-Audited) September 30, 2018	(Audited) June 30 2018
	----- (Rupees in '000) -----	
Nishat (Chunian) Limited		
Nil (2018: 34,000) shares held	-	1,614
D.G. Khan Cement Company Limited		
Nil (2018: 25,000) shares held	-	2,862
Nishat Mills Limited		
Nil (2018: 13,500) shares held	-	1,902
Mughal Iron & Steel Industries Limited		
Nil (2018: 500) shares held	-	31
Adamjee Insurance Company Limited		
Nil (2018: 7,000) shares held	-	341

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

10 EARNINGS PER UNIT

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

11 TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 0.62% as on September 30, 2018 (2018: 2.45%) and this includes 0.1% (2018: 0.39%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an income scheme.

12 GENERAL

12.1 Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and disclosure. No significant rearrangement or reclassification has been made in this condensed interim financial information, except for the impacts of change in accounting policies as disclosed in note 3.2.

13 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 22, 2018 by the Board of Directors of the Management Company.

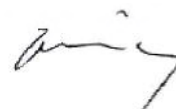
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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