



MCB-ARIF HABIB  
Savings and Investments Limited

AM2  
BY FACRA

# HALF YEAR REPORT

DECEMBER  
**2018**  
(UNAUDITED)

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

**MCB PAKISTAN ASSET ALLOCATION FUND**

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## 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 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 Faysal Bank Limited United Bank Limited Allied Bank Limited Silk 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 Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
<b>Auditors</b>	<b>Deloitte Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
<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, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	<b>AM2++</b> Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2018

**Dear Investor,**

On behalf of the Board of Directors, we are pleased to present MCB Pakistan Asset Allocation Fund Half Yearly Report for the period ended December 31, 2018.

## **MARKET & ECONOMIC REVIEW**

### **Economy and Money Market Review**

FY19 started off with a positive note as smooth completion of election process resulted in a sigh of relief for the market participants. The new regime inherited many economic challenges particularly on the external front. To cope with the underlying challenges, major policy actions (currency depreciation of 15% along with interest rate hike of 250 bps) were taken to address the imbalances. Furthermore, major success came through diplomatically engaging with the friendly allies. As a result, Pakistan secured BOP support package from Saudi Arabia, UAE and China amounting to USD 14 billion while Saudi Arabia & UAE committed foreign direct investment of USD 20-30 billion.

Average CPI for the first half of current fiscal year clocked in at 6.0%. Nevertheless, it is expected to jack up during the second half, owing to a low base effect and lagged impact of currency adjustments. Furthermore, government is yet to adjust electricity prices as the gap between base tariff and actual cost of generation has widened significantly. We expect CPI to average 8.5% for the 2HFY19 after accounting for electricity adjustments.

Current Account Deficit for the first six months clocked in at ~USD 8 billion which is an improvement of 4.4% from same period last year. CAD was well supported by remittances growth of 10%. However, the improvement in the external position was masked by the higher oil prices and payments for the previous periods reflected in current accounts. The non-oil imports have shown encouraging trend, declining by ~5% over the previous year. Reflecting the elevated oil prices and limited financial flows, reserves declined by ~USD 2.7 bn during the period leading to rupee depreciation of ~13.7%.

The focus of government to stabilize aggregate demand has taken its toll on large scale manufacturing which posted a decline of 0.9% YoY in the first five months of FY19. The decline has been led by reduction in production of oil products followed by slow down in autos, pharmaceuticals, consumer products. LSM growth is reflecting the overall slowdown in economy as envisaged by the steps taken by authorities to control the external imbalances.

The yield curve showed an upward trajectory during the half year as market players continued to expect further monetary tightening. During the first 6 months, State Bank of Pakistan increased the policy rate by 350 bps in line with the expectations of most of the market. Most of PIB auctions during the period under review were rejected by State Bank of Pakistan due to thin volume and participation at higher levels. The 3 year, 5 year and 10 year PIB were accepted in the PIB auction held in December '18 at 12.25%, 12.70% and 13.15% respectively. Two Floater rate PIB auction were conducted during 1HFY19. The first was accepted at a benchmark rate +70 bps. The second was rejected due to higher level of participation. Concerns over external front kept market participants at bay from longer tenor Treasury instruments with persistence towards accumulation in papers having maturity below or equal to 3 months.

Liquidity remained comfortable throughout the period owing to regular OMOs conducted by SBP. During the second quarter, 117.7 billion worth of floater rate GOP Ijara Sukuk matured. No fresh GOP Ijara Sukuk were issued whereas SBP conducted auction of Bai Muajjal in which 72.55 billion was accepted out of total participation of 76.55.

### **Equity Market Review**

CY18 closed itself on a negative note for the consecutive second year, as the benchmark Index KSE100 posted a loss of 8.4%. Half year/Quarterly return amounted to ~9.5%/11.5% respectively. The month of Dec'18 was the worst month of the year as KSE100 retreated by 8.5%, as unexpected monetary tightening by 150 bps during the last month created a negative environment for equities. Even announcement for support of USD 3 billion by UAE could not come to rescue as overall uncertainty continued to linger towards the economy. Foreign selling during the first half continued with foreigners offloading USD ~404 mn worth of equities, most of which was absorbed by Insurance Companies and Individuals who bought USD ~173 and ~USD 152 mn respectively. Volumes and values averaged around 179 mn shares/ PKR 7.68 bn, depicting a considerable decrease of ~6/~7% as compared to first half.

In the first half, most of the major sectors such Refineries, Autos, OMCs, E&Ps & Cements underperformed the market generating negative returns of 29%/27%/20%/18%/16% respectively. Refineries suffered due to lower throughput and closure of plants amid limited offtake of Furnace Oil. E&Ps took the brunt of plunge in international oil prices by ~30% as compared. Autos, Cements and OMCs followed the thematic decline due to economic slowdown. On the flip side, only

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Textile Composites remained in the positive territory generating a positive return of 20% due to currency depreciation of ~15% as well as supportive export-oriented policies of the newly-elected government.

### FUND PERFORMANCE

The fund posted a negative return of 6.73% during the period compared to the benchmark return of 5.68%. The fund enhanced its exposure towards equities from 50.1% to 60% with changing equity market. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks.

On the fixed income side, the exposure towards T-bills was decreased to 0% and the Exposure in TFC's was increased to 8.5%.

The Net Assets of the Fund as at December 31, 2018 stood at Rs. 2,816 million as compared to Rs. 3,213 million as at June 30, 2018 registering a decrease of 12.36%.

The Net Asset Value (NAV) per unit as at December 31, 2018 was Rs. 73.6449 as compared to opening NAV of Rs. 78.9595 per unit as at June 30, 2018 registering a decrease of Rs. 5.3146 per unit.

### MARKET & ECONOMY - FUTURE OUTLOOK

The government has managed to arrange adequate financial flows for the next half year supported by deferred payment facilities, loans and deposits from friendly nations. However, the external account balance needs to improve further to reach sustainable levels for future funding of deficits. The exports are expected to show an improved trend supported by lagged impacts of currency depreciation, tax refunds to exporters, better energy supplies and energy price parity with regional peers. Imports are expected to slow down in second half of the year as effects of the one-off adjustments and oil prices neutralize along with impact of currency depreciation becomes further visible. Current account deficit for FY19 is expected to be ~USD 13 bn with CAD for next half year to slow down to ~USD 5 bn compared with first half of ~USD 8 bn. Subsequently, we expect normalize PKR/USD adjustment of around 5% in next half given the REER is close to its fundamental value.

The government has announced to approach the IMF for an economic program for balance of payments support. IMF program would lead to better policy management relative to dealing with the structural issues in the economy along with responsible fiscal management. Besides, entrance into IMF program would allow Pakistan to secure financial flows from other multilateral agencies which would allow better external account management.

Inflationary pressures are expected to become more visible in second half of the year as lagged impacts of currency depreciation, gas price increase and electricity price adjustments are incorporated. However, most of the monetary tightening has been done to reflect the upcoming inflationary pressures and room for further tightening would remain in the range of 50 bps.

For the remaining year, the economic growth is expected to remain on a slower trajectory 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 unpopular policy steps.

We believe equity markets preempted the economic conditions and as such it is important to consider whether all the economic developments are priced in or not. Therefore, overall valuations and fundamentals of universe companies do play an important role. The overall strategy should tilt towards defensive sectors (E&Ps, Power, Fertilizers) while sector which will benefit from changing dynamics on macro front such as rising interest rates (Commercial Banks) should be overweight. In addition to that, government's strong focus on reviving exports should provide a boost to the outlook of export oriented sectors such as Textiles & IT. Despite being negative on cyclical sectors, we believe there will be distressed assets and quality companies which should be looked into as they have a tendency to provide abnormal returns.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2018

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### 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,



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Muhammad Saqib Saleem  
Chief Executive Officer  
February 18, 2019



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Nasim Beg  
Vice Chairman / Director



کی قیمتوں کے اثرات توازن پیدا کریں گے، اور ساتھ ساتھ روپے کی قدر میں کمی کا اثر مزید واضح ہوگا۔ مالی سال 2019ء میں کرنٹ اکاؤنٹ کا متوقع خسارہ 13 بلین ڈالر ہے، اور اگلے نصف سال کے لیے CAD نصف اڈل کے 8 بلین ڈالر کے مقابلے میں سسٹ روی کا شکار ہو کر 5 بلین ڈالر رہ جائے گا۔ بعد ازاں، اگلے نصف سال میں REER کے بنیادی قدر کے قریب ہونے کی صورت میں پاکستانی روپے / امریکی ڈالر میں تقریباً 5% ایڈجسٹمنٹ متوقع ہے۔ حکومت نے اعلان کیا ہے کہ ادائیگیوں کے توازن میں معاونت کے معاشی پروگرام کے لئے آئی ایم ایف سے رجوع کیا جائے گا۔ آئی ایم ایف پروگرام کی بدولت پالیسی کے انتظام میں بہتری ہوگی جس سے معیشت کی ساخت سے متعلق مسائل سے نمٹنا جاسکے گا اور ذمہ دارانہ مالیاتی انتظام ممکن ہو سکے گا۔ علاوہ ازیں، آئی ایم ایف پروگرام میں داخل ہونے سے پاکستان کو دیگر کثیرالجہت ایجنسیوں سے مالیات حاصل کرنے میں مدد ملے گی جس کی بدولت خارجی اکاؤنٹ کا بہتر انتظام ممکن ہو سکے گا۔ افراط زر کے دباؤ سال کے نصف آخر میں مزید واضح ہونے کی توقع ہے کیونکہ کرنسی کی قدر میں کمی، گیس کی قیمت میں اضافے اور بجلی کی قیمتوں میں کمی بیشی کے سسٹ اثرات کا احاطہ کیا جائے گا۔ تاہم مالیاتی تنگی کا اکثر حصہ مکمل کیا جا چکا ہے جس میں آنے والے افراط زر کے دباؤ کی عکاسی ہوتی ہے، اور مزید تنگی 50 bps کی حد میں رہے گی۔

سال کے باقی حصے میں معاشی ترقی متوقع طور پر نسبتاً سسٹ روی کا شکار رہے گی کیونکہ کرنسی میں کمی بیشی اور مالیاتی پالیسی میں مزید تنگی صرفی رجحان پر حاوی رہے گی۔ تاہم بجلی کی پہلے سے زیادہ فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس مشکل موڈ پر معاشی تنظیمیں کو سہولت فراہم ہوگی۔ نئی حکومت معاشی میدان کے دیرینہ مسائل کے حل پر توجہ دینے کی زیادہ مرکوز اور مخلص کاوشیں کر رہی ہے، چنانچہ ہم بہتر حکومت داری اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں؛ تاہم راستہ متوقع طور پر دشوار اور ممکنہ نا پسندیدہ پالیسی اقدامات سے پُر ہوگا۔

ہم سمجھتے ہیں کہ ایکوٹی مارکیٹس نے معاشی حالات کی قبل از وقت حفاظت کی؛ چنانچہ یہ دیکھنا ضروری ہے کہ تمام معاشی ترقیات قیمت شدہ ہیں یا نہیں۔ لہذا مجموعی تخمینہ جات اور عالمگیر کمپنیوں کی بنیاديات اہم کردار ادا کرتی ہیں۔ مجموعی لائحہ عمل کا جھکاؤ دفاعی شعبوں کی طرف ہونا چاہیے (E&Ps، بجلی، کھاد)، جبکہ وہ شعبے جو کلاں معاشیات کے میدان میں تبدیل ہوتے ہوئے محرکات مثلاً انٹریسٹ کی شرحوں میں اضافے سے مستفید ہوں گے (کمرشل بینک) ان کا وزن زیادہ ہونا چاہیے۔ علاوہ ازیں، برآمدات کی بحالی پر حکومت کی بھرپور توجہ کی بدولت برآمداتی شعبوں مثلاً ٹیکسٹائل اور IT کے لیے مستقبل کے امکانات روشن ہوں گے۔ گردش شعبوں کے حوالے سے منفی سوچ کے باوجود ہم سمجھتے ہیں کہ کچھ اثاثہ جاتی اور quality کمپنیاں مشکلات سے دوچار ہوں گی جن پر توجہ دی جانی چاہیے کیونکہ یہ غیر معمولی منافع کی صلاحیت رکھتی ہیں۔

اظہار تشکر

بورڈ فنڈ کے قابل قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اور فنڈ کے ٹرسٹیز کی مسلسل پشت پناہی اور تعاون کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹر مینجمنٹ ٹیم کی کاوشوں کو بھی سراہتے ہیں۔

من جانب ڈائریکٹر،

محمد قاسم سلیم

محمد قاسم سلیم

چیف ایگزیکٹو آفیسر

18 فروری، 2019ء

نسیم بیگ

وائس چیئرمین / ڈائریکٹر



بلیمن مالیت کے حکومت پاکستان کے فلوئر ریٹ اجارہ سلگ کی مدت مکمل ہوئی۔ حکومت پاکستان کے تازہ اجارہ سلگ کا اجراء نہیں کیا گیا جبکہ اسٹیٹ بینک آف پاکستان نے Bai Muajjal کی نیلامی منعقد کی جس میں 76.55 بلیمن کی کل شرکت میں سے 72.55 بلیمن قبول کیے گئے۔

#### ایکویٹی مارکیٹ کا جائزہ

سال رواں میں بیج مارک انڈیکس KSE100 نے 8.4% خسارہ پوسٹ کیا، اور یوں متواتر دوسرے سال کا اختتام منفی صورتحال پر ہوا۔ ششماہی اور سہ ماہی منافع بالترتیب 9.5% اور 11.5% تھا۔ دسمبر 2018ء سال کا بدترین مہینہ تھا کیونکہ KSE100 میں 8.5% تنزلی ہوئی کیونکہ ماہ گزشتہ کے دوران 150 bps غیر متوقع مالیاتی تنگی کے باعث ایکویٹیز کے لیے منفی ماحول پیدا ہو گیا تھا۔ حتیٰ کہ متحدہ عرب امارات کی طرف سے 3 بلیمن ڈالر کے تعاون کے اعلان سے بھی کوئی خاص فائدہ نہیں ہوسکا کیونکہ معیشت میں مجموعی طور پر غیر یقینی صورتحال منڈلاتی رہی۔ نصف اول کے دوران غیر ملکی فروخت جاری رہی؛ غیر ملکیوں نے 404 ملین ڈالر مالیت کی ایکویٹیز فروخت کیں جن میں سے انشورنس کمپنیوں نے 173 ملین ڈالر افراد نے 152 ملین ڈالر مالیت کی ایکویٹیز خریدیں۔ ایکویٹیز کے حجم کا اوسط تقریباً 179 ملین حصص تھا جبکہ ایکویٹیز کی قدر کا اوسط تقریباً 7.68 بلیمن روپے تھا، جو نصف اول کے مقابلے میں 6 سے 7 فیصد کی اچھی خاصی کمی ہے۔

نصف اول میں اکثر بڑے شعبہ جات مثلاً ریفائریز، آئوز، OMCs، E&Ps اور سیمنٹ نے مارکیٹ کے مقابلے میں کمزور کارکردگی کا مظاہرہ کیا اور بالترتیب 29%، 27%، 20%، 18% اور 16% منفی منافع دیا۔ ریفائریز مال کی پست سطح اور فرنیس آئل کے محدود offtake کے باعث پائپس بند ہو جانے سے متاثر ہوئیں۔ E&Ps تیل کی بین الاقوامی قیمتوں میں 30% کمی سے متاثر ہوئیں، اور آئوز، سیمنٹ اور OMCs کے شعبے بھی اسی ضمن میں معاشی سست روی کے باعث تنزلی کا شکار ہوئے۔ دوسری جانب صرف نیکسٹائل Composites مثبت احاطے میں رہے اور 20% مثبت منافع حاصل کیا جس کی وجہ روپے کی قدر میں 15% کمی اور منتخب حکومت کی برآمدات کی معاونت کرنے والی پالیسیاں ہیں۔

#### فنڈ کی کارکردگی

دوران مدت فنڈ نے 6.73% منفی منافع پوسٹ کیا، جبکہ بیج مارک منافع 5.68% تھا۔ ایکویٹیز کی مارکیٹ میں تبدیلیوں کے باعث فنڈ کی ایکویٹیز میں سرمایہ کاری کو 50.1% سے بڑھا کر 60% کر دیا گیا۔ فنڈ نے کثیر منافع کے حامل دفاعی اسٹاکس اور growth اسٹاکس کے درمیان توازن برقرار رکھنے پر توجہ مرکوز رکھی۔ مقررہ آمدنی کی جہت میں ٹی بلز میں سرمایہ کاری کو کم کر کے 0% کر دیا گیا اور ٹرم فنانس سرٹیفکیٹس (TFCs) میں سرمایہ کاری کو بڑھا کر 8.5% کر دیا گیا۔ 31 دسمبر 2018ء کو فنڈ کے net اثاثہ جات 2,816 ملین روپے تھے، جو 30 جون 2018ء کی سطح 3,213 ملین روپے کے مقابلے میں 12.36% کمی ہے۔ 31 دسمبر 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 73.6449 روپے تھی، جو 30 جون 2018ء کو 78.9595 روپے فی یونٹ ابتدائی NAV کے مقابلے میں 5.3146 روپے فی یونٹ کمی ہے۔

#### بازار اور معیشت - مستقبل کا منظر

حکومت اگلی ششماہی کے لیے خاطر خواہ مالیاتی فراہمی کا انتظام کر پائی ہے جس کی معاونت دوست ممالک کی طرف سے تاخیر سے ادائیگی کی سہولیات، قرضوں اور deposits سے ہوتی ہے۔ تاہم کارجی اکاؤنٹ کے توازن میں مزید بہتری درکار ہے تاکہ مستقبل میں مالیات کی فراہمی اور خساروں کی قابل بقاء سطحوں تک رسائی ہو سکے۔ برآمدات میں بہتری کا رجحان متوقع ہے جس کی معاونت روپے کی قدر میں کمی، برآمد کاروں کو ٹیکس کی واپسی، توانائی کی بہتر فراہمیوں اور توانائی کی قیمتوں میں علاقائی فریقوں سے مساوات کے سست اثر سے ہوگی۔ درآمدات میں سال کے نصف آخر میں سست روی متوقع ہے کیونکہ یکبارگی کمی پیشیوں اور تیل

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان Asset (سابقہ: ایم سی بی ڈائنامک ایلیکشن فنڈ) کی 31 دسمبر 2018ء کو اختتام پذیر ہونے والی مدت کی ششماہی رپورٹ پیش خدمت ہے۔

بازار اور معیشت کا جائزہ

معیشت اور بازار زر کا جائزہ

مالی سال 2019ء کا آغاز مثبت فضا سے ہوا کیونکہ انتخابی عمل کی بلار کاؤٹ تکمیل کے نتیجے میں مارکیٹ کے فریقوں نے اطمینان کا سانس لیا۔ نئی حکومت کو متعدد معاشی مسائل وراثت میں ملے، خاص طور پر خارجی میدان میں۔ درپیش مشکلات سے نبرد آزما ہوتے ہوئے اہم پالیسی اقدامات کیے گئے (روپے کی قدر میں 15% کی کمی کے ساتھ ساتھ انٹریسٹ کی شرح میں 250 bps اضافہ) تاکہ عدم توازن سے نمٹا جاسکے۔ مزید برآں، اہم ترین کامیابی دوست اتحادیوں سے سفارتی تعلقات قائم کرنے سے حاصل ہوئی۔ نتیجہً، پاکستان کو سعودی عرب، متحدہ عرب امارات اور چین سے ادائیگیوں کے توازن میں معاونت کے لیے 14 بلین ڈالر کے پیکیج حاصل ہوئے، جبکہ سعودی عرب اور متحدہ عرب امارات نے 20 سے 30 بلین ڈالر کی براہ راست غیر ملکی سرمایہ کاری کا وعدہ کیا۔

موجودہ مالی سال کی پہلی ششماہی کے لیے CPI کا اوسط 6% تھا۔ لیکن دوسری ششماہی میں پسٹ base effect اور کرنسی میں کمی بیشی کے سبب اثر کے باعث اس اوسط میں اضافہ متوقع ہے۔ مزید برآں، حکومت کی طرف سے بجلی کی قیمتوں میں کمی بیشی ہونا باقی ہے کیونکہ پیداوار کی بنیادی چیلنگ اور اصل قیمت کے درمیان فاصلے میں اچھا خاصا اضافہ ہو گیا ہے۔ مالی سال 2019ء کی دوسری ششماہی کے لیے CPI کا اوسط بجلی میں کمی بیشی کے اثر کا احاطہ کرنے کے بعد 8.5% متوقع ہے۔

پہلے چھ ماہ میں کرنٹ اکاؤنٹ کا خسارہ 8 بلین ڈالر تھا، جو گزشتہ سال کی مماثل مدت کے مقابلے میں 4.4% بہتری ہے۔ CAD کو ترسیل زر میں 10% اضافے کی بھرپور معاونت حاصل ہوئی۔ تاہم تیل کی بلند قیمتیں اور موجودہ اکاؤنٹس میں سابقہ مدتوں کی ادائیگیوں کی عکاسی خارجی صورتحال میں بہتری کی بھرپور اثر پذیری میں رکاوٹ بنے۔ Non-oil درآمدات میں گزشتہ سال کی نسبت 5% کمی حوصلہ افزا رہا ہے۔ تیل کی بلند قیمتوں اور محدود مالی بہاؤ کی عکاسی کرتے ہوئے دوران مدت ذخائر میں 2.7 بلین ڈالر کمی، اور اس کے نتیجے میں روپے کی قدر میں 13.7% کمی ہوئی۔

مجموعی مانگ کو مستحکم کرنے کی حکومتی توجہ کے نتیجے میں بڑے پیمانے پر ہونے والی مینوفیکچرنگ (LSM) متاثر ہوئی جس میں مالی سال 2019ء کے ابتدائی پانچ ماہ میں 0.9% YoY کمی ہوئی۔ اس کمی کی وجہ تیل کی مصنوعات کی پیداوار میں کمی اور اس کے باعث گاڑیوں، دواسازی اور صارفی مصنوعات میں سست روی ہے۔ LSM میں ترقی معیشت میں مجموعی سست روی کی عکاسی کر رہی ہے جس کی پیش بینی خارجی عدم توازن پر قابو پانے کے لیے حکام کے اقدامات سے ہوتی ہے۔ دوران ششماہی مالیاتی تنگی میں اضافے کے حوالے سے مارکیٹ کے فریقوں کی توقع برقرار رہی، چنانچہ پیداواری خم بلندی کی طرف مائل ہوا۔ ابتدائی چھ ماہ کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی کی شرح کو بازار کے زیادہ تر حصے کی توقعات کے مطابق بڑھا کر 350 bps کر دیا۔ زیر جائزہ مدت کے دوران پاکستان انویسٹمنٹ بانڈز (PIB) کی اکثر نیلامیوں کو اسٹیٹ بینک آف پاکستان نے کمزور حجم اور بلند سطح پر شرکت کے باعث مسترد کر دیا۔ تین سالہ، پانچ سالہ اور دس سالہ PIB کو دسمبر 2018ء میں ہونے والی نیلامی میں بالترتیب 12.25%، 12.70% اور 13.15% پر قبول کیا گیا۔ مالی سال 2019ء کی پہلی ششماہی کے دوران Two Floater شرح کے PIB کی نیلامیاں منعقد ہوئیں۔ پہلی کو بیچ مارک شرح 70 bps + پر قبول کیا گیا۔ دوسری کو شرکت کی بلند سطح کے باعث مسترد کر دیا گیا۔ خارجی صورتحال پر خدشات کے باعث طویل تر میعاد کے ٹریڈری انسٹرومنٹس میں بازار کی شرکت متاثر ہوئی اور 3 ماہ یا اس سے کم مدت کے دستاویزات میں بدستور اضافہ ہوا۔

اسٹیٹ بینک آف پاکستان کے باقاعدگی سے منعقدہ OMOs کی بدولت نقدیت پوری مدت کے دوران سہل سطح پر رہی۔ دوسری سہ ماہی کے دوران 117.7

## TRUSTEE REPORT TO THE UNIT HOLDERS

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office

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



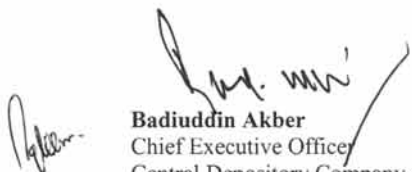
### TRUSTEE REPORT TO THE UNIT HOLDERS

#### MCB PAKISTAN ASSET ALLOCATION FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Asset Allocation Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 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.



**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 20, 2019







**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
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**AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF  
CONDENSED INTERIM FINANCIAL INFORMATION**

**Introduction**

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Asset Allocation Fund** (the Fund) as at December 31, 2018, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the half year ended December 31, 2018. The Board of the Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

  
Chartered Accountants

**Engagement Partner**  
Hena Sadiq

**Dated:** February 20, 2019  
**Place:** Karachi

Member of  
Deloitte Touche Tohmatsu Limited

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2018

	Note	(Un-audited) December 31, 2018 ----- (Rupees in '000) -----	(Audited) June 30, 2018
<b>ASSETS</b>			
Balance with banks	5	869,039	1,375,000
Investments	6	1,992,461	1,896,981
Profit receivable		10,426	9,542
Receivable against sale of investments		27,933	37,069
Advances, deposits, prepayments and other receivables		8,200	7,834
<b>Total assets</b>		<b>2,908,059</b>	<b>3,326,426</b>
<b>LIABILITIES</b>			
Payable to the Management Company		8,923	11,168
Payable to the Central Depository Company of Pakistan Limited - Trustee		376	385
Payable to the Securities and Exchange Commission of Pakistan		1,485	3,065
Payable against purchase of investments		34,023	50,906
Payable on redemption of units		31	41
Accrued expenses and other liabilities	7	47,083	48,212
<b>Total liabilities</b>		<b>91,921</b>	<b>113,777</b>
<b>NET ASSETS</b>		<b>2,816,138</b>	<b>3,212,649</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>2,816,138</b>	<b>3,212,649</b>
<b>Contingencies and commitments</b>	8		
<b>(Number of units)</b>			
<b>Number of units in issue</b>		<b>38,239,436</b>	<b>40,687,318</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>		<b>73.6449</b>	<b>78.9595</b>

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

Note	Half year ended December 31,		Quarter ended December 31,	
	2018	2017	2018	2017
----- (Rupees in '000) -----				
<b>Income</b>				
Income from Government securities	30,419	23,869	18,020	9,797
Capital loss on sale of investments - net	(11,751)	(39,932)	(34,401)	(35,149)
Income from term finance certificates	9,317	4,241	5,040	2,047
Income from commercial papers	-	15	-	15
Dividend income	41,973	26,860	19,522	14,093
Profit on bank deposits and term deposit receipts	22,794	39,405	9,906	19,794
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' - net	6.3 (239,508)	(126,025)	(186,739)	(36,058)
Other income	224	11	210	7
<b>Total loss</b>	<b>(146,532)</b>	<b>(71,556)</b>	<b>(168,442)</b>	<b>(25,454)</b>
<b>Expenses</b>				
Remuneration of the Management Company	31,266	32,438	15,061	15,413
Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company	4,065	4,217	1,958	2,004
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	2,067	2,126	1,004	1,023
Sindh Sales Tax on remuneration of Trustee	269	276	131	133
Securities and Exchange Commission of Pakistan - annual fee	1,485	1,541	715	732
Allocated expenses	1,766	1,833	850	871
Selling and marketing expenses	6,252	6,487	3,011	3,082
Brokerage and settlement charges	8,567	8,468	4,965	3,171
Legal and professional charges	91	87	-	34
Auditors' remuneration	447	549	248	209
Other expenses	247	235	148	118
<b>Total expenses</b>	<b>56,522</b>	<b>58,257</b>	<b>28,091</b>	<b>26,790</b>
<b>Net loss for the period before taxation</b>	<b>(203,054)</b>	<b>(129,813)</b>	<b>(196,533)</b>	<b>(52,244)</b>
Taxation	9 -	-	-	-
<b>Net loss for the period</b>	<b>(203,054)</b>	<b>(129,813)</b>	<b>(196,533)</b>	<b>(52,244)</b>
<b>Allocation of net loss for the period</b>				
Net loss for the period	(203,054)	(129,813)	(196,533)	(52,244)
Income already paid on units redeemed	-	-	-	-
	<b>(203,054)</b>	<b>(129,813)</b>	<b>(196,533)</b>	<b>(52,244)</b>
<b>Accounting income available for distribution</b>				
- Relating to capital gains	-	-	-	-
- Excluding capital gains	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>(Loss) / Earning per unit</b>	10			

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018**

	<b>Half year ended December 31,</b>		<b>Quarter ended December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>----- (Rupees in '000) -----</b>			
<b>Net (loss) / income for the period after taxation</b>	<b>(203,054)</b>	<b>(129,813)</b>	<b>(196,533)</b>	<b>(52,244)</b>
<b>Other comprehensive income</b>				
Unrealised diminution in fair value of investments classified as 'available-for-sale' - net	-	(9,579)	-	(8,607)
<b>Total comprehensive loss for the period</b>	<b>(203,054)</b>	<b>(139,392)</b>	<b>(196,533)</b>	<b>(60,911)</b>

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

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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**



# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half year ended December 31,				2017
	2018				
	(Rupees in '000)				
	Capital Value	Undistributed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total	Total
Net assets at beginning of the period	4,098,606	(886,757)	800	3,212,649	3,438,800
Impact of adoption of IFRS 9 (see note 3.1)		800	(800)		
Issue of 4,176,174 units (2017: 5,831,469 units)					
- Capital value (at net asset value per unit at the beginning of the period)	319,118	-	-	319,118	472,502
- Element of loss	8,302	-	-	8,302	(5,421)
Total proceeds on issuance of units	327,420	-	-	327,420	467,081
Redemption of 6,624,056 units (2017: 9,624,900 units)					
- Capital value (at net asset value per unit at the beginning of the period)	(512,401)	-	-	(512,401)	(779,870)
- Element of income	(8,476)	-	-	(8,476)	12,844
Total payments on redemption of units	(520,877)	-	-	(520,877)	(767,026)
Total comprehensive (loss) / income for the period	-	(203,054)	-	(203,054)	(139,392)
Net assets at end of the period	3,905,149	(1,089,011)	-	2,816,138	2,999,463
Undistributed income brought forward					
- Realised loss		(668,329)			(705,678)
- Unrealised loss		(218,428)			(104,840)
		(886,757)			(810,518)
Impact of adoption of IFRS 9 (see note 3.1)		800			
Net (loss) / income for the period after taxation		(203,054)			(129,813)
Undistributed loss carried forward		(1,089,011)			(940,331)
Undistributed income carried forward					
- Realised loss		(849,503)			(814,306)
- Unrealised (loss) / income		(239,508)			(126,025)
		(1,089,011)			(940,331)
					------(Rupees)-----
Net assets value per unit at beginning of the period				78.9595	81.0263
Net assets value per unit at end of the period				73.6449	77.6116

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	Half year ended December 31,	
	2018	2017
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period before taxation	(203,054)	(129,813)
<b>Adjustments:</b>		
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' - net	239,508 36,454	126,025 (3,788)
<b>(Increase) / decrease in assets</b>		
Investments	(351,871)	525,757
Profit receivable	(884)	(1,148)
Receivable against sale of investments	9,136	168,988
Advances, deposits, prepayments and other receivables	(366)	(19,653)
	(343,985)	715,546
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(2,245)	2,855
Payable to the Central Depository Company of Pakistan Limited - Trustee	(9)	(2)
Payable to the Securities and Exchange Commission of Pakistan	(1,580)	(743)
Fair value of derivative liability	(10)	-
Accrued expenses and other liabilities	(1,129)	(24,776)
	(4,973)	(22,666)
<b>Net cash used in / generated from operating activities</b>	(312,504)	689,092
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	327,420	467,081
Payments against redemption of units	(520,877)	(767,026)
<b>Net cash generated from financing activities</b>	(193,457)	(299,945)
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>	(505,961)	389,147
Cash and cash equivalents at beginning of the period	1,375,000	1,232,442
<b>Cash and cash equivalents at end of the period</b>	869,039	1,621,589

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

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

## 1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (June 30, 2018: AM2++) to the Management Company on October 21, 2018 and has assigned a short-term ranking of "3-Star" & long-term of "4-Star" (June 30, 2018: short-term ranking of "3-Star" & long-term of "4-Star") to the Fund.

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

## 2. STATEMENT OF COMPLIANCE

**2.1** 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 (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 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 December 31, 2018.

**2.4** 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.

### **3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS**

The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year ended June 30, 2018.

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2018.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not disclosed in this condensed interim financial information.

#### **3.1 Impact of initial application of IFRS 9 Financial Instruments**

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments. The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at December 31, 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 half year ended December 31, 2017.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

"IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

##### **(a) Classification and measurement of financial assets**

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Specifically:

- 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 amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;
- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Fund has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- the Fund's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these equity instruments will be recognised in the income statement;
- the Fund's investments in government securities (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these equity instruments will be recognised in the income statement;
- there is no change in the measurement of the Fund's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;
- there is no change in the measurement of the Fund's investments in corporate bonds that are held for trading; those instruments were and continue to be measured at FVTPL;
- there is no change in the measurement of the Fund's investments in government securities that are held for trading; those instruments were and continue to be measured at FVTPL;

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

## (b) Impairment of financial assets

The SECP/Commission has 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.

## (c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk 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, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

Profit and other comprehensive income reported for half year ended December 31, 2018 have not been affected as the Fund did not have any financial liabilities designated as at FVTPL.

Apart from the above, the application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

## (d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

The table below shows information relating to financial assets that have been reclassified as a result of transition to IFRS 9.

	IAS 39 carrying amount June 30, 2018	Reclassific- ations	Remeasure- ments	IFRS 9 carrying amount July 01, 2018	Retained earnings effect July 01, 2018
	----- Rupees -----				
<b>Financial assets</b>					
<b>FVTPL</b>					
<i>Additions:</i>					
From available for sale (IAS 39)	17,131	17,131	-	17,131	800
<b>Total</b>	<b>17,131</b>	<b>17,131</b>	<b>-</b>	<b>17,131</b>	<b>800</b>

## 4. FINANCIAL RISK MANAGEMENT

The Fund's risk management policies are consistent with those disclosed in the financial statements of the Fund as at and for the year ended June 30, 2018.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

		<b>(Un-audited) December 31, 2018 (Rupees in '000)</b>	<b>(Audited) June 30, 2018</b>
<b>5. BALANCE WITH BANKS</b>	<b>Note</b>		
In saving accounts	5.1	<b>869,032</b>	1,374,993
In current accounts	5.2	<u>7</u>	<u>7</u>
		<b><u>869,039</u></b>	<b><u>1,375,000</u></b>

**5.1** These carry profit at the rates ranging between 8% to 11.50% (June 30, 2018: 3.75% and 8.10%) per annum. It includes bank balance of Rs 4.808 million (June 30, 2018: Rs 4.055 million) maintained with MCB Bank Limited (a related party).

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

		<b>(Un-audited) December 31, 2018 (Rupees in '000)</b>	<b>(Audited) June 30, 2018</b>
<b>6. INVESTMENTS</b>	<b>Note</b>		
<b>At 'fair value through profit or loss'</b>			
Listed equity securities	6.1.1	<b>1,745,484</b>	1,650,953
Listed debt securities - term finance certificates	6.1.2	<b>9,630</b>	10,036
Unlisted debt securities - term finance certificates	6.1.3	<b>112,347</b>	105,900
Listed debt securities - Sukuk certificates	6.1.4	<b>125,000</b>	100,065
Government securities - market treasury bills	6.1.5	<b>-</b>	9,889
		<b>1,992,461</b>	1,876,843
<b>Available-for-sale</b>			
Listed equity securities	6.2.1	<b>-</b>	17,131
Government securities - Pakistan investment bonds	6.2.2	<b>-</b>	3,007
		<b>-</b>	20,138
		<b><u>1,992,461</u></b>	<b><u>1,896,981</u></b>



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

## 6.1 At fair value through profit or loss

### 6.1.1 Listed equity securities

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

Name of investee company	Number of shares					Balance as at December 31, 2018			Market value as a percentage of the paid up capital of the investee company
	As at July 1, 2018	Reclassified from 'Available for sale'	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at December 31, 2018	Carrying value	Appreciation / (Diminution)	
							(Rupees in '000)	(%)	
<b>Cable and Electrical Goods</b>									
Pak Elektron Limited	-	-	2,282,000	-	1,387,000	895,000	22,916	22,286	0.01
							22,916	(630)	0.01
<b>Cement</b>									
Cherat Cement Company Limited	-	-	586,700	-	189,300	407,400	31,606	28,375	0.01
D.G. Khan Cement Company Limited*	432,500	-	140,000	-	572,500	-	-	-	-
Fauji Cement Company Limited	1,211,000	-	-	-	1,211,000	-	-	-	-
Maple Leaf Cement Factory	994,000	-	925,000	-	1,269,000	650,000	31,339	26,423	0.01
Dewan Cement Limited	1,135,500	-	-	-	-	1,135,500	20,439	13,206	0.01
Lucky Cement Limited	270,950	-	139,100	-	124,000	286,050	142,973	124,337	0.06
							226,357	(34,016)	0.00
<b>Commercial Banks</b>									
Bank Alfalah Limited	1,427,000	-	2,435,000	251,450	500,000	3,613,450	169,809	146,670	0.07
Bank Al Habib Limited	-	-	875,000	-	-	875,000	69,844	60,191	0.03
Bank of Punjab	3,280,500	-	11,513,500	-	7,236,500	7,557,500	95,975	90,463	0.05
Faysal Bank Limited	34,100	-	1,072,500	-	-	1,106,600	27,699	26,636	0.01
Habib Bank Limited	1,156,500	-	-	-	1,156,500	-	-	-	-
MCB Bank Limited*	307,900	-	593,500	-	879,800	21,600	4,276	(95)	0.00
Askari Bank Limited	-	-	2,769,000	-	1,741,000	1,028,000	25,129	24,590	0.01
United Bank Limited	-	-	3,989,600	-	2,262,500	1,727,100	247,302	211,812	0.11
							640,034	564,543	0.08
<b>Engineering</b>									
Crescent Steel & Allied Products	125,800	-	-	-	-	125,800	11,469	6,989	0.00
International Industries Limited	214,200	-	-	-	-	214,200	49,757	32,998	0.02
Mughal Iron and Steel Industries Limited*	-	-	350,000	-	-	350,000	15,225	14,158	0.01
							76,451	54,145	0.01
<b>Fertilizer</b>									
Engro Corporation Limited	99,000	-	301,200	-	154,000	246,200	79,062	71,664	0.03
Engro Fertilizer Limited	-	-	1,598,500	-	1,195,500	403,000	30,934	27,827	0.01
							109,996	99,491	0.01
<b>Foods &amp; personal care products</b>									
National Foods Limited	-	-	124,500	24,900	-	149,400	33,225	29,208	0.01
Shezan International Limited	-	4,650	-	465	-	5115	2,651	2,367	0.00
							35,876	31,575	0.00
<b>Insurance</b>									
Adamjee Insurance Company Limited *	295,000	-	-	-	-	295,000	14,375	12,396	0.01
Pakistan Reinsurance Company Limited	472,500	-	-	-	50,000	422,500	13,892	14,678	0.01
							28,267	27,074	0.01
<b>Oil and Gas Exploration Companies</b>									
Mari Petroleum Company Limited	45,340	-	-	4,534	49,860	14	19	17	-
Oil and Gas Development Company Limited	974,100	-	14,900	-	164,900	824,100	128,176	105,485	0.04
Pakistan Oilfields Limited	99,400	-	332,650	37,780	277,800	192,030	91,990	81,578	0.03
Pakistan Petroleum Limited	-	-	922,700	12,555	374,800	560,455	96,174	83,878	0.04
							316,359	270,958	0.03

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Name of investee company	Number of shares					Balance as at December 31, 2018			Market value as a percentage of total investments (%)	Market value as a percentage of net assets	Market value as a percentage of the paid up capital of the investee company
	As at July 1, 2018	Reclassified from 'Available for sale'	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at December 31, 2018	Carrying value	Appreciation / (Diminution)			
		(Number of shares)	(Number of shares)				(Rupees in '000)				
<b>Oil and Gas Marketing Companies</b>											
Hi-Tech Lubricants Limited	180,400	-	414,000	-	68,500	525,900	40,196	34,762	0.01	0.01	0.00
Pakistan State Oil Company Limited	-	-	222,200	23,840	-	246,040	68,219	55,465	0.02	0.02	0.00
Sui Northern Gas Pipelines Limited	781,300	-	428,500	-	949,500	260,300	23,110	20,061	0.01	0.01	0.00
							131,525	110,288			
<b>Pharmaceuticals</b>											
The Searle Company Limited	-	1,790	-	269	-	2,059	608	505	0.00	0.00	0.00
AGP Limited	48	-	-	-	-	48	4	4	-	-	0.00
							612	509			
<b>Power Generation and Distribution</b>											
Hub Power Company Limited	175,000	-	640,000	-	175,000	640,000	57,119	54,906	0.02	0.02	0.00
K-Electric Limited (face value of Rs 3.5 per share)	4,370,000	-	-	-	2,700,000	1,670,000	9,486	9,920	0.00	0.00	0.00
							66,605	64,826			
<b>Technology and Communication</b>											
Systems Limited	390,500	-	-	-	253,000	137,500	13,918	15,107	0.01	0.01	0.00
Hum Network	-	-	1,150,000	-	-	1,150,000	8,338	5,060	0.00	0.00	0.01
TRG Pakistan Limited	936,500	-	-	-	936,500	-	-	-	-	-	-
NetSol Technologies Limited	-	-	181,500	-	60,000	121,500	9,720	8,436	0.00	0.00	0.00
							31,976	28,603			
<b>Textile Composite</b>											
Gul Ahmed Textile Mills Ltd	1,892,000	-	579,000	-	1,287,000	1,184,000	54,230	54,665	0.02	0.02	0.00
Kohinoor Textile Mills Ltd	400,000	252,280	-	-	-	652,280	35,869	29,405	0.01	0.01	0.00
Nishat (Chunian) Limited	-	-	250,000	-	-	250,000	14,405	12,145	0.00	0.00	0.00
Nishat Mills Limited *	732,400	-	210,000	-	732,300	210,100	28,324	26,584	0.01	0.01	0.00
							132,828	122,799			
<b>Leather &amp; Tanneries</b>											
Service Industries Limited	1,420	-	-	-	-	1,420	1,115	1,030	0.00	0.00	0.00
							1,115	1,030			
<b>Chemicals</b>											
Engro Polymer and Chemicals Limited	3,095,000	-	2,765,036	-	3,064,500	2,795,536	100,846	103,826	0.04	0.04	0.00
Engro Polymer & chemical - Right Issue	960,036	-	-	-	960,036	-	-	-	-	-	-
							100,846	103,826			
<b>Investment Banks / Investment Companies / Securities Companies</b>											
Arif Habib Limited *	330,000	-	-	52,000	70,000	312,000	15,860	12,948	0.00	0.00	0.00
							15,860	12,948			
<b>Transport</b>											
P.N.S.C.	130,700	-	-	-	30,000	100,700	8,251	5,780	0.00	0.00	0.00
							8,251	5,780			
<b>Glass and Ceramic</b>											
Tariq Glass Industries	-	-	92,400	-	-	92,400	7,788	8,056	0.00	0.00	0.00
							7,788	8,056			
<b>Miscellaneous</b>											
Synthetic Products Ltd*	730,500	-	-	-	-	730,500	37,329	24,406	0.01	0.01	0.00
							37,329	24,406			
<b>Total as at December 31, 2018</b>							1,990,991	1,745,484			
Total as at June 30, 2018							1,868,160	1,650,953			

\* These denote related parties / connected persons.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

**6.1.2 Listed debt securities - Term Finance Certificates**

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

Name of investee company	Face value			Carrying value as at December 31, 2018	Market value as at December 31, 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, 2018	Purchased during the year	Sold / matured during the year						
(Rupees in 000)									
Commercial Banks									
Bank Alfalah Limited-V	2,000	-	-	2,000	10,034	9,630	(404)	0.00	0.00
Total as at December 31, 2018				10,034	9,630	(404)			
Total as at June 30, 2018				10,265	10,036	(229)			

**6.1.3 Unlisted debt securities - Term Finance Certificates**

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

Name of investee company	Face value			Carrying value as at December 31, 2018	Market value as at December 31, 2018	Unrealised appreciation / (diminution) as at December 31, 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, 2018	Purchased during the year	Sold / matured during the year						
(Rupees in 000)									
Commercial Banks									
Bank Al Habib Limited-II	21,228	-	-	21,228	105,879	112,347	6,468	0.04	0.06
Total as at December 31, 2018				105,879	112,347	6,468			0.01
Total as at June 30, 2018				106,957	105,900	(1,057)			

**6.1.4 Listed debt securities - Sukuk Certificates**

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

Name of investee company	Face value			Carrying value as at December 31, 2018	Market value as at December 31, 2018	Unrealised appreciation / (diminution) as at December 31, 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, 2018	Purchased during the year	Sold / matured during the year							
										As at December 31, 2018
(Rupees in 000)										
Dawood Hercules Corporation Limited	1,000	250	-	1,250	125,065	125,000	65	0.04	0.06	0.00
Total as at December 31, 2018				<u>125,065</u>	<u>125,000</u>	<u>65</u>				
Total as at June 30, 2018				100,000	100,065	65				

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

## 6.1.5 Government securities - Market Treasury Bills

Name of investee company	Issue date	Face value			Carrying value as at December 31, 2018	Market value as at December 31, 2018	Unrealised appreciation/(diminution) as at December 31, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2018	Purchased during the year	Sold / matured during the year					
Treasury bills - 3 months	7-Jun-2018	10,000	10,475,000	10,485,000	-	-	-	-	-
<b>Total as at December 31, 2018</b>					-	-	-	-	-
Total as at June 30, 2018					9,889	9,889	-	-	-

## 6.2.1 Listed equity securities

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

Name of investee company	As at June 30, 2018	Reclassified to FVTPL	As at July 1, 2018	Purchased during the year	Bonus/ right issue during the year	Sold during the year	As at December 31, 2018	Carrying value as at December 31, 2018	Unrealised appreciation/(diminution) as at December 31, 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
<b>Food and Personal Care Products</b>	4,650	4,650	-	-	-	-	-	-	-	-	-	-
Shezan International Limited												
<b>Pharmaceuticals</b>	1,790	1,790	-	-	-	-	-	-	-	-	-	-
The Searle Company Limited												
<b>Textile Composite</b>	252,280	252,280	-	-	-	-	-	-	-	-	-	-
Kohinoor Textile Mills Limited												
<b>Total as at December 31, 2018</b>												
Total as at June 30, 2018												
				22,538			17,131	(5,407)				

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

**6.2.2 Government securities - Pakistan Investment Bonds**

Name of investee company	Issue Date	As at	Purchased	Sold /	Carrying	Market value	Unrealised	Market value	Market value as
		July 1, 2018	during the	Matured					
			year	during the	value as at	as at	appreciation/	as percentage	percentage of
				year	December	December	(diminution) as at	of net assets	total
					31, 2018	31, 2018	December 31, 2018		investments
								(%)	
Pakistan investment bonds - 5 years	18-Jul-13	3,000	-	3,000	-	-	-	-	-
<b>Total as at December 31, 2018</b>					-	-	-	-	-
Total as at June 30, 2018					3,008	3,007	(1)		

(Un-audited)  
December 31,  
2018  
(Rupees in '000)

(Audited)  
June 30,  
2018  
(Rupees in '000)

**6.3 Net unrealised (diminution) / appreciation in value of investments at fair value through profit or loss**

Market value	1,992,461	1,896,981
Carrying value	(2,231,969)	(2,114,609)
	(239,508)	(217,628)

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

	<b>Note</b>	<b>(Un-audited) December 31, 2018 (Rupees in '000)</b>	<b>(Audited) June 30, 2018</b>
<b>7. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision against Sindh Workers' Welfare Fund	7.1	<b>9,073</b>	9,073
Provision for Federal Excise Duty and related tax on	7.2		
- Management fee		<b>19,027</b>	19,027
- Sales load		<b>16,173</b>	16,173
Auditors' remuneration payable		<b>385</b>	562
Brokerage payable		<b>700</b>	2,033
Withholding tax on capital gains		<b>2</b>	8
Others		<b>1,723</b>	1,336
		<b>47,083</b>	48,212

**7.1 Provision for Sindh Workers' Welfare Fund (SWWF)**

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 December 31, 2018 would have been higher by Re.0.24 per unit (June 30, 2018 Re. 0.22 per unit).

**7.2 Federal Excise Duty on remuneration to the Management Company**

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 December 31, 2018 would have been higher by Re. 0.50 per unit (June 30, 2018: Re.0.47 per unit).

**8. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at December 31, 2018.

**9. 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. Further, the Fund has incurred losses during the period, and no provision for taxation has been made in this condensed interim financial information.

**10. EARNINGS PER UNIT**

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

**11. EXPENSE RATIO**

The Total Expense Ratio of the Fund is 1.82% as on December 31, 2018 (December 31, 2017: 1.83%) and this includes 0.19% (December 31, 2017: 0.19%) representing Government Levy and SECP fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an Asset Allocation scheme.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

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**12. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS**

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and unit holders holding more than 10% units of the Fund.

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

**12.1 Transactions during the period with connected persons / related parties in units of the Fund:**

	For the six months ended December 31, 2018					
	As at July 1, 2018	Issued for cash	Bonus	Redeemed	As at December 31, 2018	As at December 31, 2018
	Units					
<b>MCB-Arif Habib Savings and Investments Management Company</b>	-	647,478	-	647,478	-	-
<b>Associated companies / undertakings</b>						
Adamjee Life Assurance Company Limited (NUIL Fund)	71,293	315,586	-	-	386,879	28,492
Adamjee Life Assurance Company Limited. Employees Gratuity Fund	28,189	-	-	-	28,189	2,076
Adamjee Life Assurance Company Limited. IMF	2,075,255	2,543,471	-	-	4,618,726	340,145
Adamjee Life Assurance Company Limited. ISF	450,785	-	-	-	450,785	33,198
Security General Insurance Company Ltd	3,745,546	-	-	3,745,546	-	296,713
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	35,028	-	-	-	35,028	2,580
<b>Mandate Under Discretionary Portfolio Services **</b>	105,705	13,137	-	105,753	13,089	964
<b>Directors and Key management personnel **</b>	-	21,359	-	21,359	-	1,685
	Units					
	As at July 1, 2017	Issued for cash	Bonus	Redeemed	As at December 31, 2017	As at December 31, 2017
	Units					
<b>Associated companies / undertakings</b>						
Adamjee Life Assurance Company Limited. Conventional Business	210,744	-	-	-	210,744	16,356
Adamjee Life Assurance Company Limited. Employees Gratuity Fund	28,189	-	-	-	28,189	2,188
Adamjee Life Assurance Company Limited.	352,830	-	-	-	352,830	27,384
Security General Insurance Company Ltd	3,745,546	-	-	-	3,745,546	290,698
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	35,028	-	-	-	35,028	2,719
<b>Mandate Under Discretionary Portfolio Services **</b>	69,466	1,687,715	-	1,660,457	96,724	7,507

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

**12.2 Details of transactions with the connected persons / related parties during the period are as follows:**

	(Un-Audited) December 31, 2018	(Un-Audited) December 31, 2017
	----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration of the Management Company (including indirect taxes)	35,331	36,655
Allocated expenses and related taxes	1,766	1,833
Selling and marketing expenses	6,252	6,487
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee (including indirect taxes)	2,336	2,126
CDC settlement charges	217	295
<b>MCB Bank Limited - holding company of the Management Company</b>		
Purchase of shares 2018: 593,500 (2017: 803,900)	117,205	167,469
Sale of shares 2018: 879,800 (2017: 753,800)	148,778	157,335
Dividend income	3,542	2,377
Profit on bank balances	2	68
Bank charges	4	16
Sale of securities Face Value 2018: 550M (2017: Nil)	1,091,576	-
<b>Aisha Steel Mills Limited</b>		
Sale of Shares 2018: Nil (2017: 1,000,000 )	-	23,488
<b>Silkbank Limited</b>		
Profit on bank balances	6,369	-
Bank charges	23	-
Purchase of securities at Face Value 2018: Nil (2017: 485,865,000)	-	479,121
Sale of securities at Face Value 2018: 1200M (2017: 400,000,000)	1,173,212	407,969
<b>D. G. Khan Cement Company Limited</b>		
Purchase of Shares 2018: 140,000 (2017: 200,000 )	15,427	30,685
Sale of Shares 2018: 572,500 (2017: 575,000 )	57,248	93,503
Dividend income	-	3
<b>Adamjee Insurance Company Limited</b>		
Dividend income	295	-
<b>Arif Habib Limited</b>		
Sale of Shares 2018: 45,000 (2017: Nil)	3,110	-
Dividend income	780	2,300
Brokerage expense *	629	537
<b>Next Capital Limited</b>		
Brokerage expense *	173	349
<b>Nishat Mills Limited</b>		
Purchase of Shares 2018: 210,000 (2017: 359,200)	28,310	53,485
Sale of Shares 2018: 732,300 (2017: 50,000)	103,851	7,600
Dividend income	-	1,796
<b>Mughal Iron and Steel Industries Limited</b>		
Purchase of Shares 2018: 350,000 (2017: 310,000)	15,225	21,695
Sale of Shares 2018: Nil (2017: 206,000)	-	13,447
Dividend income	-	157
<b>Synthetic Products Enterprises Limited</b>		
Dividend income	731	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	----- (Rupees in '000) -----	
<b>12.3 Amount outstanding as at period end / year end</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Management remuneration payable	4,968	5,173
Sindh sales tax payable on management remuneration	645	672
Sales load payable	53	1,879
Payable against allocated expenses	247	259
Payable against selling and marketing expenses	3,011	3,185
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration payable	333	341
Sindh Sales Tax payable on trustee remuneration	43	44
Security deposits	100	100
<b>MCB Bank Limited - Parent of the Management Company</b>		
Bank balances	4,808	4,062
Sale load payable	-	16
21,600 shares held by the Fund (2017: Nil shares)	4,181	60,893
<b>Adamjee Life Assurance Company Limited (IMF)</b>		
Outstanding 4,618,726 units (2018: 2,075,255 units)	340,146	163,858
<b>Adamjee Life Assurance Company Limited Employee Gratuity Fund</b>		
Outstanding 28,189 units (2018: 28,189 units)	2,076	2,226
<b>Adamjee Life Assurance Company Limited (NUIL Fund)</b>		
Outstanding 386,879 units (2018: 71,293 units)	28,492	5,629
<b>Adamjee Life Assurance Company Limited (ISF)</b>		
Outstanding 450,785 units (2018: 450,785 units)	33,198	35,593
<b>Arif Habib Limited</b>		
312,000 shares held by the Fund (2018: 330,000 shares)	12,948	20,130
Brokerage payable *	1	108
<b>D.G. Khan Cement Company Limited Employees Provident Fund Trust</b>		
Outstanding 35,028 units (2018: 35,028 units)	2,580	2,766
<b>Next Capital Private Limited</b>		
Brokerage payable *	20	250
<b>Nishat Mills Limited</b>		
210,100 shares held by the Fund (2018: 732,400 shares)	26,584	103,210
<b>Nishat Chunian Limited</b>		
250,000 shares held by the Fund (2018: Nil shares)	12,145	-
<b>D.G. Khan Cement Company Limited</b>		
Nil shares held by the Fund (2018: 432,500 shares)	-	49,517
<b>Mughal Iron &amp; Steel</b>		
350,000 shares held by the Fund (2018: Nil shares)	14,158	-
<b>Adamjee Insurance Company Limited</b>		
295,000 shares held by the Fund (2018: Nil shares)	12,396	-
<b>Silkbank Limited</b>		
Bank balance	3,549	385,112
Profit receivable on bank balance	50	2,265

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

	(Un-Audited) December 31, 2018	(Audited) June 30, 2018
	----- (Rupees in '000) -----	
<b>Security General Insurance Company Limited</b>		
Outstanding Nil units (2018: 3,745,546 units)	-	295,746
<b>Directors and key management personnel of the Management Company</b>		
Outstanding Nil units (2018: Nil units)	-	-
<b>Separately Managed Accounts</b>		
Outstanding 13,089 units (2018: 105,705 units)	964	8,180
<b>Synthetic Products Enterprises Limited</b>		
730,500 shares held by the Fund (2018: 730,500 shares)	24,406	37,329

\* 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.

## 13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability 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.

Financial assets which are trade able in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7 - Financial Instruments : Disclosure requires an entity shall classify fair value measurements 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 prices (unadjusted) in active markets for identical assets or liabilities.

**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 assets or liability that are not based on observable market data (that is, unobservable inputs).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

	-----December 31, 2018 (Un-audited) -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Investment classified				
- at fair value through profit or loss	1,992,461	-	-	1,992,461
	<u>1,992,461</u>	<u>-</u>	<u>-</u>	<u>1,992,461</u>

	-----June 30, 2018 (Audited) -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Investment classified				
- at fair value through profit or loss	1,650,953	226,520	-	1,877,473
- at available for sale	17,131	3,007	-	20,138
	<u>1,668,084</u>	<u>229,527</u>	<u>-</u>	<u>1,897,611</u>

The following table shows the carrying amounts of financial assets and financial liabilities:

	December 31, 2018 (Un-audited)			
	Carrying amount			
	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Other financial assets / liabilities
	----- (Rupees in '000) -----			
				Total

**On-balance sheet financial instruments**

**Financial assets measured at fair value**

Investments				
- Listed equity securities	1,745,484	-	-	1,745,484
- Listed debt securities				
- Term Finance Certificate	9,630	-	-	9,630
- Unlisted debt securities				
- Term Finance Certificate	112,347	-	-	112,347
- Sukuks Certificates	125,000	-	-	125,000
	<u>1,992,461</u>	<u>-</u>	<u>-</u>	<u>1,992,461</u>

**Financial assets not measured at fair value**

Balance with banks	-	-	869,039	869,039
Profit receivable	-	-	10,426	10,426
Receivable against sale of investments	-	-	27,933	27,933
Advances, deposits and prepayments	-	-	8,200	8,200
	<u>-</u>	<u>-</u>	<u>915,598</u>	<u>915,598</u>

**Financial liabilities not measured at fair value**

Payable to the Management Company	-	-	8,923	8,923
Payable to the Trustee	-	-	376	376
Payable on redemption of units	-	-	31	31
Payable to the Securities and Exchange Commission of Pakistan	-	-	1,485	1,485
Payable against purchase of investments	-	-	34,023	34,023
Accrued expenses and other liabilities	-	-	47,083	47,083
	<u>-</u>	<u>-</u>	<u>91,921</u>	<u>91,921</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

June 30, 2018 (Audited)					
Carrying amount					
	Held for trading	Available for sale	Loans and receivables	Other financial assets / liabilities	Total
(Rupees in '000)					
<b>On-balance sheet financial instruments</b>					
<b>Financial assets measured at fair value</b>					
Investments					
- Listed equity securities	1,650,953	-	-	-	1,650,953
- Listed debt securities					
- Term Finance Certificate	10,036	-	-	-	10,036
- Unlisted debt securities					
- Term Finance Certificate	105,900	-	-	-	105,900
- Sukuks Certificates	100,065	-	-	-	100,065
- Government securities	9,889	-	-	-	9,889
	<u>1,876,843</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,876,843</u>
<b>Financial assets not measured at fair value</b>					
Balance with banks	-	-	-	1,375,000	1,375,000
Profit receivable	-	-	-	9,542	9,542
Receivable against sale of investments	-	-	-	37,069	37,069
Advances, deposits and prepayments	-	-	-	7,834	7,834
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,429,445</u>	<u>1,429,445</u>
June 30, 2018 (Audited)					
Carrying amount					
	Held for trading	Available for sale	Loans and receivables	Other financial assets / liabilities	Total
(Rupees in '000)					
<b>Financial liabilities not measured at fair value</b>					
Payable to the Management Company	-	-	-	11,168	11,168
Payable to the Trustee	-	-	-	385	385
Payable on redemption of units	-	-	-	41	41
Payable to the Securities and Exchange Commission of Pakistan	-	-	-	3,065	3,065
Accrued expenses and other liabilities	-	-	-	48,212	48,212
	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,871</u>	<u>62,871</u>

**14. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information has been authorised for issue by the Board of Directors of the Management Company in the meeting held on February 18, 2019.

**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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