

CONTENTS

MCB Dynamic Cash Fund

1.	Organization	03
2.	Directors' Report	04
3.	Condensed Interim Statement of Assets and Liabilities	06
4.	Condensed Interim Income Statement	07
5.	Condensed Interim Distribution Statement	08
6.	Condensed Interim Statement of Movement in Unit Holders' Fund	09
7.	Condensed Interim Cash Flow Statement	10
8.	Notes to the Condensed Interim Financial Statements	11

MCB Dynamic Stock Fund

1.	Organization	17
2.	Directors' Report	18
3.	Condensed Interim Statement of Assets and Liabilities	20
4.	Condensed Interim Income Statement	21
5.	Condensed Interim Distribution Statement	22
6.	Condensed Interim Statement of Movement in Unit Holders' Fund	23
7.	Condensed Interim Cash Flow Statement	24
8.	Notes to the Condensed Interim Financial Statements	25

MCB Dynamic Allocation Fund

1.	Organization	32
2.	Directors' Report	33
3.	Condensed Interim Statement of Assets and Liabilities	35
4.	Condensed Interim Income Statement	36
5.	Condensed Interim Distribution Statement	37
6.	Condensed Interim Statement of Movement in Unit Holders' Fund	38
7.	Condensed Interim Cash Flow Statement	39
8.	Notes to the Condensed Interim Financial Statements	40

MCB Cash Management Optimizer

1.	Organization	46
2.	Directors' Report	47
3.	Condensed Interim Statement of Assets and Liabilities	49
4.	Condensed Interim Income Statement	50
5.	Condensed Interim Distribution Statement	51
6.	Condensed Interim Statement of Movement in Unit Holders' Fund	52
7.	Condensed Interim Cash Flow Statement	53
8.	Notes to the Condensed Interim Financial Statements	54

MCB Sarmaya Mehfooz Fund 1

1.	Organization	59
2.	Directors' Report	60
3.	Condensed Interim Statement of Assets and Liabilities	62
4.	Condensed Interim Income Statement	63
5.	Condensed Interim Distribution Statement	64
6.	Condensed Interim Statement of Movement in Unit Holders' Fund	65
7.	Condensed Interim Cash Flow Statement	66
8.	Notes to the Condensed Interim Financial Statements	67

MCB DYNAMIC CASH FUND

MCB Dynamic Cash Fund



ORGANIZATION

Management Company	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908
Board of Directors	Mian Mohammad Mansha / Chairman Ali Munir Mohammad Usman Ali Usmani S. Waliullah Shah Ahmed Jahangir Haroun Rashid Samir Iqbal Saigol Ismail Arif Rafi Yasir Qadri / Chief Executive Officer
Audit Committee	Ali Munir / Chairman S. Waliullah Shah / Member Ahmed Jahangir / Member
Chief Financial Officer & Company Secretary	Muhammad Saqib Saleem
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shara-e-Faisal Karachi-74400
Auditors	A. F. Ferguson & Co. Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi. 74000
Legal Adviser	Bawany & Partners, Room No. 404, 4th Floor, Beaumont Plaza Beaumont Road, Civil Lines, Karachi.
Bankers	MCB Bank Limited Bank Al Habib Limited NIB Bank Limited Bank Alfalah Limited Habib Metropolitan Bank Limited Citi Bank N.A. Faysal Bank Limited
Transfer Agent	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908 E info@mcbamc.com.pk W www.mcbamc.com.pk

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Unaudited Financial Statements of MCB Dynamic Cash Fund for the first quarter ended September 30, 2010.

MARKET OVERVIEW

During the period under review, short term market rates remained relatively lower amid a better liquidity scenario in the money market. Monetary expansion was witnessed in the latter part of the quarter, especially post-floods amid higher government borrowing from the SBP, as well as better foreign flows. Due to surplus liquidity, the SBP conducted several OMOs during the period to mop-up excess liquidity from the market. Decent flows from the UN and IMF for flood affectees have not only improved the system's liquidity but have also taken the country's FX reserves to a record level of around US\$ 17 billion. Considering the devastation caused by the country-wide floods and its likely adverse impact on key macro-indicators, the SBP has turned its monetary stance hawkish by cumulatively increasing its policy discount rate by 100 bps during the period under review. Supply-side issues have already started to create further inflationary pressures, with YoY CPI Inflation for Aug'10 coming at 13.2%, 250 bps up on a MoM basis. Already alarming fiscal deficit is expected to go up significantly during FY11 amid floods while its funding through domestic sources are likely to keep pressure on the interest rates. External CAD, which has already widened by 49% during 2M FY11, is expected to increase during the year with higher expected trade deficit amid production losses caused by the floods.

04

FUND PERFORMANCE

1-month KIBOR averaged at 12.4% during the period under review as compared to 12.1% during the previous quarter and closed the quarter at 12.7%. KIBOR has risen slightly over the previous quarter primarily due to a rise in the policy discount rate. The fund, on the other hand, generated an annualized return of 14.9% during the period as against the benchmark 1M KIBOR of 12.4%, an out-performance of 2.5%. Although the fund has kept a decent exposure in good quality TFCs, its exposure to Government papers has risen significantly due to an attractive risk-return profile.

FUTURE OUTLOOK

Due to the absence of significant foreign flows, the government has been relying on the borrowing from the central bank, which could fuel inflationary pressures further while disturbing the balance of the overall monetary mechanism. Although, the State Bank of Pakistan is expected to remain hawkish given the deterioration in key macro-economic variables, we believe that the growth in net foreign assets (NFA) would hold the key in dictating the liquidity and interest rate direction going forward.

In a fast changing interest rate environment, the fund would continue to maintain its focus on the credit quality of the portfolio while exploiting attractive opportunities in the market.

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,

YASIR QADRI
Chief Executive Officer

October 18, 2010

MCB DYNAMIC CASH FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2010



	Note	Unaudited September 30, 2010 (Rupees in '000)	Audited June 30, 2010
ASSETS			
Balances with banks		207,599	328,095
Investments	4	5,891,971	5,659,187
Dividend and other receivables	5	106,606	73,743
Receivable against sale of investments		94,139	174,249
Security deposits and prepayments		2,776	3,834
Preliminary expenses and floatation costs		3,248	3,828
Total assets		6,306,339	6,242,936
LIABILITIES			
Payable to MCB Asset Management Company Limited - Management Company		7,804	7,030
Payable to the Central Depository Company of Pakistan Limited		602	551
Annual fee payable to the Securities and Exchange Commission of Pakistan		1,130	6,229
Payable against redemption of units		-	15,348
Payable against purchase of investment		-	205,583
Accrued and other liabilities	6	46,946	37,886
Total liabilities		56,482	272,627
NET ASSETS		6,249,857	5,970,309
Unit holders' fund (as per statement attached)		6,249,857	5,970,309
(Number of units)			
NUMBER OF UNITS IN ISSUE		59,745,986	57,729,092
(Rupees)			
NET ASSET VALUE PER UNIT	0	104.61	103.42

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC CASH FUND
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	Note	September 30, 2010	September 30, 2009
		(Rupees in '000)	
INCOME			
Capital gain/(loss) on sale of investments		5286	(10,210)
Profit on bank deposits and term deposit receipts		15,800	94,114
Income from money market placements		128	67,562
Income from term finance certificates		70,810	114,959
Income from government securities		74,323	93,793
		<u>166,347</u>	<u>360,218</u>
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		15,892	(28,262)
Total income		<u>182,239</u>	<u>331,956</u>
EXPENSES			
Remuneration of MCB Asset Management Company Limited - Management Company		22,590	42,186
Remuneration of Central Depository Company of Pakistan Limited - Trustee		1,758	3,065
Annual fee - Securities and Exchange Commission of Pakistan		1,130	2,109
Brokerage and settlement charges		611	717
Amortisation of preliminary expenses and floatation costs		580	580
Auditors' remuneration		256	183
Bank charges		28	144
Other expenses		295	314
Total expenses		<u>27,248</u>	<u>49,298</u>
Reversal of Provision on debt securities	4.1	62,251	18,249
Net income from operating activities		<u>217,242</u>	<u>300,907</u>
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		2,668	(10,107)
Provision for Workers' Welfare Fund	11	(4,398)	-
Net income for the period before taxation		<u>215,512</u>	<u>290,800</u>
Taxation	8	-	-
Net income for the period after taxation		<u>215,512</u>	<u>290,800</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u><u>215,512</u></u>	<u><u>290,800</u></u>
Earnings per unit	9		

07

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC CASH FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	September 30, 2009
	(Rupees in '000)	
Undistributed income brought forward	197,396	291,732
Final distribution for the year ended June 30, 2009 at Rs 3.1726 per unit (Date of distribution July 02, 2009)		
- Cash distribution	-	(97,116)
- Bonus distribution	-	(194,616)
Final distribution for the year ended June 30, 2010 at Rs 2.4194 per unit (Date of distribution July 01, 2010)		
- Cash distribution	(26,850)	-
- Bonus distribution	(112,820)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount that forms part of the unit holders' fund	2,017	-
Net income for the period after taxation	215,512	290,800
Undistributed income carried forward	<u>275,255</u>	<u>290,800</u>

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC CASH FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	September 30, 2009
	(Rupees in '000)	
Net assets at beginning of the period	5,970,309	9,487,169
Issue of 19,198,513 units (2009: 50,894,616)	1,977,084	5,158,624
Issue of 1,117,032 bonus units relating to the period ended June 30, 2010 (2009 : 1,946,176)	112,820	194,616
Redemption of 18,298,650 units (2009: 30,707,850)	(1,883,530)	(3,125,873)
	206,374	2,227,367
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(2,668)	-
- amount representing income that forms part of unit holders' fund - transferred to distribution statement	(2,017)	-
	(4,685)	-
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to the income statement	2,017	10,107
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	15,892	62,730
Capital gain / (loss) on sale of investments	(11,299)	
Income / (loss) from other operating activities	210,919	228,070
Net income for the period	215,512	290,800
Final distribution for the period ended June 30, 2010 at Rs 2.4194 (2009: 3.1726) per unit		
- Cash distribution	(26,850)	(97,116)
- Bonus units	(112,820)	(194,616)
Net assets as at the end of the period	6,249,857	11,723,711

09

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC CASH FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	September 30, 2009
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	215,512	290,800
Adjustments		
Net unrealised (diminution) in the fair value of investments classified as 'financial assets at fair value through profit or loss'	(15,892)	28,262
Amortisation of preliminary expenses and floatation costs	580	580
Reversal of Provision debt securities	62,251	18,249
Element of income / (losses) and capital gains / (losses) included in prices of units issued less those in units redeemed	(2,668)	10,107
Net cash flows from operations before working capital changes	259,783	347,998
Working capital changes		
<i>(Increase)/decrease in assets</i>		
Investments	1,158,549	(5,324,463)
Security deposits and prepayments	1,058	(80)
Receivable against sale of investment	80,110	(13,945)
Dividend and other receivables	(32,863)	(184,630)
	1,206,854	(5,523,118)
<i>Increase/(decrease) in liabilities</i>		
Remuneration payable to the Management Company	774	7,243
Remuneration payable to the Trustee	51	222
SECP annual fee payable	(5,099)	2,109
Payable against purchase of investments	(205,583)	-
Accrued and other liabilities	9,060	381
	(200,797)	9,955
Net cash from / (used in) operating activities	1,265,840	(5,165,165)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received against issue of units	1,977,084	5,158,624
Payments made against redemption of units	(1,898,878)	(3,123,312)
Dividend paid	(26,850)	(97,116)
Net cash from financing activities	51,356	1,938,196
Net (decrease) / increase in cash and cash equivalents during the period	1,317,196	(3,226,969)
Cash and cash equivalents at beginning of the period	1,450,900	4,554,643
Cash and cash equivalents as at September	2,768,096	1,327,674

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC CASH FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Cash Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and was approved as an investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on December 12, 2006. It was constituted under a Trust Deed dated November 9, 2006, amended by a Supplemental Trust Deed dated January 21, 2007 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is an open ended mutual fund 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 Lahore Stock Exchange. The Board of Directors have approved that the Fund should be categorized as Income Scheme as per the categories defined by the Securities and Exchange Commission of Pakistan.

The Fund invests primarily in money market and other short-term instruments which includes short-term corporate debt and government securities, repurchase agreements, spread transactions and transactions under continuous funding system. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to unit holders.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2- "AM TWO MINUS" to the Management Company and a stability rating of "A+(f)" to the Fund.

2 Statement of compliance

- 2.1** These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

- 2.2** These condensed interim financial statements are unaudited.

- 2.3** The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2010.

4 INVESTMENTS

	Note	September 30, 2010	June 30, 2010
		Rupees in '000	
4.1 Financial assets at fair value through profit or loss - held for Trading			
Financial assets at fair value through profit or loss - held for trading	4.1	5,891,971	4,829,187
Loans and receivables		-	830,000
		<u>5,891,971</u>	<u>5,659,187</u>
4.1.1 Debt Securities	4.1.1	2,372,493	2,208,465
4.1.2 Government securities	4.1.2	3,519,478	2,620,722
		<u>5,891,971</u>	<u>4,829,187</u>

MCB DYNAMIC CASH FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE QUARTER ENDED SEPTEMBER 30, 2010



4.1.1 Debt securities - term finance certificates	Note	September 30, 2010	June 30, 2010
Market value of listed debt securities		1,528,723	1,333,526
Market value of unlisted debt securities		910,158	1,003,581
less: Provision against unlisted debt securities		66,388	126,642
4.1.1.1		2,372,493	2,208,465

4.1.1.1 During the period Maple Leaf Cement Industry Limited is classified as performing debt security after payment of two consecutive instalments as required under circular _ of 2010 issued by Securities and Exchange Commission of Pakistan. However, subsequent to quarter end MUFAP as allowed under the said circular have used its discretion to apply 5% markup on yield of Maple Leaf Cement Limited.

4.1.2 Listed debt securities - term finance certificates

Certificates have a face value of Rs. 5,000/- each unless stated otherwise.

Name of investee company	Number of Certificates				Balance as at September 30, 2010				
	As at July 1, 2010	Purchased during the period	Matured during the period	Disposed during the period	As at Sept 30, 2010	Cost	Market value	Appreciation / (depreciation)	Market value as a percentage of net assets
Rupees in '000									
Banks									
Allied Bank Limited	13,300	-	-	-	13,300	63,134	66,473	3,339	1.06
Askari Bank Limited	5,930	-	-	-	5,930	28,983	28,430	(553)	0.45
Azadi Bank Limited	42,000	-	-	-	42,000	206,869	196,585	(9,884)	3.15
Fayal Bank Limited	7,515	-	-	-	7,515	36,179	35,266	(913)	0.56
NIB Bank Limited	60,397	14,000	-	5,000	69,397	332,101	328,407	(3,694)	5.25
Royal Bank of Scotland	300	-	-	-	300	1,114	1,101	(13)	0.02
Sovner Bank Limited	4,000	-	-	-	4,000	19,204	19,155	(49)	0.31
United Bank Limited	34,900	50,100	-	1,500	83,500	391,697	384,269	(7,428)	6.69
United Bank Limited	15,000	-	-	-	15,000	73,874	72,892	(882)	1.17
Standard Chartered Bank (Pakistan) Limited	-	10,000	-	-	10,000	47,538	47,538	-	0.76
Bank Alfalah Limited	-	8,079	-	-	8,079	40,011	40,011	-	0.64
Chemicals									
Engro Chemical Pakistan Limited	162	-	-	-	162	793	798	(7)	0.01
Engro Chemical Pakistan Limited	40,000	-	-	21,000	19,000	94,472	92,268	(2,204)	1.48
Financial Services									
Saudi Pak Leasing Company Limited	10,000	-	-	-	10,000	27,285	28,586	1,701	0.46
Jahangir Sultani and Company Limited	8,000	-	8,000	-	-	-	-	-	-
Fixed Line Telecommunication									
World Call Telecom Ltd.	41,000	-	-	4,000	37,000	173,191	176,055	2,864	2.82
Total - September 30, 2010									
	292,554	62,179	8,000	31,500	325,183	1,536,246	1,528,723	(7,523)	25.95
Total - June 30, 2010									
	320,752	401,989	-	440,237	282,504	1,697,798	1,333,526	(364,272)	22.34

Name of investee company	Number of Certificates				Balance as at September 30, 2010				
	As at July 1, 2010	Purchased during the period	Matured during the period	Disposed / matured during the period	As at Sept 30, 2010	Cost	Market value	Appreciation / (depreciation)	Market value as a percentage of net assets
Rupees in '000									
Bank Al Habib Limited	4,900	-	-	-	4,900	25,056	24,060	(996)	0
Bank Alfalah Limited	40,000	-	-	-	40,000	199,739	170,391	(29,348)	3
Engro Chemical Pakistan Limited - Peshawar	51,679	-	-	-	51,679	185,968	184,628	(1,340)	3
Engro Chemical Pakistan Limited - Sukkur	1,400	-	-	1,400	24,000	116,993	116,822	(171)	2
Jahangir Sultani and Company Limited	34,900	-	-	-	34,900	166,062	166,062	-	2
JOB Sugar Mills Limited	19,000	-	-	-	19,000	59,056	59,439	383	1
KARIFI Foundation	14,000	-	-	-	14,000	25,262	25,262	-	1
Maple Leaf Cement Factory Limited	71,000	-	14,000	-	71,000	330,641	330,641	-	4
Maple Leaf Cement Factory Limited	2,662	-	-	-	2,662	13,310	9,859	(3,451)	0
New Allied Electronics Industries (Pvt) Limited	10,400	-	-	-	10,400	24,904	24,904	-	0
New Allied Electronics Industries (Pvt) Limited - Sukkur	112,000	-	-	-	112,000	35,234	35,234	-	1
Security Leasing Corporation Limited	5,000	-	-	-	5,000	10,010	10,254	244	0
Security Leasing Corporation Limited	10,000	-	-	-	10,000	12,012	12,305	293	0
Total - September 30, 2010									
	362,041	-	14,000	17,400	350,641	808,344	810,158	1,814	14.56
Total - June 30, 2010									
	406,450	122,409	-	166,768	350,041	1,598,921	1,031,081	(567,840)	15.80

4.1.2 Investment in government securities - 'At fair value through profit or loss'

Name of investee company	Face Value				Balance as at September 30, 2010				
	As at July 1, 2010	Purchased during the period	Disposed / matured during the period	Matured during the year	As at Sept 30, 2010	Cost	Market value	Appreciation / (depreciation)	Market value as a percentage of net assets
Rupees in '000									
Treasury Bills - 1 year	644,000	1,950,000	1,270,000	865,000	359,000	336,574	341,350	4,676	5.79
Treasury Bills - 6 months	1,650,000	1,188,000	2,100,000	413,000	325,000	316,653	316,247	(406)	5.06
Treasury Bills - 3 months	295,000	4,401,000	1,886,000	335,000	2,465,000	2,417,342	2,436,313	18,971	38.98
National Saving Bonds	99,900	-	-	-	99,900	99,900	99,900	-	1.70
Pakistan Investment Bonds - 10 years	-	390,000	-	-	390,000	390,000	391,000	1,000	5.11
Pakistan Investment Bonds - 03 years	-	25,000	-	-	25,000	24,678	24,638	(40)	0.39
Total - September 30, 2010									
	2,688,900	7,864,000	5,266,000	1,713,000	3,575,900	3,487,877	3,519,478	21,601	59.740
Total - June 30, 2010									
	1,115,000	16,862,000	13,263,100	2,025,000	2,589,000	2,623,569	2,620,722	(2,847,000)	37.370

4.2.2 COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorization criteria laid down in the circular. MCB Asset Management Company Limited (Management Company) classified MCB Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at September 30, 2010, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than investment grade:

Category of non-compliant investment	Type of Investment / Name of Company	Outstanding face value	Value of investment before provision	Provision held (if any)	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Rupees in '000							
i) Investment in Debt securities (note 17.2)	a) Maple Leaf Cement Factory Limited I	354,774	252,262	-	252,262	4.04%	4.00%
	b) Maple Leaf Cement Factory Limited II	13,310	9,859	-	9,859	0.16%	0.16%
	c) New Allied Electronics Industries (Pvt) Limited	24,904	24,904	-	-	0.00%	0.00%
	d) New Allied Electronics Industries	35,234	35,234	-	-	0.00%	0.00%
	e) Security Leasing Corporation Limited	13,672	10,254	-	10,254	0.16%	0.16%
	f) Security Leasing Corporation Limited	16,406	12,305	-	12,305	0.20%	0.20%
	g) Saudi Pak Leasing Company Limited	37,485	28,086	-	28,086	0.46%	0.46%
	h) Saudi Pak Leasing Company Limited	-	-	-	-	-	-

4.2.3 SECP vide circular no. 16 of 2010 dated July 7, 2010 requires that a scheme presently non-compliant with this requirement comply with this requirement by December 31, 2010.

4.2.4 At the time of purchase, the TFCs and Sukus were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

MCB DYNAMIC CASH FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	June 30, 2010
	(Rupees in '000)	
5 DIVIDEND AND OTHER RECEIVABLES		
Profit on term deposits	-	2,054
Profit on savings deposits	1,595	855
Income accrued on term finance certificates	63,580	65,044
Profit receivable on government securities	8,413	5,234
Others	33,018	556
	<u>106,606</u>	<u>73,743</u>
6 ACCRUED AND OTHER LIABILITIES		
Auditors' remuneration	283	450
Withholding tax payable	349	-
Sales load payable	4,558	3,013
Provision for Workers' Welfare Fund	38,368	33,970
Others	3,388	453
	<u>46,946</u>	<u>37,886</u>

7 NET ASSET VALUE PER UNIT

The net asset value per unit disclosed on the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

8 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 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders. The income of the Fund for the period is exempt from income tax under Clause 99 of Part 1 of the Second schedule to the Income Tax Ordinance, 2001.

9 EARNINGS PER UNIT

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

	September 30, 2010	September 30, 2009
	(Rupees in '000)	
10 CASH AND CASH EQUIVALENTS		
Bank balances	207,599	627,674
Term deposit receipts		700,000
Treasury Bills	2,560,497	-
	<u>2,768,096</u>	<u>1,327,674</u>

11 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 (Ordinance of 1969) applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP), was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party. The Judgment recognises that the Trusts are covered by the scope of the definition of commercial establishment as contained in Ordinance of 1969 and, therefore, mutual funds and other funds appear to be covered unless it can be established that they fall within the scope of exemption set out in Section 5 (1)(iii) of the Ordinance of 1969 i.e. the Trusts not run for profit or in the course of business does not make any profit. This could be examined when the aggrieved parties directly approached the Court for redressal.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A - II)11.(5)/2010 dated July 8, 2010 and July 15, 2010, have clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are not liable to contribute towards the said WWF levy.

MCB DYNAMIC CASH FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



Various legal opinions are available on this matter. Some legal advisors are of the view that this levy is not applicable on CIS and therefore provision is not required to be created while there is also a contrary view according to which this levy has become applicable on the fund and the letter issued by the Ministry of Labour & Manpower, Government of Pakistan has no legal significance.

Because of ambiguity created based on conflicting opinions by lawyers and as a matter of abundant caution the Management Company of the Fund has decided to recognize a provision for WWF in these financial statements.

12 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

- 12.1** Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.
- 12.2** The transactions with connected persons are in the normal course of business and at contracted rates.
- 12.3** Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

12.4 Details of transactions with connected persons are as follows:

	September 30, 2010	September 30, 2009
	(Rupees in '000)	
MCB Bank Limited		
Profit received on deposit accounts	1,400	13,367
Redemption of 3,412,052 units (2009: NIL units)	346,553	-
Distribution of 79,822 Bonus units (2009: 95,441 units)	8,062	9,544
Bank charges	5	-
MCB Asset Management Company Limited		
Remuneration of management company	22,590	42,186
Issue of NIL units (2009: 337,442 units)	-	34,200
Redemption of NIL units (2009: 1,241,589 units)	-	126,500
Distribution of 60,722 bonus units (2009: 111,509 units)	6,133	11,151
MCB Employees Provident Fund		
Distribution of 15,964 bonus units (2009: 19,088 units)	1,612	1,909
MCB Employees Pension Fund		
Distribution of 15,964 bonus units (2009: 19,088 units)	1,612	1,909
MCB Employees Foundation		
Distribution of NIL bonus units (2009: 6,060 units)	-	606
Monthly profit distribution of NIL units (2009: 5,314 units)	-	545
Central Depository Company of Pakistan Limited		
Remuneration and settlement charges for the period	1,760	3,067
Adamjee Insurance Company Limited		
Issue of NIL units (2009: 18,292,361 units)	-	1,850,000
Redemption of NIL units (2009: 6,867,665 units)	-	700,000
Distribution of 167,863 bonus units (2009: 354,057 units)	16,954	35,406
Adamjee Insurance Company Limited - Employees Provident Fund		
Redemption of 178,077 units (2009: 97,830 units)	18,086	10,000
Distribution of 4,166 bonus units (2009: 16,931 units)	421	1,693
D.G Khan Cement Company Limited Employees Provident Fund Trust		
Distribution of 48 bonus units (2009: 57 units)	5	6
MCB AMC Staff Provident Fund		
Distribution of 280 bonus units (2009: NIL units)	28	-
Adamjee Life Assurance Company Limited		
Issue of 425,881 units (2009: NIL units)	44,000	-
Redemption of 372,024 units (2009: NIL units)	38,000	-
Distribution of 1,445 bonus units (2009: NIL units)	146	-
Key management personnel		
Issue of 770 units	80	4,206
Redemption of 7,017 units	721	2,240
Bonus distribution of 1,148 units	116	198

MCB DYNAMIC CASH FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2009	June 30, 2010
12.5 Amount outstanding as at period / year end	(Rupees in '000)	
MCB Bank Limited		
Bank balance	28,326	268,853
Profit receivable on deposit accounts	342	346
NIL units held as at September 30, 2010 (June 30, 2010: 3,332,230 units)	-	344,617
MCB Asset Management Company Limited		
Remuneration payable to management company	7,804	7,030
2,595,603 units held as at September 30, 2010 (June 30, 2010: 2,534,882 units)	271,519	262,156
Adamjee Insurance Company Limited		
7,175,449 units held as at September 30, 2010 (June 30, 2010: 7,007,586 units)	750,603	724,720
Adamjee Insurance Company Limited - Employees Provident Fund		
NIL units held as at September 30, 2010 (June 30, 2010: 173,911 units)	-	17,986
MCB Employees Provident Fund		
682,410 units held as at September 30, 2010 (June 30, 2010: 666,446 units)	71,385	68,923
MCB Employees Pension Fund		
682,410 units held as at September 30, 2010 (June 30, 2010: 666,446 units)	71,385	68,923
MCB AMC Staff Provident Fund		
11,951 units held as at September 30, 2010 (June 30, 2010: 11,672 units)	1,250	1,207
D.G Khan Cement Company Limited Employees Provident Fund Trust		
2,053 units held as at September 30, 2010 (June 30, 2010: 2,005 units)	215	207
Adamjee Life Assurance Company Limited		
1,152,547 units held as at September 30, 2010 (June 30, 2010: 1,072,987 units)	120,564	110,968
Central Depository Company of Pakistan Limited		
Security deposit	200	200
Remuneration and settlement charges payable	602	551
Key management personnel		
42,857 units held as at September 30, 2010 (June 30, 2010: 48,146 units)	4,483	4,979

13 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on October 18, 2010 by the Board of Directors of the Management Company.

13 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison and better presentation. During the period, there were no major reclassifications.

14 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC STOCK FUND

MCB Dynamic Stock Fund



ORGANIZATION

Management Company	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908
Board of Directors	Mian Mohammad Mansha / Chairman Ali Munir Mohammad Usman Ali Usmani S. Waliullah Shah Ahmed Jahangir Haroun Rashid Samir Iqbal Saigol Ismail Arif Rafi Yasir Qadri / Chief Executive Officer
Audit Committee	Ali Munir / Chairman S. Waliullah Shah / Member Ahmed Jahangir / Member
Chief Financial Officer & Company Secretary	Muhammad Saqib Saleem
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shara-e-Faisal Karachi-74400
Auditors	A. F. Ferguson & Co. Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi. 74000
Legal Adviser	Bawany & Partners, Room No. 404, 4th Floor, Beaumont Plaza Beaumont Road, Civil Lines, Karachi.
Bankers	MCB Bank Limited NIB Bank Limited Bank Alfalah Limited Standard Chartered Bank Limited Faysal Bank Limited
Transfer Agent	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908 E info@mcbamc.com.pk W www.mcbamc.com.pk

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Unaudited Financial Statements of MCB Dynamic Stock Fund for the quarter ended September 30, 2010.

MARKET OVERVIEW

The performance of the local equities market during the period under review remained sluggish with lackluster turnover, whereas the regional markets posted healthy returns during the same period. Market activities were largely dominated by the foreign investors who poured in around US\$106 million during the period as locals preferred to remain on the sidelines owing to few factors including imposition of Capital Gains Tax and its modalities, calamity of country-wide floods and its economic repercussions, rise in interest rates, political volatility and law & order instability. After posting a healthy performance in July 2010 with the KSE-100 Index making a period high at 10,519 (+8.2%), the market succumbed to economic pressures caused by fiscal imbalances and inflationary pressures compelling the central bank to take a policy shift by raising the discount rate by 50 basis points to 13% in end-July. During the same month, the country was also affected by the devastating floods that aggravated the economic imbalances of an already fragile economy. A sizeable rise in the yields of the country's Euro Bond and Credit Default Swaps (CDS) also served to reflect the concerns on the rising macroeconomic imbalances.

18

Higher foreign pledges and commitments for the re-building activities in the flood-hit areas in the country gave the market a little room to regain some confidence. However, likely deterioration in some key macro-indicators coupled with a slow materialization of these foreign flows led the central bank to adopt a completely hawkish stance with another 50 basis points DR hike towards the end of the period under review taking the policy discount rate to 13.5%.

FUND PERFORMANCE

Your fund, during the period under review posted a return of 4.8% as against its benchmark return of 1.2%, an out-performance of 3.6%. Since its inception, your fund posted a return of 25% as compared to a decline of 31.1% in its benchmark, reflecting a significant out-performance of 56.1%. Inline with the view of weak economic outlook, your fund reduced its exposure towards equities with a focus on a combination of defensive and value stocks providing attractive yields.

FUTURE OUTLOOK

A hawkish monetary policy stance of the State Bank of Pakistan coupled with the overall economic slowdown is likely to adversely affect the performance of the local equities market of the country. However, the much awaited leverage product may provide the market with some respite in the short-run. Although, the local equities remained at a significant discount to the regional peers, the long-term direction of the equities market is highly dependent on the local macroeconomic variables and interest rates direction. We believe that the timely materialization of committed foreign flows, pace of rebuilding activities, improvement in fiscal balances, direction of interest rates and political and law & order situation of the country hold the key in dictating the long term direction of the equities market.

ACKNOWLEDGEMENT

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,

YASIR QADRI
Chief Executive Officer

October 18, 2010

MCB DYNAMIC STOCK FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2010



	Note	Unaudited September 30 2010 (Rupees in '000)	Audited June 30 2010
ASSETS			
Bank balances		27,381	23,858
Investments	4	627,598	619,813
Dividend and other receivables		4,574	2,006
Receivable against purchase of investments		6,438	6,784
Security deposits and prepayments		3,655	3,700
Preliminary expenses and floatation costs		900	1,060
Total assets		<u>670,546</u>	<u>657,221</u>
LIABILITIES			
Payable to MCB Asset Management Company Limited - Management Company		1,667	1,668
Payable to Central Depository Company of Pakistan Limited		117	116
Annual fee payable to Securities and Exchange Commission of Pakistan		163	678
Accrued and other liabilities		<u>4,178</u>	<u>3,912</u>
Total liabilities		<u>6,125</u>	<u>6,374</u>
NET ASSETS		<u>664,421</u>	<u>650,847</u>
Unit holders' fund (as per statement attached)		<u>664,421</u>	<u>650,847</u>
(Number of units)			
Number of units in issue		<u>8,129,029</u>	<u>6,731,650</u>
(Rupees)			
Net asset value per unit	5	<u>81.73</u>	<u>96.68</u>

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC STOCK FUND
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	Note	September 30, 2010	September 30, 2009
		(Rupees in '000)	
INCOME			
Capital gain on sale of investments		9,592	104,236
Dividend income		5,547	13,328
Income from Government Securities		2,342	
Profit on bank deposits and term deposit receipts		1,190	1,572
		18,671	119,136
Net unrealised appreciation on re - measurement of investments classified as ' financial assets at fair value through profit or loss '		20,310	102,466
		38,981	221,602
EXPENSES			
Remuneration of MCB Asset Management Company - Management Company		5,142	2,870
Remuneration of Central Depository Company of Pakistan Limited - Trustee		343	383
Annual fee - Securities and Exchange Commission of Pakistan		163	182
Brokerage, capital value tax and settlement charges		1,238	2,484
Amortisation of preliminary expenses and floatation costs		161	161
Auditors' remuneration		131	96
Other expenses		227	236
		7,405	6,412
Net income from operating activities		31,576	215,190
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		(806)	18,900
Provision for Workers' Welfare Fund	6	(615)	
Net income for the period before taxation		30,155	234,090
Taxation	7	-	-
Net income for the period after taxation		30,155	234,090
Other comprehensive income for the period		-	-
Total comprehensive income for the period		30,155	234,090
Earnings / (loss) per unit	8		

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC STOCK FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	September 30, 2009
	(Rupees in '000)	
Loss brought forward	(22,327)	(203,608)
Final distribution for the period ended June 30, 2010 at Rs. 18.6601 per unit (Date of distribution July 1, 2010)		
- Bonus units	(125,613)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount forms part of the unit holders' fund	(30,708)	(14,003)
Net (loss) / income for the period after taxation	30,155	234,090
(Loss) / Undistributed Income carried forward	<u>(148,493)</u>	<u>16,479</u>

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC STOCK FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	September 30, 2009
	(Rupees in '000)	
Net assets at the beginning of the period	650,847	642,998
Issue of 376,642 units (2010: 3,625,401 units)	30,745	159,626
Issue of 1,609,919 Bonus Units	125,613	-
Redemption of 589,182 units (2010: 5,359,734 units)	(48,132)	(224,828)
	108,226	(65,202)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	806	(18,900)
- amount representing income that forms part of unit holders' fund - transferred to distribution statement	30,708	14,003
	31,514	(4,897)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	(30,708)	(14,003)
Net unrealised appreciation on re - measurement of investments classified as ' financial assets at fair value through profit or loss '	20,310	102,466
Other operating loss / income	9,845	131,624
Net income for the period	30,155	234,090
Final distribution for the period ended June 30, 2010 at Rs. 18.6601 per unit (Date of distribution July 1, 2010)		
- Bonus units	(125,613)	-
Net assets as at the end of the period	664,421	792,986

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC STOCK FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	Note	September 30, 2010	September 30, 2009
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		30,155	234,090
Adjustments for non-cash charges and other items:			
Capital loss on sale of investments		(9,592)	(104,236)
Dividend income		(5,547)	(13,328)
Profit on bank deposits		(3,532)	(1,572)
Net unrealised diminution / (appreciation) on re - measurement of investments classified as ' financial assets at fair value through profit or loss '		(20,310)	(102,466)
Amortisation of preliminary expenses and floatation costs		161	161
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed		806	(18,900)
		(7,859)	(6,251)
(Increase) / decrease in assets			
Investments - net		165,210	47,972
Other receivables		-	-
Security deposits and prepayments		45	(78)
		165,255	47,894
Increase / (decrease) in liabilities			
Payable to MCB Asset Management Company Limited - Management Company		(1)	(1,034)
Payable to Central Depository Company of Pakistan Limited		1	42
Payable against redemption of units		-	-
Annual fee payable to Securities and Exchange Commission of Pakistan		(515)	(396)
Accrued and other liabilities		266	363
		(249)	(1,025)
		157,147	40,618
Dividend received		3,000	8,251
Profit received on bank deposits		3,510	1,027
Net cash flow from / (used in) operating activities		163,657	49,896
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipt from issue of units		30,745	159,626
Net payments on redemption of units		(48,132)	(224,828)
Net cash (used in) / generated from financing activities		(17,387)	(65,202)
Net increase in cash and cash equivalents during the period		146,270	(15,306)
Cash and cash equivalents at the beginning of the period		48,508	61,103
Cash and cash equivalents at the end of the period	9	194,778	45,797

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Stock Fund (DSF) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and was approved as an investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on December 12, 2006. It was constituted under a Trust Deed dated November 10, 2006 amended by a Supplemental Trust Deed dated January 21, 2007 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is an open ended mutual fund 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 Lahore Stock Exchange. The Board of Directors have approved that the Fund should be categorized as Equity Scheme as per the categories defined by the Securities and Exchange Commission of Pakistan.

The principal activity of the Fund is to make investments in securities listed on the stock exchanges. The Fund is an equity fund and its objective is to provide long term capital appreciation.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an Asset Manager rating of AM2- "positive outlook" to the Management Company and a short term star ranking rating of "4-Star-normal" and long term star ranking of "5-star normal" to the Fund.

2 BASIS OF PREPARATION

2.1 Statement Of Compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 These condensed interim financial statements are unaudited.

2.3 The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2010.

4 INVESTMENTS

		For the quarter ended September 30, 2010	June 30, 2010
	Note		
Financial assets at fair value through profit or loss - held for trading	4.1	460,201	595,163
Government Securities	4.2	167,397	24,650
		<u>627,598</u>	<u>619,813</u>

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

4.1 Financial assets at fair value through profit or loss - held for trading

Listed equity securities

Name of investee company	Number of shares					Balance as at September 30, 2010				Market value as percentage of net assets	Market value as percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2010	Purchased during the year	Bonus / right shares	Disposed of during the year	As at September 30, 2010	Cost	Market value	Appreciation / (diminution)				

————-(Rupees in'000)————

Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.

Auto Mobile & Parts

Agriauto Industries Limited*	227,600	-	-	-	227,600	15,704	15,933	229	2.40	2.54	1.58%
Indus Motor Company Limited	51,276	13,741	-	65,017	-	-	-	-	-	-	0.00%
						15,704	15,933	229	2.40	2.54	

Banks

Allied Bank Limited	-	47,466	-	-	47,466	2,692	2,443	(249)	0.37	0.39	-
Bank Alfalah Limited	406,907	100,000	-	506,907	-	-	-	-	-	-	0.00%
Bank AlHabib Limited	90,000	-	-	24,586	65,414	2,060	2,031	(29)	0.31	0.32	0.01%
Habib Bank Limited	137,153	18,141	-	5,000	150,294	14,646	14,311	(335)	2.15	2.28	0.02%
MCB Bank Limited	150,867	61,237	-	182,690	29,414	5,734	5,539	(195)	0.83	0.88	0.00%
Meezan Bank Limited	25,000	-	-	25,000	-	-	-	-	-	-	0.00%
National Bank of Pakistan	140,370	125,208	-	186,624	78,954	5,138	5,005	(133)	0.75	0.80	0.01%
United Bank Limited	532,314	274,310	-	20,000	786,624	43,372	40,440	(2,932)	6.09	6.44	0.06%
						73,642	69,769	(3,873)	10.50	11.12	

Chemicals

Dawood Hercules Chemicals Limited	-	6,600	-	1,600	5,000	883	828	(55)	0.12	0.13	0.00%
Engro Corporation Limited	229,305	41,129	-	222,100	48,334	8,429	8,420	(9)	1.27	1.34	0.01%
Fauji Fertilizer Bin Qasim Limited	705,903	-	-	705,903	-	-	-	-	-	-	0.00%
Fauji Fertilizer Company Limited	329,171	89,500	-	217,127	201,544	20,845	21,130	285	3.18	3.37	0.03%
ICI Pakistan Limited	-	37,000	-	37,000	-	-	-	-	-	-	-
						30,157	30,378	221	4.57	4.84	

Construction & Materials

Attock Cement Pakistan Limited	-	110,000	-	-	110,000	7,358	7,077	(281)	1.07	1.13	-
Dera Ghazi Khan Cement Limited	125,000	387,057	-	406,000	106,057	2,668	2,537	(131)	0.38	0.40	0.03%
Lucky Cement Limited	149,452	274,744	-	99,717	324,479	21,304	22,441	1,137	3.38	3.58	0.10%
						31,330	32,055	725	4.82	5.11	

Electricity

HUB Power Company Limited	2,017,265	678,376	-	1,458,552	1,237,089	40,650	41,183	533	6.20	6.56	0.11%
Kot Addu Power Company Limited	62,965	25,000	-	87,965	-	-	-	-	-	-	0.00%
Nishat Power Limited	664,268	1,787,158	-	650,000	1,801,426	19,145	21,023	1,878	3.16	3.35	0.51%
						59,795	62,206	2,411	9.36	9.91	

Fixed Line Telecommunication

Pakistan Telecommunication Co. Limited	574,765	-	-	574,765	-	-	-	-	-	-	0.00%
						-	-	-	-	-	

General Industries

Thal Limited *	195,531	-	-	26,109	169,422	16,085	17,986	1,901	2.71	2.87	0.66%
						16,085	17,986	1,901	2.71	2.87	

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

Name of investee company	Number of shares					Balance as at September 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2010	Purchased during the year	Bonus / right shares	Disposed of during the year	As at September 30, 2010	Cost	Market value	Appreciation / (diminution)			
----- (Rupees in'000) -----											
Oil and Gas											
Mari Gas Company Limited	70,798	-	-	70,798	-	-	-	-	-	-	0.00%
Attock Petroleum Limited	166,707	32,934	-	17,000	182,641	53,796	62,200	8,404	9.36	9.91	0.32%
Oil & Gas Development Corporation	115,633	156,519	-	109,748	162,404	23,484	23,664	180	3.56	3.77	0.00%
Pakistan Oil Fields Limited	270,838	90,743	-	136,620	224,961	48,835	53,345	4,410	8.03	8.50	0.10%
Pakistan Petroleum Limited	340,201	90,651	-	120,942	309,910	48,499	53,432	4,933	8.04	8.51	0.03%
Pakistan State Oil Company Limited	140,225	122,642	-	262,867	-	-	-	-	-	-	0.00%
						174,714	192,641	17,927	28.99	30.69	
Personal goods											
Service Industries	15,100	-	-	-	15,100	3,419	2,778	(641)	0.42	0.44	0.13%
Nishat (Chunian) Limited	-	750,000	-	150,000	600,000	6,252	6,552	300	0.99	1.04	-
Nishat Mills Limited	565,757	170,000	-	85,700	650,057	28,703	29,903	1,200	4.50	4.76	0.18%
						38,374	39,233	859	5.90	6.25	
Tobacco											
Pakistan Tobacco Company Limited	118,809	5,610	-	124,419	-	-	-	-	-	-	0.00%
						-	-	-	-	-	
Total - September 30, 2010						439,801	460,201	20,400	69.26	73	
Total - June 30, 2010						558,533	579,272	20,739	90.08	100.00	

* The face value of shares is Rs. 5

4.2 Investment in government securities

Name of security	Face Value					Balance as at September 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2010	Purchased during the year	Disposed of during the year	Matured during the year	As at September 30, 2010	Carrying value	Market value	Appreciation / (diminution)		
----- (Rupees in '000) -----										
Treasury Bill - 3 months	25,000,000	240,000,000	70,000,000	25,000,000	170,000,000	167,487	167,397	(90)	25.19	26.67
Total - September 30, 2010						<u>167,487</u>	<u>167,397</u>	<u>(90)</u>	<u>25.19</u>	<u>26.67</u>
Total - June 30, 2010						24,679	24,650	(29)	3.79	3.98

5 NET ASSET VALUE PER UNIT

The net asset value per unit disclosed on the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

6 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 (Ordinance of 1969) applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP), was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party. The Judgment recognises that the Trusts are covered by the scope of the definition of commercial establishment as contained in Ordinance of 1969 and, therefore, mutual funds and other funds appear to be covered unless it can be established that they fall with in the scope of exemption set out in Section 5 (1)(iii) of the Ordinance of 1969 i.e. the Trusts not run for profit or in the course of business does not make any profit. This could be examined when the aggrieved parties directly approached the Court for redressal.

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A – II)11.5/2010 dated July 8, 2010 and July 15, 2010, have clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are not liable to contribute towards the said WWF levy.

Various legal opinions are available on this matter. Some legal advisors are of the view that this levy is not applicable on CIS and therefore provision is not required to be created while there is also a contrary view according to which this levy has become applicable on the fund and the letter issued by the Ministry of Labour & Manpower, Government of Pakistan has no legal significance.

Because of ambiguity created based on conflicting opinions by lawyers and as a matter of abundant caution the Management Company of the Fund has decided to recognize a provision for WWF in these financial statements.

7 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 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders. The income of the Fund for the period is exempt from income tax under Clause 99 of Part 1 of the Second schedule to the Income Tax Ordinance, 2001.

8 EARNINGS / (LOSS) PER UNIT

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

28

	September 30, 2010	September 30, 2009
	(Rupees in '000)	
9 CASH AND CASH EQUIVALENTS		
Bank balances	27,381	45,797
Treasury bills	167,397	-
	<u>194,778</u>	<u>45,797</u>

10 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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

- 10.1** The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.
- 10.2** Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30 2010	September 30 2009
	(Rupees in '000)	
10.3 Details of the transactions with the connected persons during the period are as follows:		
MCB Asset Management Company Limited (Staff provident fund)		
Issue of 1,666 bonus units (2009: Nil units)	130	
MCB Bank Limited		
Mark-up received	498	456
Dividend income received	262	443
Redemption of NIL units (2009: 2,200,000 units)	-	103,950
Issue of 199,426 bonus units (2009: Nil units)	15,560	-
Hub Power Company Limited		
Dividend income received	2,273	4,657
D.G khan Cement Company Ltd Employees Provident Trust		
Issue of 3,259 bonus units (2009: Nil units)	254	-
Nishat Mills Limited		
Issue of 1,251 bonus units (2009: Nil units)	97	-
MCB Employees Pension Fund		
Issue of 147,526 bonus units (2009: Nil units)	11,511	-
The Bank of Punjab		
Issue of 387,023 bonus units (2009: Nil units)	30,197	-
MCB Employees Provident Fund		
Issue of 192,511 bonus units (2009: Nil units)	15,021	-
MCB Asset Management Company Limited		
Remuneration paid to Management Company	3,475	1,838
Management fee payable	1,667	1,032
Sales load payable	8	286
Key management personnel		
Issue of units	314	290
Issue of bonus units	84	-
Redemption of units	242	2,237

	September 30 2010	June 30 2010
	(Rupees in '000)	
10.4 Amount outstanding as at the period / year end		
MCB Asset Management Company Limited		
Management fee payable	1,667	1,668
Sales Load Payable	2	-
MCB Bank Limited		
Bank balances	22,608	17,615
Profit receivable on bank balances	213	211
1,033,300 units held as at Sept 30, 2010 (June 2010 : 833,874 units)	84,456	80,623
29,414 shares held by the Fund as at Sep. 30, 2010 (June 2010 : 150,867 shares)	5,539	29,297
sales load payable	-	15
Hub Power Company Limited		
1,237,089 shares held by the Fund as at Sep. 30, 2010 (June 2010 : 2,017,265 shares)	41,183	64,472

MCB DYNAMIC STOCK FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30 2010	June 30 2010
	(Rupees in '000)	
D.G Khan Cement Company Limited		
106,057 shares held by the Fund as at Sep. 30, 2010 (June 2010 : 125,000 shares)	2,537	2,952
D.G.Khan Cement Company Limited Employees Provident Fund		
16,888 units held (June 2010 : 13,629)	1,380	1,318
Bank of Punjab		
2,005,310 units held (June 2010 : 1,618,287)	163,903	156,463
Nishat Mills Limited		
650,057 shares held by the Fund as at Sep. 30, 2010 (June 2010 : 565,757 shares)	28,703	24,395
Nishat Mills Limited Employees Provident Fund Trust		
6,485 units held (June 2010 : 5,234 units)	530	506
MCB Asset Management Company Limited (Staff Provident Fund)		
546,735 units held (June 2010 : 3,139 units)	56,107	674
MCB Employees Provident Fund		
997,470 units held (June 2010 : 804,959 units)	81,528	77,827
MCB Employees Pension Fund		
764,388 units held (June 2010 : 616,862 units)	62,477	59,641
Central Depository Company of Pakistan Limited		
Trustee fee payable	111	111
CDC settlement charges payable	6	5
Security deposit	200	200
Key management personnel		
6,629 units held (June 2010: 4,558)	542	441

30

11 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on **October 18, 2010** by the Board of Directors of the Management Company.

12 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB Dynamic Allocation Fund



MCB DYNAMIC ALLOCATION FUND

ORGANIZATION

Management Company	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908
Board of Directors	Mian Mohammad Mansha / Chairman Ali Munir Mohammad Usman Ali Usmani S. Waliullah Shah Ahmed Jahangir Haroun Rashid Samir Iqbal Saigol Ismail Arif Rafi Yasir Qadri / Chief Executive Officer
Audit Committee	Ali Munir / Chairman S. Waliullah Shah / Member Ahmed Jahangir / Member
Chief Financial Officer & Company Secretary	Muhammad Saqib Saleem
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shara-e-Faisal Karachi-74400
Auditors	A. F. Ferguson & Co. Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi. 74000
Legal Adviser	Bawany & Partners, Room No. 404, 4th Floor, Beaumont Plaza Beaumont Road, Civil Lines, Karachi.
Bankers	MCB Bank Limited NIB Bank Limited Bank Alfalah Limited Standard Chartered Bank Limited Faysal Bank Limited
Transfer Agent	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908 E info@mcbamc.com.pk W www.mcbamc.com.pk

Dear Investor,

On behalf of the Board of Directors, I am pleased to present the Unaudited Financial Statements of MCB Dynamic Allocation Fund for the 1st quarter ended September 30th 2010.

MARKET OVERVIEW

The signs of global economic stability and rising global liquidity have kept the emerging markets in the radars of foreign portfolio investors. Albeit small, Pakistan was amongst the countries that continued attracting foreign liquidity. Foreigners were also the single largest force driving Pakistan's equities market, while the locals preferred to remain on the sidelines owing to a range of factors including the imposition of Capital Gains Tax, calamity of country-wide floods, macro-economic slowdown, hike in interest rates, political noise and law & order instability. The KSE-100 Index was marginally up by 3% during the period under review. Kicking-off the FY11 with 8.2% return in KSE-100 Index in July, the economic outlook of the country was flattened by the devastating floods across the country giving rise to concerns over inflationary pressures, further fiscal imbalances, slowdown in economic growth and interest rates direction. Citing the deterioration in macroeconomic balances coupled with a slow materialization of foreign flows and higher reliance of government on SBP borrowing, the central bank adopted a hawkish monetary stance and raised the discount rate cumulatively by 100 bps during the quarter to 13.5%.

33

Short term market rates remained lower during the period as the money market remained relatively liquid due to the materialization of UN and IMF flows for flood-affecteds and government's heavy borrowing from the central bank for its fiscal funding. Intermediate to longer tenure rates, however, adjusted upwards due to the rise in policy discount rate.

FUND PERFORMANCE

Your fund posted a return of 4.3% during the period under review, while since its inception your fund posted a return of -18.4%. Your fund is maintaining a defensive investment strategy with 54% exposure towards government securities while it stands at an equities exposure of 21% at the end of the period under review with a focus of maintaining a balance between defensive high yielding and value stocks.

OUTLOOK

A rising interest rate environment with higher inflationary pressures and low economic growth outlook may trigger stock market re-rating at lower multiples. On the other hand, defensive stocks that are insulated from economic slowdown and are hedged against exchange rate depreciation may lead the market in our opinion. We, however, believe that the timely materialization of foreign flows is critical in dictating the capital market liquidity and interest rates direction going forward.

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,

Yasir Qadri
Chief Executive Officer

October 18, 2010

MCB DYNAMIC ALLOCATION FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2010



		Unaudited September 30, 2010	Audited June 30, 2010
	Note	Rupees in '000	
ASSETS			
Bank balances		32,536	66,796
Investments	3	355,996	275,290
Loans and receivables		-	50,000
Receivable against sale of investment		6,473	5,378
Dividend and other receivables		3,149	2,342
Security deposits and prepayments		3,622	3,600
Preliminary expenses and floatation cost		2,458	2,710
Total assets		404,234	406,116
LIABILITIES			
Payable to MCB Asset Management Company Limited - Management Company		493	520
Payable to Central Depository Company of Pakistan Limited		70	69
Annual fee payable to Securities and Exchange Commission of Pakistan		96	574
Payable against purchase of investments		-	-
Accrued and other liabilities		2,204	1,912
Total liabilities		2,863	3,075
NET ASSETS		401,371	403,041
Unit holders' fund (as per statement attached)		401,371	403,041
COMMITMENTS			
		Number of units	
NUMBER OF UNITS IN ISSUE		5,649,800	5,152,325
		Rupees	
NET ASSET VALUE PER UNIT		71.04	78.23

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC ALLOCATION FUND
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	Note	September 30, 2010	September 30, 2009
Rupees in '000			
INCOME			
Capital gain / (loss) on sale of investments		9,689	68,659
Dividend income		963	7,852
Profit on bank deposits and term deposit receipts		1,392	5,362
Income from money market placements		-	1,239
Income from government securities		3,876	1,685
Income from Term Finance Certificates		1,911	5,342
		17,831	90,139
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		2,224	32,556
Total Income		20,055	122,695
EXPENSES			
Remuneration of MCB Asset Management Company Limited-Management Company		1,512	2,998
Remuneration of Central Depository Company of Pakistan Limited - Trustee		202	400
Annual fee - Securities and Exchange Commission of Pakistan		96	190
Brokerage and settlement charges		730	1,900
Amortisation of preliminary expenses and floatation costs		252	252
Auditors' remuneration		131	94
Other expenses		224	211
		3,147	6,045
Net Income from operating activities		16,908	116,650
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		(157)	(12,257)
Provision for Workers' Welfare Fund	5	(335)	-
Net loss for the period before taxation		16,415	104,393
Taxation	6	-	-
Net Income for the period after taxation		16,415	104,393
Earnings / (loss) per unit	7		

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC ALLOCATION FUND
CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	September 30, 2009
	Rupees in '000	
Loss Brought forward	(112,192)	(326,090)
Final distributions during the period ended June 30, 2010:		
On July 01, 2010 at Rs 10.089 per unit		
- Cash distribution	(12,849)	-
- Bonus distribution	(39,133)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount forms part of the unit holders' fund	(15,851)	30,347
Net Income for the period after taxation	16,415	104,393
Loss carried forward	<u>(163,610)</u>	<u>(191,350)</u>

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC ALLOCATION FUND
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	September 30, 2009
	Rupees in '000	
Net assets at beginning of the period	403,041	714,089
Issue of 6,356 (2009: 572,359) units	446	39,890
Issue of Bonus units 574,336	39,133	
Redemption of 83,218 (2009: 1,492,532) units	(5,840)	(113,731)
	33,739	(73,841)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	157	12,257
- amount representing income that forms part of unit holders' fund - transferred to distribution statement	15,851	(30,347)
	16,009	(18,090)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	(15,851)	30,347
Net unrealised diminution on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	2,224	33,850
Loss from other operating activities	14,191	70,543
Net loss for the period	16,415	104,393
Final distributions during the period ended June 30, 2010:		
On July 01, 2010 at Rs 10.0890 per unit		
- Cash distribution	(12,849)	-
- Bonus distribution	(39,133)	-
	(51,982)	
Net assets as at the end of the period	401,371	756,898

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC ALLOCATION FUND
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	September 30, 2009
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the period before taxation	16,415	104,393
Adjustments for non-cash charges and other items:		
Dividend income	(963)	(7,852)
Profit on bank deposits and term deposits	(1,392)	(5,362)
Net unrealised diminution on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	(2,224)	(32,556)
Remuneration of MCB Asset Management Company - Management Company	1,512	2,998
Remuneration of Central Depository Company of Pakistan Limited - Trustee	202	400
Amortisation of preliminary expenses and floatation costs	252	252
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	157	12,257
	13,960	74,530
Increase / (decrease) in assets		
Investments - net	138,164	(12,414)
Other receivable	453	(39,284)
Security deposits and prepayments	(22)	(14)
	138,595	(51,712)
Increase / (decrease) in liabilities		
Payable against redemption of units	-	-
Payable to MCB Asset Management Company Limited - Management Company	(1,539)	(3,160)
Annual fee payable to Securities and Exchange Commission of Pakistan	(478)	(693)
Accrued and other liabilities	91	(543)
	(1,926)	(4,396)
Net cash used in operating activities	150,629	18,422
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issue of units	446	39,890
Net payments on redemption of units	(5,840)	(113,731)
Distribution during the period	(12,849)	-
Net cash generated from financing activities	(18,243)	(73,841)
Net increase in cash and cash equivalents	132,386	(55,419)
Cash and cash equivalents at the beginning of the period	116,796	176,657
Cash and cash equivalents at the end of the period	249,182	121,238

8

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB DYNAMIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Allocation Fund (the Fund) was established under the Non-Banking Finance Companies and Notified Entities Regulations, 2007 and has been approved as an open ended investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007. It was constituted under a Trust Deed dated November 22, 2007, between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Management company of the Fund has been licensed to act as Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th floor, Technocity Corporate Tower, Hasrat Mohani Road, Karachi.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the funds managed by the management company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

The Fund is an asset allocation fund and is allowed to shift total exposure into debt or equity instruments as per market conditions and the discretion of the Management Company. The objective of the Fund is to provide a high return which commensurates the higher risk taken due to pro-active allocation of funds across various asset and debt classes.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of "AM2-" to the Management Company and a long term ranking of '4-Star-normal' to the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

40

2.2 These condensed interim financial statements are unaudited.

2.3 The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

2.4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2009.

3 INVESTMENTS

Financial assets at fair value through profit or loss

	Note	September 30, 2010	June 30, 2010
		Rupees in '000	
- Listed equity securities	3.1	85,658	224,993
- Debt securities			
- Listed Debt securities	3.2.1	53,692	50,297
- Government Securities	3.3	216,646	
		<u>355,996</u>	<u>275,290</u>

MCB DYNAMIC ALLOCATION FUND **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS** **FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

3.1 Listed equity securities

Unless states otherwise, the holding are in ordinary shares having a face value of Rs. 10 each

Name of investee company	Number of shares					Balance as at Sept 30, 2010				Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2010	Purchased during the year	Bonus/ rights shares	Disposed off during the year	As at September 30, 2010	Cost	Market value	Appreciation/ diminution				
----- (Rupees in '000) -----												
Auto Mobile & Parts												
Indus Motors Company Limited	23,000	-		23,000	-	-	-	-	0.00%	0.00%	0.00%	
Agrauto Industries Limited*	30,000	-		11,326	18,674	1,289	1,307	18	0.33%	0.37%	0.13%	
						1,289	1,307	18	0.33%	0.37%		
Construction & Materials												
Dera Ghazi Khan Cement Limited	52,200	317,627		316,700	53,127	1,304	1,271	(33)	0.32%	0.36%	0.01%	
Lucky Cement Limited	-	25,000		25,000	-	-	-	-	0.00%	0.00%	0.00%	
						1,304	1,271	(33)	0.32%	0.36%		
Chemicals												
Engro Corporation Limited	69,887	23,460		93,347	-	-	-	-	0.00%	0.00%	0.00%	
Fatima Fertilizers Limited	5,581			5,581	-	-	-	-	0.00%	0.00%	0.00%	
Fauji Fertilizer Bin Qasim Limited	105,479	25,000		130,479	-	-	-	-	0.00%	0.00%	0.00%	
Fauji Fertilizer Company Limited	92,215	6,500		92,215	6,500	670	681	11	0.17%	0.19%	0.00%	
						670	681	11	0.17%	0.19%		
Banks												
Bank Alfalah Limited	297,551			297,551	-	-	-	-	0.00%	0.00%	0.00%	
Habib Bank Limited	25,000	10,000		35,000	-	-	-	-	0.00%	0.00%	0.00%	
MCB Bank Limited	40,219	30,000		70,219	-	-	-	-	0.00%	0.00%	0.00%	
National Bank of Pakistan	159,040	85,000		244,040	-	-	-	-	0.00%	0.00%	0.00%	
United Bank Limited	269,856	86,000		244,880	110,976	6,057	5,705	(352)	1.42%	1.60%	0.01%	
						6,057	5,705	(352)	1.42%	1.60%		
Personal goods												
Nishat (Churian) Limited	-	117,607		50,000	67,607	1,096	1,087	(9)	0.27%	0.31%	0.05%	
Nishat Mills Limited	221,672	198,026		188,504	231,194	10,244	10,635	391	2.66%	2.99%	0.07%	
						11,340	11,722	382	2.92%	3.29%		
Oil and gas												
Attock Petroleum Limited	84,890	10,032		61,060	33,862	10,149	11,532	1,383	2.87%	3.24%	0.06%	
Oil & Gas Development Company Limited	5,482	15,000		20,000	482	68	70	2	0.02%	0.02%	0.00%	
Pakistan Oilfields Limited	84,785	107,842		162,498	30,129	6,595	7,144	549	1.78%	2.01%	0.01%	
Pakistan Petroleum Limited	121,375	1,438	5,762	94,000	34,575	5,309	5,961	652	1.49%	1.67%	0.00%	
Pakistan State Oil Company Limited	35,177	125,162		160,339	-	-	-	-	0.00%	0.00%	0.00%	
						22,121	24,707	2,586	6.16%	6.94%		
General Industries												
Packages Limited	79,376			10,000	69,376	8,221	7,007	(1,214)	1.75%	1.97%	0.08%	
Thal Limited *	7,000			7,000	-	-	-	-	0.00%	0.00%	0.00%	
						8,221	7,007	(1,214)	1.75%	1.97%		
Electricity												
The HUB Power Company Limited	1,119,292	285,609		1,288,849	116,052	3,854	3,863	9	0.96%	1.09%	0.01%	
Kot Addu Power Company Limited	259,906	50,000		240,124	69,782	2,891	2,868	(23)	0.71%	0.81%	0.01%	
Nishat Churhan Power Limited	379,456	315,000		225,000	469,456	4,770	5,126	356	1.28%	1.44%	0.08%	
Nishat Power Limited	817,031	1,512,103		495,519	1,833,615	19,484	21,401	1,917	5.33%	6.01%	0.52%	
						30,999	33,258	2,259	8.29%	9.34%		
Total - September 30, 2010						82,061	85,658	3,657	21.34%	24.06%		
Total - June 30, 2010						246,653	224,993	(21,660)	55.81%	81.71%		

* The face value of shares is Rs. 5 each

MCB DYNAMIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



3.2 Listed Debt Securities

Name of investee company	Number of Certificates				Balance as at September 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2010	Purchased during the year	Disposed during the year	As at September 30, 2010	Cost	Market value	Appreciation / (Diminution)		

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

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

Bank Al-Habib Limited	520	-	-	520	2,547	2,613	66	0.65%	0.73%
NIB Bank Limited	2,845	-	-	2,845	13,645	13,463	(182)	3.35%	3.78%
Askari Bank Limited	5,000	-	-	5,000	24,603	23,451	(1,152)	5.84%	6.59%
United Bank Limited	2,000	1,000	-	3,000	14,175	14,165	(10)	3.53%	3.98%

Total - September 30, 2010

Total - June 30, 2010

54,970	53,692	(1,278)	13.38%	15.08%
68,815	69,892	(1,077)	9.79%	13.14%

3.3 Investment in government securities - 'At fair value through profit or loss'

Name of investee company	Face value				Balance as at September 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2010	Purchased during the year	Disposed during the year	As at September 30, 2010	Cost	Market value	Appreciation / (Diminution)		

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

Treasury bills - 12 months	-	40,000	40,000	-	-	-	-	-	-
Treasury bills - 3 months	-	310,000	90,000	220,000	216,800	216,646	(154)	53.98%	60.86%

Total - September 30, 2010

Total - June 30, 2010

216,800	216,646	(154)	53.98%	60.86%
-	-	-	-	-

42

4 NET ASSET VALUE PER UNIT

The net asset value per unit disclosed on the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

5 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 (Ordinance of 1969) applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP) was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party. The Judgment recognises that the Trusts are covered by the scope of the definition of commercial establishment as contained in Ordinance of 1969 and, therefore, mutual funds and other funds appear to be covered unless it can be established that they fall within the scope of exemption set out in Section 5 (1)(iii) of the Ordinance of 1969 i.e. the Trusts not run for profit or in the course of business does not make any profit. This could be examined when the aggrieved parties directly approached the Court for redressal.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A - II)11.5/2010 dated July 8, 2010 and July 15, 2010, have clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are not liable to contribute towards the said WWF levy.

Various legal opinions are available on this matter. Some legal advisors are of the view that this levy is not applicable on CIS and therefore provision is not required to be created while there is also a contrary view according to which this levy has become applicable on the fund and the letter issued by the Ministry of Labour & Manpower, Government of Pakistan has no legal significance.

Because of ambiguity created based on conflicting opinions by lawyers and as a matter of abundant caution the Management Company of the Fund has decided to recognize a provision for WWF in these financial statements.

MCB DYNAMIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



6 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders. The income of the Fund for the period is exempt from income tax under Clause 99 of Part 1 of the Second schedule to the Income Tax Ordinance, 2001.

7 EARNINGS / (LOSS) PER UNIT

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

	September 30, 2010	September 30, 2009
8 CASH AND CASH EQUIVALENTS		
Bank balances	32,536	121,238
Term deposit receipts	-	-
Treasury Bills	216,646	-
	<u>249,182</u>	<u>121,238</u>

9 TRANSACTIONS WITH CONNECTED PERSONS

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

9.1 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

	September 30, 2010	September 30, 2009
9.3 Details of the transactions with the connected persons during the period are as follows:		
	Rupees in '000	Rupees in '000
MCB Bank Limited		
- Dividend Paid	10,089	-
- Profit received on saving accounts	1,155	1,155
MCB Asset Management Company Limited		
- Remuneration of the Management Company	1,539	3,160
Central Depository Company of Pakistan Limited		
- Remuneration of the Trustee	201	386
- CDC settlement charges	13	
D.G Khan Cement Company Limited - Employee Provident Fund		
- Issued Bonus 2,270 units held as at September 30, 2010 (June 30, 2010: Nil)	155	
Siddiquisons Tin Plate Ltd-Staff Provident Fund		
- Issued Bonus 2,221 units held as at September 30, 2010 (June 30, 2010: Nil)	151	
Trustee Karachi Electric Provident Fund		
- Issued Bonus 222 units held as at September 30, 2010 (June 30, 2010: Nil)	222	
Capital Devopment Authority		
- Issued Bonus 112 units held as at September 30, 2010 (June 30, 2010: Nil)	112	
Key management personnel		
- Redemption of Nil (2009: 300) units during the period	-	21

MCB DYNAMIC ALLOCATION FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	June 30, 2010
	Rupees in '000	
9.4 Amount outstanding as at period end		
MCB Bank Limited		
- Bank balances	14,947	17,567
- Profit receivable on saving accounts	115	104
- 1,000,000 units held as at September 30, 2010 (June 30, 2010: 1,000,000)	71,042	78,225
- Nil shares held by the Fund as at September 30, 2010 (June 30, 2010: 40,219)	-	7,810
MCB Asset Management Company Limited		
- Remuneration payable to Management Company	493	497
- Sales load payable to Management Company	-	23
Central Depository Company of Pakistan Limited		
- Remuneration payable to Trustee	493	66
- CDC settlement charges	13	3
Security Deposits	100	100
Capital Devopment Authority		
867,717 units held as at September 30, 2010 (June 30, 2010: 755,805)	61,644	59,123
D.G Khan Cement Company Limited - Employee Providend Fund		
- 17,605 units held as at September 30, 2010 (June 30, 2010: 15,335)	1,251	1,200
53,127 shares held by the Fund as at September 30, 2010 (June 30, 2010: 52,200)	1,271	1,233
Hub Power Company Limited		
- 116,052 shares held by the Fund as at September 30, 2010 (June 30, 2010: 1,119,292)	3,863	35,773
Nishat Mills Ltd		
231,194 shares held by the Fund as at September 30, 2010 (June 30, 2010: 221,671)	10,635	9,558
Siddiquisons Tin Plate Ltd-Staff Provident Fund		
Nil shares held by the Fund as at September 30, 2010 (June 30, 2010: 15,000)	-	1,173
17,221 units held as at September 30, 2010 (June 30, 2010: Nil)	1,223	-
Trustee Karachi Electric Provident Fund		
Nil shares held by the Fund as at September 30, 2010 (June 30, 2010: 1,500,000)	-	117,338
1,722,106 units held as at September 30, 2010 (June 30, 2010: Nil)	122,341	-
Key management personnel		
- Nil units held as at September 30, 2010 (June 30, 2010: Nil)	-	-
Habib Metropolitan Bank Ltd		
237,818 units held as at September 30, 2010 (June 30, 2010: Nil)	16,895	-

10 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on **October 18, 2010** by the Board of Directors of the Management Company.

11 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB Cash Management Optimizer



MCB CASH MANAGEMENT OPTIMIZER

ORGANIZATION

Management Company	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908
Board of Directors	Mian Mohammad Mansha / Chairman Ali Munir Mohammad Usman Ali Usmani S. Waliullah Shah Ahmed Jahangir Haroun Rashid Samir Iqbal Saigol Ismail Arif Rafi Yasir Qadri / Chief Executive Officer
Audit Committee	Ali Munir / Chairman S. Waliullah Shah / Member Ahmed Jahangir / Member
Chief Financial Officer & Company Secretary	Muhammad Saqib Saleem
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shara-e-Faisal Karachi-74400
Auditors	A. F. Ferguson & Co. Chartered Accountants State Life Building No. 1-C, II. Chundrigar Road, Karachi. 74000
Legal Adviser	Bawany & Partners, Room No. 404, 4th Floor, Beaumont Plaza Beaumont Road, Civil Lines, Karachi.
Bankers	MCB Bank Limited Bank Alfalah Limited Standard Chartered Bank Limited Faysal Bank Limited
Transfer Agent	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908 E info@mcbamc.com.pk W www.mcbamc.com.pk

Dear Investor,

On behalf of the Board of Directors, I am pleased to present the Unaudited Financial Statements MCB Cash Management Optimizer for the 1st quarter ended September 30, 2010.

MARKET OVERVIEW

During the period under review, short term market rates remained relatively lower amid better liquidity scenario in the money market. Monetary expansion was witnessed in the latter part of the quarter especially post-floods amid higher government borrowing from the SBP as well as better foreign flows. Significant NDA growth, mainly due to excessive government borrowing from the central bank, which stood at Rs. 220 billion YTD, is alarming as it is expected to disturb the monetary mechanism going forward. Significant concerns have emerged post-floods on the worsening of the macroeconomic balances, which are also highlighted by the SBP and foreign donor agencies. Due to supply side shocks and resultant rise in commodities prices, inflationary pressures have started to re-emerge significantly, with YoY CPI Inflation for Aug'10 coming at 13.2%. Current account deficit has also widened during 2M FY11 with a deficit level of US\$ 944 million, up 49% YoY. Fiscal deficit, which was already concerning, is expected to go up significantly during FY11 amid floods while its funding through domestic sources are likely to keep pressure on the interest rates. Citing rising imbalances in key macro-indicators, the SBP has adopted a hawkish monetary stance with a cumulative increase of 100 bps in its policy discount rate during the quarter.

47

FUND PERFORMANCE

During the first 12 months of its launch, MCB Cash Management Optimizer (MCB CMOP) was able to perform reasonably well and hence grew to a size of around PKR 7.6 billion by the end of Sep'10. During the quarter under review, the fund generated an annualized return of 10.9% as against its benchmark return of 5.6%, an out performance of 5.3%. The fund remained significantly invested in short-end Treasury bills with a focus on adjusting its portfolio duration to capitalize on the fluctuating liquidity and interest rates in the market.

FUTURE OUTLOOK

Devastations caused by floods are likely to hamper key macroeconomic indicators including Inflation, GDP growth, External and Fiscal account deficit. Expectations of rising twin deficits, deteriorating NDA/NFA ratio amid higher borrowing from the SBP, rising inflationary concerns and lower real GDP growth estimates are pointing towards a bleak economic outlook. In our view, continuation of IMF program and timely materialization of pledged foreign inflows are critical for the liquidity and interest rates outlook.

In a fast changing interest rate environment, the fund would deploy its assets in attractive low risk short duration instruments without compromising on liquidity.

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,

Yasir Qadri
Chief Executive Officer

October 18, 2010

MCB CASH MANAGEMENT OPTIMIZER
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2010

	Note	Unaudited Sept 30, 2010 (Rupees in '000)	Audited June 30, 2010 (Rupees in '000)
ASSETS			
Bank balances		616,870	477,788
Investments	4	7,411,010	4,275,051
Loans and receivables		-	1,820,000
Other receivables		917	4,229
Preliminary expenses and floatation costs		3,997	4,249
Total assets		<u>8,032,794</u>	<u>6,581,323</u>
LIABILITIES			
Payable to the Management Company		13,263	11,589
Payable to the Trustee		764	642
Payable to the Securities and Exchange Commission of Pakistan		1,520	3,185
Payable against purchase of investments		384,393	9,957
Payable on redemption of units		-	18,893
Accrued and other liabilities		16,899	12,047
Total liabilities		<u>416,840</u>	<u>56,313</u>
NET ASSETS		<u>7,615,955</u>	<u>6,525,010</u>
Unit holders' fund (as per statement attached)		<u>7,615,955</u>	<u>6,525,010</u>
(Number of units)			
NUMBER OF UNITS IN ISSUE		<u>74,195,615</u>	<u>64,039,551</u>
(Rupees)			
NET ASSET VALUE PER UNIT		<u>102.65</u>	<u>101.8903</u>

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB CASH MANAGEMENT OPTIMIZER
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Note	September 30, 2010	For the period from September 7, 2009 to Sept 30, 2009
		(Rupees in '000)	(Rupees in '000)
INCOME			
Capital gain on sale of investments		41,377	-
Income from government securities		118,405	-
Profit on money market placement		2,008	-
Profit on bank deposits and term deposit receipts		28,416	371
		190,206	371
Net unrealised appreciation on re-measurement of investments classified as ' financial assets at fair value through profit or loss'		53,276	-
		243,482	371
EXPENSES			
Remuneration of the Management Company		24,348	37
Remuneration of the Trustee		2,278	6
Annual fee - Securities and Exchange Commission of Pakistan		1,520	2
Brokerage and settlement charges		336	-
Amortisation of preliminary expenses and floatation costs		252	3
Auditors' remuneration		227	2
Other expenses		285	2
		29,247	52
Net income from operating activities		214,236	319
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		(13,838)	-
Provision for Workers' Welfare Fund	5	(4,008)	-
Net income for the period before taxation		196,390	319
Taxation	6	-	-
Net income for the period after taxation		196,390	319
Other comprehensive income for the period		-	-
Total comprehensive income for the period		196,390	319
Earnings per unit	7.00		

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB CASH MANAGEMENT OPTIMIZER
CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	September 30, 2010	For the period from September 7, 2009 to Sept 30, 2009
	(Rupees in '000)	
Net Income brought forward	121,057	-
Interim distributions during the period ended September 30, 2010:		
On July 01, 2010 at Rs 1.8903 per unit		
- Cash distribution	(4,695)	-
- Bonus distribution	(116,362)	-
Profit during the current period	196,390	319
Undistributed income carried forward	196,390	319

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB CASH MANAGEMENT OPTIMIZER
CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

For the
period from
September 30,
2010
to September
30, 2009
(Rupees in '000)

Net asset at the beginning of the period	6,525,010	-
Issue of 39,809,215 units (September 30, 2009: 11,530,243 units)	4,020,883	1,153,024
Issue of 1,163,585 bonus units	116,359	-
Redemption of 30,816,736 units	(3,135,467)	-
	1,001,774	1,153,024
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	13,838	-
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	53,276	-
Capital gain on sale of investments	(16,422)	-
Other operating income	159,536	319
Net income for the period	196,390	319
Interim distributions during the period ended June 30, 2010:		
On July 01, 2010 at Rs 1.8903 per unit		
- Cash distribution	(4,695)	-
- Bonus distribution	(116,362)	-
Net assets as the close of the period	7,615,955	1,153,343

52

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB CASH MANAGEMENT OPTIMIZER
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

	Note	September 30, 2010	For the period from Sept 7, 2009 to September 30, 2009 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		196,390	319
Adjustments for non-cash charges and other items:			
Capital gain on sale of investments		16,422	-
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(53,276)	-
Amortisation of preliminary expenses and floatation costs		252	-
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed		13,838	-
		173,626	319
(Increase) / decrease in assets			
Investments - net		3,891,393	-
Other receivables		3,312	(7,266)
		3,894,705	(7,266)
Increase / (decrease) in liabilities			
Payable to the Management Company		1,674	37
Payable to the Trustee		122	6
Payable on redemption of units		(18,893)	-
Payable to the Securities and Exchange Commission of Pakistan		(1,665)	2
Accrued and other liabilities		4,852	6,917
		(13,909)	6,962
Net cashflow used in operating activities		4,054,422	15
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from issue of units		4,020,883	1,153,024
Net payments on redemption of units		(3,135,467)	-
Cash dividend paid		(4,695)	-
Net cash generated from financing activities		880,721	1,153,024
Net increase in cash and cash equivalents during the period		4,935,142	1,153,039
Cash and cash equivalents at the beginning of the period		2,297,788	-
Cash and cash equivalents at the end of the period	8	7,232,930	1,153,039

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Cash Management Optimizer (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open ended investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on July 30, 2009. It was constituted under a Trust Deed dated July 10, 2009 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Management Company of the Fund has been licensed to act as Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

The Fund is an open end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from other funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange. The Fund is categorized as a Money market Scheme as per the criteria laid down by Securities and Exchange Commission of Pakistan for categorization of Collective Investment Schemes.

The Fund is purely a money market fund and has a policy to invest in short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks, with a maximum maturity of 180 days and weighted average maturity upto 90 days. The objective of the fund is to provide competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2- to the Management Company and a fund stability rating of AA(f) to the Fund.

2 Statement of compliance

- 2.1** These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.
- 2.2** These condensed interim financial statements are unaudited.
- 2.3** The comparative information of the Income Statement, Distribution Statement, Movement in Unit Holders' Fund and Cash Flow Statement for quarter ended September 30, 2009 are not comparable as the Fund started its operations with effect from September 7, 2009.
- 2.4** The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2010.

MCB CASH MANAGEMENT OPTIMIZER
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD PERIOD ENDED SEPTEMBER 30, 2010.

	Note	September 30, 2010	June 30 2010
		(Rupees in '000)	
4 INVESTMENTS			
Financial assets at fair value through profit or loss - held for trading			
- Investment in government securities	4.1	7,411,010	4,275,051

4.1 Financial assets at fair value through profit or loss - held for trading
- Investment in government securities

Government securities	Face Value				Balance as at September 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2010	Purchased during the period	Disposed / Matured during the period	As at Sept 30, 2010	Carrying Value	Market value	Appreciation / (diminution)		
	Rupees in '000								
Treasury Bills - 1 year	1,050,000	3,932,000	4,782,000	200,000	197,091	197,730	639	2.60	2.67
Treasury Bills - 6 months	3,243,000	5,657,000	7,250,000	1,650,000	1,606,373	1,617,241	10,868	21.23	21.82
Treasury Bills - 3 months	85,000	10,921,500	5,354,000	5,652,500	5,554,270	5,596,039	41,769	73.48	75.51
Totals - September 30, 2010					7,357,734	7,411,010	53,276	97.31	100.00
Totals - June 30 2010					4,272,262	4,275,051	2,789	65.52	100.00

5 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 (Ordinance of 1969) applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP), was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party. The Judgment recognises that the Trusts are covered by the scope of the definition of commercial establishment as contained in Ordinance of 1969 and, therefore, mutual funds and other funds appear to be covered unless it can be established that they fall within the scope of exemption set out in Section 5 (1)(iii) of the Ordinance of 1969 i.e. the Trusts not run for profit or in the course of business does not make any profit. This could be examined when the aggrieved parties directly approached the Court for redressal.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A - II)11.(5)/2010 dated July 8, 2010 and July 15, 2010, have clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, that mutual funds are a product being managed/sold by asset management companies which are not liable to contribute towards the said WWF levy.

Various legal opinions are available on this matter. Some legal advisors are of the view that this levy is not applicable on CIS and therefore provision is not required to be created while there is also a contrary view according to which this levy has become applicable on the fund and the letter issued by the Ministry of Labour & Manpower, Government of Pakistan has no legal significance.

Because of ambiguity created based on conflicting opinions by lawyers and as a matter of abundant caution the Management Company of the Fund has decided to recognize a provision for WWF in these financial statements.

6 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

7 EARNINGS / (LOSS) PER UNIT

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

MCB CASH MANAGEMENT OPTIMIZER
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD PERIOD ENDED SEPTEMBER 30, 2010.

	Note	September 30 2010 (Rupees in '000)
8 CASH AND CASH EQUIVALENTS		
Bank balances	4	616,870
Treasury bill	4.1	6,616,060
		<u>7,232,930</u>
9 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES		
9.1	Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other	
9.2	The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.	
9.3	Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.	
	For the quarter ended September 30, 2010	For the period from September 7, to September 30, 2009
9.4 Transactions with connected persons during the period		
MCB Bank Limited		
Profit received on deposit accounts	9,382	-
MCB Asset Management Company Limited		
Remuneration of the Management Company	24,348	37.00
Issue of units Nill (Sept 2009: 1,000,000 Units)	-	100,000
Issue of bonus units: 10,143	1,014	-
MCB Asset Management Company Limited-Staff Provident Fund		
Issue of bonus units: 225	22	-
Central Depository Company of Pakistan Limited-Trustee		
Fee charged during the period	2,278	6.00
Adamjee Insurance Company Limited		
Issue of units: 4,442,884	450,000	-
Issue of bonus units: 29,375	2,937	-
Redemption of units: 3,550,030	358,958	-
Key Management Personnel		
Issue of units: 1,829	185	-
Issue of bonus units: 482	48	-
Redemption of units: 8,022	813	-
	September 30 2010	June 30 2010
9.5 Amount outstanding as at period / Year end	(Rupees in '000)	
MCB Bank Limited		
Bank balance	18,893	105,951
Profit receivable on deposit accounts	460	373
MCB Asset Management Company Limited		
Remuneration payable to the Management Company	8,263	6,589
Units held: 546,736 (June 30, 2010: 536,593)	56,121	54,673
Central Depository Company of Pakistan Limited-Trustee		
Fee payable	764	642
MCB Asset Management Company Limited - Staff Provident Fund		
Units held: 12,124 (June 30, 2010: 11,898)	1,244,492	1,212,287

	September 30 2010	June 30 2010
	(Rupees in '000)	
Adamjee Insurance Company Limited		
Units held: 2,476,204 (June 30, 2010: 553,975)	254,112	158,334
Key Management Personnel		
Units held : 24,339 (June 30, 2010: 30,051)	2,498	3,062

10 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 18, 2010 by the Board of Directors of the Management Company.

11 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB Sarmaya Mehfooz Fund 1

MCB
Sarmaya
mehfooz fund 1

MCB SARMA YA MEHFOOZ FUND 1

ORGANIZATION

Management Company	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908
Board of Directors	Mian Mohammad Mansha / Chairman Ali Munir Mohammad Usman Ali Usmani S. Waliullah Shah Ahmed Jahangir Haroun Rashid Samir Iqbal Saigol Ismail Arif Rafi Yasir Qadri / Chief Executive Officer
Audit Committee	Ali Munir / Chairman S. Waliullah Shah / Member Ahmed Jahangir / Member
Chief Financial Officer & Company Secretary	Muhammad Saqib Saleem
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B, Block 'B', S.M.C.H.S. Main Shara-e-Faisal Karachi-74400
Auditors	A. F. Ferguson & Co. Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi. 74000
Legal Adviser	Bawany & Partners, Room No. 404, 4th Floor, Beaumont Plaza Beaumont Road, Civil Lines, Karachi.
Bankers	MCB Bank Limited Bank Alfalah Limited
Transfer Agent	MCB Asset Management Company Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi. T 92 21 32276900-907 F 92 21 32276908 E info@mcbamc.com.pk W www.mcbamc.com.pk

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Unaudited Financial Statements of MCB Sarmaya Mehfooz Fund's for the 1st quarter ended September 30th 2010.

MARKET OVERVIEW

Despite a gradual improvement in global economic scenario, local macroeconomic environment suffered a major blow in the form of country-wide floods. Some of the key macroeconomic indicators including GDP growth, inflation and twin deficits are likely to be adversely affected by this catastrophe. Despite a stagflation in the economy, the State Bank of Pakistan has decided to act proactively in order to control the widening macroeconomic imbalances and hence increased its policy discount rate cumulatively by 100 bps to 13.5% during the period under review.

Although most of the key sectors listed on the stock exchange are largely immune from the floods, local equities market came under pressure due to a) rising macroeconomic imbalances, b) absence of a margin financing product and c) rising interest yield resulting in a downward multiples re-rating. Foreign portfolio investment (FPI), however, remained a major supporter for the market with a net buy of around US\$ 106 million during the quarter and hence kept the market in a decent range.

60

The money market rates, on the other hand, remained on a lower side during the quarter as the market remained relatively liquid owing to a) higher government borrowing from the SBP and b) UN and IMF flows for flood affectees. The central bank continued with frequent OMOs towards the end of the quarter to mop-up excess liquidity from the market.

FUND PERFORMANCE

The fund posted a return of 2.1% during the period under review as against its benchmark return of 1.6%, an out performance of 0.5%. The fund kept a significant portion of around 91% in TDRs to cover the capital protection segment, while keeping marginal exposure in equities owing to deteriorating macroeconomic indicators and weak outlook. Within its equities exposure, the fund's focus remained towards defensive plays offering high dividend yields. The fund also kept a decent exposure towards Government papers that were offering attractive yields.

OUTLOOK

A rising interest rate environment with higher inflationary pressures and low economic growth outlook may trigger stock market re-rating at lower multiples. On the other hand, defensive stocks that are insulated from economic slowdown and are hedged against exchange rate depreciation may lead the market in our opinion. We, however, believe that the timely materialization of foreign flows is critical in dictating the capital market liquidity and interest rate's direction going forward.

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,

Yasir Qadri
Chief Executive Officer

October 18, 2010

MCB SARMAYA MEHFOOZ FUND 1
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2010



	Note	Unaudited September 30, 2010	Audited June 30, 2010
Rupees in '000			
ASSETS			
Bank balances		5,569	42,383
Investments	3	25,604	1,210
Loans and receivables		583,455	583,455
Profit receivable	4	18,718	4,281
Receivable against sale of investment		115	505
Other receivables		5,613	-
Security deposits and prepayments		2,614	3,119
Preliminary expenses and floatation cost		927	1,256
Total assets		642,615	636,209
LIABILITIES			
Payable to MCB Asset Management Company Limited - Management Company		5,141	4,702
Payable to Central Depository Company of Pakistan Limited		106	65
Annual fee payable to Securities and Exchange Commission of Pakistan		144	25
Payable against purchase of investments		-	316
Accrued and other liabilities		1,344	732
Total liabilities		6,735	5,840
NET ASSETS		635,880	630,369
Unit holders' fund (as per statement attached)		635,880	630,369
Number of units			
NUMBER OF UNITS IN ISSUE		6,230,690	6,287,005
Rupees			
NET ASSET VALUE PER UNIT	5	102.06	100.27

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB SARMAYA MEHFOOZ FUND 1
CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	Note	September 30, 2010 Rupees in '000
INCOME		
Capital loss on sale of investments		(345)
Profit on bank deposits		162
Income from term deposit receipts		16,329
Income from back end load charged on redemption of units		369
Income from Government Securities		644
		17,159
Net unrealised appreciation on re-measurement of investments classified as ' financial assets at fair value through profit or loss'		885
Total income		18,044
EXPENSES		
Remuneration of MCB Asset Management Company Limited-Management Company		3,594
Remuneration of Central Depository Company of Pakistan Limited - Trustee		319
Annual fee - Securities and Exchange Commission of Pakistan		120
Brokerage and settlement charges		110
Amortisation of preliminary expenses and floatation costs		329
Auditors' remuneration		266
Other expenses		148
		4,886
Net income from operating activities		13,158
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		(89)
		13,069
Provision for Workers' Welfare Fund	6	(261)
Net income for the period before taxation		12,807
Taxation	7	-
Net income for the period after taxation		12,807
Other comprehensive income for the period		
Total comprehensive income for the period		12,807
Earnings per unit	8	

63

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

MCB SARMAYA MEHFOOZ FUND 1
CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010 Rupees in '000
Undistributed Income brought forward	1,668
Final distribution for the year ended June 30, 2010 at Rs 0.2654 per unit (Date of distribution July 01, 2010) - Bonus distribution	(1,668)
Net income for the period after taxation	12,807
Undistributed income carried forward	<u>12,807</u>

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

	September 30, 2010 Rupees in '000
Net assets at beginning of the period	630,369
Issue of 16,686 bonus units	1,672
Redemption of 73,001 units	(7,389)
	<u>624,652</u>
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	89
Net unrealised diminution on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	885
Other net operating income for the period	11,922
Net income for the period	12,807
Final distribution for the year ended June 30, 2010 at Rs 0.2654 per unit (Date of distribution July 01, 2010) - Bonus distribution	(1,668)
Net assets as at the end of the period	<u><u>635,880</u></u>

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

September 30,
2010
Rupees in '000

CASH FLOWS FROM OPERATING ACTIVITIES

Net loss for the period before taxation 12,807

Adjustments for non-cash charges and other items:

Net unrealised diminution on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	(885)
Amortisation of preliminary expenses and floatation costs	329
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	89
	<u>12,340</u>

(Increase) / decrease in assets

Investments - net	(23,435)
Other receivables	(5,613)
Profit receivable	(14,437)
Security deposits and prepayments	505
	<u>(42,980)</u>

Increase / (decrease) in liabilities

Payable to MCB Asset Management Company Limited - Management Company	439
Payable to Central Depository Company of Pakistan Limited	41
Annual fee payable to Securities and Exchange Commission of Pakistan	119
Accrued and other liabilities	612
	<u>1,211</u>

Net cash used in operating activities (29,429)

CASH FLOWS FROM FINANCING ACTIVITIES

Net payments on redemption of units (7,389)

Net cash generated from financing activities (7,389)

Net increase in cash and cash equivalents (36,818)

Cash and cash equivalents at the beginning of the period 42,383

Cash and cash equivalents at the end of the period 5,565

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

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Sarmaya Mehfooz Fund 1 (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and was approved as a Collective investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on March 12, 2010. It was constituted under a Trust Deed dated September 16, 2008, amended by a Supplemental Trust Deed dated February 25, 2010 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Fund is a capital protected open ended mutual fund, the units of which are listed on the Lahore Stock Exchange. The units of the Fund may be redeemed subject to a Back-end Load. In order to protect the interest of unit holders, the Fund shall remain closed for further investment.

The duration of the Fund is three hundred and seventy days following the last day of initial offering period which was June 11, 2010. The Fund will automatically dissolve after the aforementioned period. After the said dissolution the units of the Fund shall stand automatically redeemed within thirty days of the close of the minimum period at the redemption price which shall be determined by the Management Company after completion of the realisation of all investment.

The principal activity of the fund is to invest in deposits with commercial banks and in equity securities. The fund is a capital protected fund with the objective to protect the Initial Investment value of investors at maturity with secondary objective of providing growth over the period.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2- to the Management Company. The Management Company has initiated the process of obtaining the rating of the Fund which is expected to be completed this year.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 These condensed interim financial statements are unaudited.

2.3 The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

2.4 The comparative information of the Statement of Assets and Liabilities, Income Statement, Distribution Statement, Movement in Units Holders' Funds and Cash Flow Statement has not been presented in these financial statements as the Fund started its operations with effect from February 23, 2010.

2.4 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2010.

	Note	September 30, 2009	June 30, 2008
		Rupees in '000	

3 INVESTMENTS

Financial assets at fair value through profit or loss

- Listed equity securities	3.1	15,623	373,684
- Government Securities	3.2	9,981	
		<u>25,604</u>	<u>373,684</u>

3.1 Financial assets carried at fair value through profit or loss - held for trading

Shares of listed companies - Fully paid up ordinary shares of Rs 10 each unless otherwise stated

Name of investee company	Number of shares				Balance as at September 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paidup capital of the investee company
	As at July 1, 2010	Purchases during the period	Sales during the period	As at September 30, 2010	Cost	Market value	Unrealized gain / (loss)			
------(Rupees in'000')-----										
Construction & Materials										
D.G Khan Cement Company Limited	-	12,500	-	12,500	306	299	(7)	0.05%	1.17%	0.00%
Banks										
National Bank of Pakistan	10,000	-	10,000	-	-	-	-	-	-	-
MCB Bank Limited	-	500	500	-	-	-	-	-	-	-
United Bank Limited	-	11,000	2,000	9,000	497	463	(34)	0.07%	1.81%	-
					497	463	(34)	0.07%	1.81%	
Electricity										
Hub Power Company Limited	10,000	-	10,000	-	-	-	-	-	-	-
Nishat Chunian Power Limited	-	150,000	150,000	-	-	-	-	-	-	-
Nishat Power Limited	25,000	1,210,000	115,000	1,120,000	12,272	13,070	798	2.06%	51.05%	0.32%
					12,272	13,070	798	2.06%	51.05%	
Oil and Gas										
Attock Petroleum Limited	-	1,000	1,000	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	-	21,700	21,700	-	-	-	-	-	-	-
					-	-	-	-	-	-
Construction & Materials										
Fauji Fertilizer Company Limited	-	2,500	-	2,500	259	262	3	0.04%	1.02%	0.00%
Personal goods										
Nishat (Chunian) Limited	-	15,000	-	15,000	245	241	(4)	0.04%	0.94%	0.01%
Nishat Mills Limited	-	35,500	7,500	28,000	1,255	1,288	33	0.20%	5.03%	0.01%
					1,500	1,529	29	0.24%	5.97%	
Total					14,834	15,623	789	2.41%	59.85%	

3.2 Investment in government securities

Name of security	Face Value					Balance as at September 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2010	Purchased during the year	Disposed of during the year	Matured during the year	As at June 30, 2010	Carrying value	Market value	Appreciation / (diminution)		
(Rupees in'000')										
Treasury Bill - 3 months	-	70,000	25,000	35,000	10,000	9,885	9,981	96	1.57%	38.98%
Total - June 30, 2010						9,885	9,981	96	1.57%	38.98%

	September 30, 2010	June 30, 2010
	Rupees in '000	Rupees in '000
4 Profit Receivable		
Income accrued on term deposit receipts	18,687	2,359
Profit receivable on saving deposits	31	1,922
	<u>18,718</u>	<u>4,281</u>

5 NET ASSET VALUE PER UNIT

The net asset value per unit disclosed on the statement of assets and liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

6 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund (WWF) Ordinance, 1971, whereby the definition of "industrial establishment" was amended to include therein, any establishment to which the West Pakistan Shops and Establishment Ordinance, 1969 (Ordinance of 1969) applies. Management Company of the Fund, based on a legal advice obtained through Mutual Funds Association of Pakistan (MUFAP) was of a firm view that Collective Investment Scheme (CIS) were not establishments and therefore, the WWF Ordinance should not be applicable to such schemes. The MUFAP had also filed a constitutional petition in the High Court of Sindh (the Court) on behalf of the members, challenging the applicability of WWF to the CIS. The said petition was dismissed by the Court vide its order dated May 25, 2010 on the main ground that the MUFAP (Petitioner) could not be held entitled to maintain a petition in respect of its members as it was not the aggrieved party. The Judgment recognises that the Trusts are covered by the scope of the definition of commercial establishment as contained in Ordinance of 1969 and, therefore, mutual funds and other funds appear to be covered unless it can be established that they fall within the scope of exemption set out in Section 5 (1)(iii) of the Ordinance of 1969 i.e. the Trusts not run for profit or in the course of business does not make any profit. This could be examined when the aggrieved parties directly approached the Court for redressal.

In the meantime, clarification has been obtained by the MUFAP from the Ministry of Labour & Manpower, Workers' Welfare Fund, Govt. of Pakistan, which, through their letter nos. WWF (A – II)11.(5)/2010 dated July 8, 2010 and July 15, 2010, have clarified that the WWF Ordinance, 1971 does not have any provisions for the applicability of WWF on those entities whose income are exempt from income tax under any provisions of any law, and that mutual funds are a product being managed / sold by asset management companies which are not liable to contribute towards the said WWF levy.

Various legal opinions are available on this matter. Some legal advisors are of the view that this levy is not applicable on CIS and therefore provision is not required to be created while there is also a contrary view according to which this levy has become applicable on the fund and the letter issued by the Ministry of Labour & Manpower, Government of Pakistan has no legal significance.

Because of ambiguity created based on conflicting opinions by lawyers and as a matter of abundant caution the Management Company of the Fund has decided to recognize a provision for WWF in these financial statements.

7 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 90 percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders. The income of the Fund for the period is exempt from income tax under Clause 99 of Part 1 of the Second schedule to the Income Tax Ordinance, 2001.

MCB SARMAYA MEHFOOZ FUND 1
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010

8 EARNINGS / (LOSS) PER UNIT

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

9 CASH AND CASH EQUIVALENTS

Bank balances	5,569
Treasury bills	9,981
	<u>15,550</u>

**September 30,
2010
Rupees in '000**

10 TRANSACTIONS WITH CONNECTED PERSONS

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

10.1 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

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

10.3 Details of the transactions with the connected persons during the period are as follows:

MCB Bank Limited	
- Profit received on saving accounts	1,914
MCB Asset Management Company Limited	
- Remuneration of the Management Company	3,155
Central Depository Company of Pakistan Limited	
- Remuneration of the Trustee	278

**September 30,
2010
Rupees in '000**

10.4 Amount outstanding as at period end

MCB Bank Limited		
- Bank balances	472	131,414
- Profit receivable on saving accounts	8	452
- Term Deposit receipts	583,455	583,455
- Profit receivable on term deposit receipts	18,687	2,359
MCB Asset Management Company Limited		
- Remuneration payable to Management Company	3,594	861
- Investment held in the Fund - 508,527 units (June 30, 2010: 507,181)	51,898	50,853
- Formation cost payable	1,331	1,331
- Security Deposit payable	2,600	2,600

**September
30, 2010
June 30, 2010
Rupees in '000**

MCB SARMAYA MEHFOOZ FUND 1
NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2010



	September 30, 2010	June 30, 2010
	Rupees in '000	
Central Depository Company of Pakistan Limited		
- Remuneration payable to Trustee	319	115
- CDC settlement charges	3	2
Adamjee Insurance Company Limited		
- Investment held in the Fund - 152,789 units (June 30, 2010 - 152,385)	15,593	15,279
Hub Power Company Limited		
- Nil shares held by the Fund (June 30, 2010: 10,000)	-	320
Nishat Power Limited		
- 1,120,000 shares held by the Fund (June 30, 2010: 25,000)	13,070	249
D.G Khan Cement Company Limited		
- 12,500 shares held by the Fund	299	-
Nishat (Chunian) Limited		
- 15,000 shares held by the Fund	241	-
Nishat Power Limited		
- 28,000 shares held by the Fund	1,288	-
Central Depository Company of Pakistan Limited - Trustee		
- Remuneration payable	104	65
- Security deposit	100	100
MCB Employees Pension Fund		
- Investment held in the Fund - 509,975 units (June 30, 2010: 508,625)	52,046	50,997

71

11 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on **October 18, 2010** by the Board of Directors of the Management Company.

12 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

For MCB Asset Management Company Limited
(Management Company)

Yasir Qadri
Chief Executive

M.U.A. Usmani
Director