



Bachat ka Doosra Naam

Quarterly Report

March 31, 2013
(Unaudited)



Funds Under Management
of
Arif Habib Investments Limited

**METROBANK
PAKISTAN SOVEREIGN FUND
PERPETUAL**

CONTENTS

Fund's Information	45
Report of the Directors of the Management Company	46
Condensed Interim Statement of Assets and Liabilities	48
Condensed Interim Income Statement (Un-audited)	49
Condensed Interim Distribution Statement (Un-audited)	50
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	51
Condensed Interim Cash Flow Statement (Un-audited)	52
Notes to and forming part of the Condensed Interim Financial Informations (Un-audited)	53

FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
Human Resource & Remuneration Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem, ACA	
Chief Financial Officer	Mr. Umair Ahmed, ACA	
Trustee	Central Despository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Bank Al-Falah Limited Habib Metropolitan Bank Limited Faysal Bank Limited Allied Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

Dear Investor,

On behalf of the Board of Directors, I am pleased to present Metro-bank Pakistan Sovereign Fund's accounts review for the nine months ended March 31st 2013.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, Mar'13 YoY CPI inflation of 6.57% was lowest since Aug'07, with 9M FY13 average CPI at 7.98%. CPI inflation may dip further in April and remain in the lower range for the next few months. However, with the base effect neutralizing CPI would start rising again expectedly towards the later part of the year. On the other hand, external current account had witnessed significant pressures during the past few months and changed its course during Feb'13 by posting a CA Deficit of US\$ 596 million - taking the 8M FY13 CAB to a deficit of US\$ 700 million. FX reserves continued to remain under pressure amid weaker financial account flows and heavy debt repayments including that of IMF during Mar'13- touching US\$ 12.37 billion mark, as of Mar' 22 2013. On the fiscal front, the government's reliance on domestic sources for fiscal funding has continued with YTD borrowing from banking system stood at an alarming level of PKR 937 billion by Mar'22 2013. With stressing its concerns on the external and fiscal accounts, the State Bank of Pakistan took comfort from declining inflationary trend and lowered its policy discount rate cumulatively by 250 bps to 9.5% during the period under review.

The short term money market rates remained in the higher range during most part of the period owing to relatively tight liquidity position in the system with few exceptions where the market witnessed floors also. SBP continued to inject sizeable amount through Open Market Operations to provide needed liquidity in the market. Given a downward trajectory in YoY CPI inflation coupled with SBP monetary easing stance, the yield curve has adjusted significantly downwards during the period. 1 year PKRV adjusted downwards by 246 bps to 9.51%, while longer tenure 10 year PKRV adjusted downwards by 139 bps to 11.89% during the period under review.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 12.8% as against its benchmark return of 11.1%, an out performance of 1.7% due to well-timed accumulation of longer tenure Government papers well ahead of the downward adjustments in the yield curve.

In order to capitalize on the declining interest rate scenario that lasted up to the end of HY13, fund increased its portfolio duration by increasing allocation in PIBs and longer tenure T-Bills. After realizing the capital gains, the fund gradually started to switch its exposure from PIBs to short-end papers. At period-end, the fund was around 50% invested in T-Bills, around 15.9% in PIBs and around 26.2 in GoP Ijarah Sukuk.

The Net Asset of the Fund as at March 31, 2013 stood at Rs.4.2456 billion as compared to Rs.6.1035 billion as at June 30, 2012 registering a decrease of 30.44%.

The Net Asset Value (NAV) per unit as at March 31, 2013 was Rs. 50.15 as compared to opening NAV of Rs.50.07 per unit as at June 30, 2012 registering an increase of Rs. 0.08 per unit.

Income Distribution

During the period The Management Company has announced the following interim distribution:

Date of distribution	Per unit distribution
	Rs.
September 27, 2012	2.52
December 26, 2012	1.20
March 26, 2013	0.86

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

FUTURE OUTLOOK

Going forward despite continued lower range of CPI inflation, further rate cut seems a distant possibility given deteriorating fiscal and external accounts, significant IMF repayments ahead and alarming monetary growth - while the potential return to the IMF may result in a cycle of monetary tightening by end of 2Q CY13. Government bond market, which remained active for last few months on the back of soft inflation numbers and expected monetary easing, has started to become relatively less active, especially on the longer end, with the anticipation of no rate cut and possible rate hikes in the next 2-4 months. In this backdrop, the activities are expected to be concentrated at short-end Treasury Bills going forward.

The fund would remain vigilant towards changes in macroeconomic environment with a view of exploiting attractive opportunities in government papers.

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

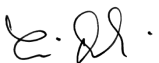
Chief Executive Officer

Dated: April 24, 2013

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT MARCH 31, 2013

	<i>Note</i>	31 March 2013 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Assets			
Balances with banks	6.	313,950	1,625,819
Investments	7.	3,950,615	4,487,022
Income from investments and other receivables		22,107	22,380
Advances and prepayments		2,091	1,955
Total assets		4,288,763	6,137,176
Liabilities			
Payable to Arif Habib Investments Limited - Management Company		3,877	6,353
Payable to Central Depository Company of Pakistan Limited - Trustee		327	410
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	8.	3,364	3,908
Accrued expenses and other liabilities		35,626	22,974
Total liabilities		43,194	33,645
Net assets		4,245,569	6,103,531
Unit holders' fund		4,245,569	6,103,531
Contingency	9.		
(Number of Units)			
Number of units in issue (face value of units is Rs. 50 each)		84,652,148	121,898,751
(Rupees)			
Net asset value per unit		50.15	50.07

The annexed notes from 1 to 13 form an integral part of this condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



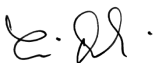
Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Note		Nine months ended		Quarter ended	
	31 March	31 March	31 March	31 March	31 March	31 March
	2013	2012	2013	2012	2013	2012
	(Rupees in '000)					
Income						
Income from government securities	408,403	417,348	100,087	157,515		
Capital gain / (loss) on sale of government securities - net	182,280	25,128	2,169	(5,010)		
Income from reverse repurchase transactions in government securities	-	5,070	-	4,634		
Profit on bank deposits	37,089	32,353	10,519	12,664		
	627,772	479,899	112,775	169,803		
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(419)	4,661	(11,615)	14,898		
Total income	627,353	484,560	101,160	184,701		
Expenses						
Remuneration of Arif Habib Investments Limited						
- Management Company	44,371	42,490	10,679	16,723		
Sindh Sales Tax on Management Company's remuneration	7,099	6,798	1,708	2,675		
Remuneration of Central Depository Company of Pakistan Limited - Trustee	3,832	3,341	1,070	1,309		
Annual fee to Securities and Exchange Commission of Pakistan	3,272	2,804	884	1,132		
Brokerage expenses	1,931	1,509	334	714		
Auditors' remuneration	751	573	163	194		
Other expenses	455	650	69	212		
Total operating expenses	61,711	58,165	14,907	22,959		
Net operating income for the period	565,642	426,395	86,253	161,742		
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	15,189	78,222	(15,513)	10,605		
Provision for Workers' Welfare Fund	(11,617)	-	(1,401)	-		
Net income for the period	569,214	504,617	69,339	172,347		
Other comprehensive income for the period	-	-	-	-		
Total comprehensive income for the period	569,214	504,617	69,339	172,347		
Earnings / (loss) per unit						

11.

The annexed notes from 1 to 13 form an integral part of this condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Nine months ended		Quarter ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	(Rupees in '000)			
Undistributed income brought forward	8,591	138,859	18,747	141,731
Total comprehensive income for the period	569,214	504,617	69,339	172,347
Net element of (loss) and capital (losses) included in prices of units issued less those in units redeemed - amount representing unrealised (diminution)	(2,607)	(19,227)	(3,550)	(906)
Distributions to the unit holders of the Fund:				
Final Distribution for the year ended 30 June 2011: Rs. 2.7739 per unit				
- Bonus units	-	(76,334)	-	-
- Cash distribution	-	(79,315)	-	-
Interim distribution for the period ended 30 September 2012 at Rs 2.52 (2011 : 1.53) per unit distributed on 27 September 2012				
- Bonus units	(308,409)	(48,944)	-	-
- Cash distribution	(24,058)	(106,484)	-	-
Interim distribution for the period ended 31 December 2012 at Rs 1.20 (2011: Rs. 2.05) per unit distributed on 26 December 2012				
- Bonus units	(158,195)	(93,261)	-	(93,261)
- Cash distribution	-	(162,887)	-	(162,887)
Interim distribution for the period ended 31 March 2013 at Rs 0.86 (2012 : Rs. 0.75) per unit distributed on 26 March 2013				
- Bonus units	(71,567)	(29,622)	(71,567)	(29,622)
- Cash distribution	-	(59,593)	-	(59,593)
	(562,229)	(656,440)	(71,567)	(345,363)
Undistributed income / accumulated (losses) carried forward	12,969	(32,191)	12,969	(32,191)

The annexed notes from 1 to 13 form an integral part of this condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Nine months ended		Quarter ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	(Rupees in '000)			
Net assets at beginning of the period	6,103,531	2,944,462	6,788,841	6,000,771
Issue of 29,688,296 units (2012: 156,578,419 units) and 3,993,373 units (2012: 4,719,119 units) for the nine months and quarter ended respectively	1,529,131	7,976,620	201,439	248,160
Issue of 4,993,190 bonus units for the year ended 30 June 2011	-	76,334	-	-
Issue of 6,159,558 bonus units for the period ended 30 September 2012 (2011: 1,044,919 units)	308,409	48,944	-	-
Issue of 3,159,474 bonus units for the period ended 31 December 2012 (2011: 1,876,479 units)	158,195	93,261	-	93,261
Issue of 1,429,338 bonus units for the nine months ended 31 March 2013 (2012: 596,014 units)	71,567	29,622	71,567	29,622
Redemption of 77,683,269 units (2012: 97,481,115 units) and 56,172,538 units (2012: 4,169,827 units) for the nine months and quarter ended respectively	(3,917,060)	(4,961,261)	(2,829,563)	(210,255)
	(1,849,758)	3,263,520	(2,556,557)	160,788
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	(15,189)	(78,222)	15,513	(10,606)
-amount representing loss / (income) that forms part of unit holder's fund transferred to distribution statement	2,607	19,227	1,662	906
	(12,582)	(58,995)	17,175	(9,700)
Element of (loss) / income that forms part of unit holder's fund transferred to distribution statement	(2,607)	(19,227)	(1,662)	(906)
Final Distribution for the year ended 30 June 2012: Rs. nil (2011: Rs. 2.7739) per unit distributed on 24 June 2012 - Bonus units - Cash distribution	- -	(76,334) (79,315)	- -	- -
Interim distribution for the quarter ended 30 September 2012 at Rs 2.52 (2011 at Rs. 1.53) per unit distributed on 27 September 2012 - Cash distribution - Bonus distribution	(24,058) (308,409)	(106,484) (48,944)	- -	- -
Interim distribution for the quarter ended 31 December 2012 at Rs 1.20 (2011 at Rs. nil) per unit distributed on 26 December 2012 - Cash distribution - Bonus distribution	- (158,195)	(162,887) (93,261)	- -	(162,887) (93,261)
Interim distribution for the nine months ended 31 March 2013 at Rs 0.86 (2012 at Rs. 2.80) per unit distributed on 26 March 2013 - Cash distribution - Bonus distribution	- (71,567) (562,229)	(59,593) (29,622) (656,440)	- (71,567) (71,567)	(59,593) (29,622) (345,363)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	(419)	4,661	(11,615)	14,898
Capital gain / (loss) on sale of investments	182,280	25,128	2,169	(5,010)
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss) on sale of investments)	387,353	474,828	78,785	162,459
Total comprehensive income for the period	569,214	504,617	69,339	172,347
Net assets at end of the period	4,245,569	5,977,937	4,245,569	5,977,937

The annexed notes from 1 to 13 form an integral part of this condensed interim financial statements.

**For Arif Habib Investment Limited
(Management Company)**



Chief Executive Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Nine months ended		Quarter ended	
	31 March 2013	31 March 2012	31 March 2013	31 March 2012
	------(Rupees in '000)-----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	569,214	504,617	69,339	172,347
Adjustments for:				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	419	(4,661)	11,615	(14,898)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(15,189)	(78,222)	15,513	(10,606)
	(14,770)	(82,883)	27,128	(25,504)
Net cash used in operations before working capital changes	554,444	421,734	96,467	146,843
Working capital changes				
<i>(Increase) / decrease in assets</i>				
Investments	(211,461)	(2,815,099)	369,132	32,500
Receivable against sale of investments	-	-	-	99,097
Receivable against sale units	-	-	-	100
Income from investments and other receivables	273	(11,844)	8,980	20,158
Advances and prepayments	(136)	-	(146)	1
	(211,324)	(2,826,943)	377,966	151,856
<i>Increase / (decrease) in liabilities</i>				
Payable to Arif Habib Investments Limited - Management Company	(2,476)	4,920	(2,442)	610
Payable to the Central Depository Company of Pakistan Limited - Trustee	(83)	293	(151)	(27)
Payable to Securities and Exchange Commission of Pakistan	(544)	1,591	976	1,132
Receivable against redemption of units	-	(27)	-	-
Accrued expenses and other liabilities	12,652	560	2,280	(905)
	9,549	7,337	663	810
Net cash (used in) / generated from operating activities	352,669	(2,397,872)	475,096	299,509
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	1,529,131	7,976,620	201,439	248,162
Payments against redemption of units	(3,917,060)	(4,961,261)	(2,829,563)	(210,255)
Cash distribution	(24,058)	(408,279)	-	(222,480)
Net cash generated / (used in) from financing activities	(2,411,987)	2,607,080	(2,628,124)	(184,573)
Net increase / (decrease) in cash and cash equivalents	(2,059,318)	209,208	(2,153,028)	114,936
Cash and cash equivalents at beginning of the period	4,159,874	3,065	4,253,584	97,337
Cash and cash equivalents at end of the period	6.1 2,100,556	212,273	2,100,556	212,273

The annexed notes from 1 to 13 form an integral part of this condensed interim financial statements.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

MetroBank - Pakistan Sovereign Fund was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on 24 December 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7 January 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules)].

In the year ended 30 June 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from 23 November 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated November 3, 2009. Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of 27 June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated 27 June 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honorable Sindh High Court. The honorable Sindh High Court has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

- 1.1 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issue by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
- 1.2 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 Fund is listed on the Islamabad Stock Exchange.

MetroBank Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the scheme can also invest in sub-scheme of the Fund.

The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

- 1.3 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' to the Arif Habib Investments Limited, the Asset Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) to the Fund.
- 1.4 The Fund consists of a 'Perpetual' (the scheme) and the Fund had also issued other sub-scheme which has matured as follows:

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	31 December 2012
MetroBank - Pakistan Sovereign Fund - (December 2003)	31 December 2003
MetroBank - Pakistan Sovereign Fund - (December 2005)	31 December 2005
MetroBank - Pakistan Sovereign Fund - (December 2007)	31 December 2007

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

1.5 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the trustee of the Fund.

2. BASIS OF PRESENTATION

2.1 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2012.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2013 have been extracted from the audited financial statements of the Fund for June 2012, where as the comparatives in the condensed interim income statement, condensed interim cash flow the year ended 30 statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the half year ended 31 March 2012.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information are unaudited. The Directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

2.2 Basis of measurement

This condensed interim financial information have been prepared on the basis of historical cost convention except that investments have been included at fair value.

2.3 Functional and presentation currency

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation followed in the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2012.

3.1 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the fund operations and did not resulted in change to the funds operation and did not resulted in change in accounting policy of the Fund.

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2012.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

5. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2012.

6. BALANCES WITH BANKS

	31 March 2013 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Saving accounts	313,945	1,625,814
Current account	5	5
	<u>313,950</u>	<u>1,625,819</u>

6.1 Cash and Cash equivalents

Balances with banks		313,950	1,625,819
Treasury Bills having maturity of 3 months or less	7.1	<u>1,786,606</u>	<u>2,534,055</u>
		<u>2,100,556</u>	<u>4,159,874</u>

7. INVESTMENTS

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

Pakistan Investment Bonds	7.1	681,636	369,478
Treasury Bills	7.1	2,144,939	3,775,888
Ijara Sukuks	7.1	1,124,040	217,108
Investment in sub scheme	7.2	-	124,548
		<u>3,950,615</u>	<u>4,487,022</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

7.1 Government securities

Issue date	Tenor	As at 1 July 2012	Purchases during the period	Sales / matured during the period	As at 31 March 2013	Cost as at 31 March 2013	Market value as at 31 March 2013	Appreciation/ (diminution) as at 31 March 2013	Market value	
									as a percentage of net assets	as a percentage of total investments
-----Face value-----										
----- (Rupees in '000) -----										
Pakistan Investment Bond										
6 October 2003	10 years	15,500	17,200	-	32,700	31,718	32,468	750	0.76%	0.82%
18 August 2011	10 years	10,000	100,000	110,000	-	-	-	-	0.00%	0.00%
19 July 2012	10 years	-	1,200,000	1,200,000	-	-	-	-	0.00%	0.00%
29-Apr-2004	10 years	-	90,000	-	90,000	88,087	88,588	501	2.09%	2.24%
22 July 2010	5 years	100,000	-	100,000	-	-	-	-	0.00%	0.00%
18 August 2011	5 years	-	1,350,000	1,350,000	-	-	-	-	0.00%	0.00%
19 July 2012	5 years	-	525,000	525,000	-	-	-	-	0.00%	0.00%
22 July 2010	3 years	250,000	-	250,000	-	-	-	-	0.00%	0.00%
18 August 2011	3 years	-	1,150,000	600,000	550,000	560,539	560,580	41	13.20%	14.19%
19 July 2012	3 years	-	2,935,500	2,935,500	-	-	-	-	0.00%	0.00%
Total of Pakistan Investment Bond as at 31 December 2012						680,344	681,636	1,292	16.05%	17.25%
Total of Pakistan Investment Bond as at 30 June 2012						369,222	369,478	256	0.30%	8.23%
Treasury Bills										
3 months		2,555,000	12,239,175	12,984,175	1,810,000	1,786,893	1,786,606	(287)	42.08%	45.22%
6 months		7,500	7,512,780	7,320,280	200,000	198,491	198,429	(62)	4.67%	5.02%
1 year		1,261,700	17,926,050	19,021,050	166,700	160,089	159,904	(185)	3.77%	4.05%
Total of Treasury Bills as at 31 March 2013						2,145,473	2,144,939	(534)	50.52%	54.29%
Total of Treasury Bills as at 30 June 2012						3,777,208	3,775,888	(1,320)	61.86%	84.15%
Government of Pakistan Ijara Sukkuk										
15 November 2010	3 years	50,000	25,000	55,000	20,000	20,077	20,046	(31)	0.47%	0.51%
16 May 2011	3 years	167,000	-	-	167,000	167,084	167,685	601	3.95%	4.24%
26 December 2011	3 years	-	200,000	200,000	-	-	-	-	0.00%	0.00%
28 June 2012	3 years	-	400,000	400,000	-	-	-	-	0.00%	0.00%
18 september 2012	3 years	-	2,135,000	1,200,000	935,000	938,056	936,309	(1,747)	22.05%	23.70%
Total of Government of Pakistan Ijara Sukkuk as at 31 March 2013						1,125,217	1,124,040	(1,177)	26.47%	28.45%
Total of Government of Pakistan Ijara Sukkuk 30 June 2012						217,746	217,108	(638)	3.56%	4.84%
Total of investments in Government Securites as at 31 March 2013						3,951,034	3,950,615	(419)	93.04%	99.99%
Total of investments in Government Securites as at 30 June 2012						4,364,176	4,362,474	(1,702)	71.47%	97.22%

7.2 Investment in Sub Scheme - 'at fair value through profit or loss'

Particulars	Number of units			As at 31 March 2013	Cost as at 31 March 2013	Market value as at 31 March 2013	Appreciation/ (diminution) as at 31 March 2013	Market value	
	As at 1 July 2012	Bonus / Reinvest- ment	Sales / matured during the period					as a percentage of net assets	as a percentage of total investments
MSF December 2012 - Total as at 31 March 2013	2,582,903	63,207	2,646,110	-	-	-	-	0.00%	0.00%
Total as at 30 June 2012					111,212	124,548	13,336	2.04%	2.78%
Total of investments as at 31 March 2013					3,951,034	3,950,615	(419)	93.04%	99.99%
Total of investments as at 30 June 2012					4,475,388	4,487,022	11,634	73.51%	100.00%

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

8. PAYABLE TO SECURITIES & EXCHANGE COMMISSION OF PAKISTAN

This includes amount payable on behalf of Sub-Scheme (December 2012) amounting to Rs. 0.092 million which have been matured on December 2012.

9. CONTINGENCY

Provision for Worker's Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 8, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to the year ended June 30, 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per our legal counsel the stay granted to Collective Investment Schemes (CIS) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected SHC judgment. Considering the unit holding structure of the funds concentrated on few large ticket investors, coupled with the recent changes in Tax Laws, the Management Company as a matter of abundant precaution has continue to charge provision for WWF, amounting to Rs. 34.963 million (including Rs. 11.617 million for the current period) in order to protect the interest of unit holders.

The liability of WWF includes liability of Sub-Scheme (December 2012) amounting to Rs. 1.487 million which have been matured on December 2012.

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. No provision for taxation has been made in this condensed interim financial information due to loss for the period.

10. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. No provision for taxation has been made in this condensed interim financial information due to loss for the period.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

11. EARNING / (LOSS) PER UNIT

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

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms.

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

12.1 Transactions during the period with connected persons / related parties

	-----Unaudited-----			
	Nine months ended 31 March		Quarter ended 31 March	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Arif Habib Investments Limited - Management Company				
Remuneration of Management Company	44,371	42,490	10,679	16,723
Sindh sales tax paid on remuneration	7,099	6,798	1,708	2,675
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	3,832	3,341	1,070	1,309
Habib Metropolitan Limited				
Markup Income	8,195	2,630	3,344	802
Bank charges	292	395	58	131
MCB Bank Limited				
Markup Income	2,607	29,718	47	11,857
Bank charges	5	4	1	3

12.2 Balance outstanding as at the period / year end

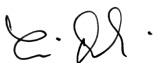
	31-Mar 2013 (Unaudited) (Rupees in '000)	30 June 2012 (Audited)
Arif Habib Investments Limited-Management Company		
Payable to Management Company	3,342	5,477
Sindh sales tax paid on remuneration payable	535	876
Central Depository Company of Pakistan Limited		
Remuneration payable	327	410
Habib Metropolitan Bank Limited		
Bank deposits	1,465	22,334
Profit receivable	10	236
MCB Bank Limited		
Bank deposits	218	3,394
Profit receivable	17	808

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

		-----Unaudited-----	
		Nine months ended 31 March 2013	Nine months ended 31 March 2013
		Units	(Rupees in '000)
		Units	(Rupees in '000)
Units sold to:			
Arif Habib Investments Limited		642,005	32,522
Habib Metropolitan Bank Limited		3,965,107	203,000
MCB Bank Limited		-	-
Key management personnel		66,264	3,444
Bonus units issued to:			
Arif Habib Investments Limited		27,806	1,392
Habib Metropolitan Bank Limited		3,081,342	154,283
MCB Bank Limited		6,657,202	333,326
Key management personnel		8,419	422
Units redeemed by:			
Arif Habib Investments Limited		669,811	33,792
Habib Metropolitan Bank Limited		11,270,105	571,317
MCB Bank Limited		42,246,603	2,127,961
Key management personnel		73,450	3,726
Bonus units received from investment:			
Sub-scheme - MSF December 2012		63,207	3,048
		Nine months ended	Nine months ended
		31 March 2013	31 March 2013
		(Unaudited)	(Unaudited)
		Units	(Rupees in '000)
		30 June 2012	30 June 2012
		(Audited)	(Audited)
Units held by:			
Habib MetroBank Limited		34,471,802	1,728,761
MCB Bank Limited		42,972,228	2,155,057
Key management personnel		58,288	2,923
Investment in units:			
Sub-scheme - MSF December 2012		-	-
		2,582,903	124,548

13. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on April 24, 2013.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

Arif Habib Investments Limited

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST), Peshawar 091-5852961,
Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908, URL: www.mcbah.com