



**Bachat** ka Doosra Naam

## Half Year Report December 31, 2013 (Unaudited)



Funds Under Management  
of  
MCB-Arif Habib Savings and Investments Limited  
*(formerly: Arif Habib Investments Limited)*

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	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 Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource Committee</b>	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	Habib Metropolitan Bank Limited MCB Bank Limited Summit Bank Limited Standard Chartered Bank Limited	
<b>Auditors</b>	M. Yousuf Adil Saleem & Co.-Chartered Accountants Cavis Court, A-35, Block 7 & 8, KCHSU, Sharae Faisal, Karachi-75350	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	<b>JWAFFS Registrar Services (Private) Limited</b> Kashif Centre, Room No. 505, 5th Floor, Near Hotel Mehran, Main Shahrah-e-Faisal, Karachi.	
<b>Rating</b>	AM2 - Management Quality Rating assigned by PACRA	

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED 31 DECEMBER 2013**

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**Dear Investor,**

On behalf of the Board of Directors, I am pleased to present Pakistan Strategic Allocation Fund's accounts review for the first half ended December 31st 2013.

### **EQUITIES MARKET OVERVIEW**

Stock market started FY14 on a positive note on the back of smooth political transition. Steep rupee depreciation kept stock market under pressure in the months of August and September. However material recovery in Rupee and Pakistan's success of getting GSP+ status brought market on rails again and KSE100 index touched its all time high of 25,579.33 on 20th December 2013. KSE100 index closed half year with an index on 25,261.14 which translates into 20% return for HY14. Foreigners remained net sellers during the period with a cumulative net outflow of US\$ 9.3 million. In terms of sectors interest remained concentrated in Textile, Construction & Materials, Oil & Gas, Pharmaceuticals and Power Sectors on the heels of strong inherent bottom line growth and healthy payouts.

### **FUND PERFORMANCE**

During the period, PSAF underperformed KSE100 index by delivering 19.27% return as compared to KSE100 index return of 20.26%. Overall equity exposure of the fund was decreased by around 9.1% which stood at 66.6% at the end of the period. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the period fund realigned its sector exposure by increasing allocation in Construction and Material while reducing its allocations in Oil & Gas and Chemicals.

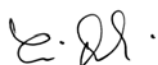
### **FUTURE OUTLOOK**

While the economic environment continues to be challenging, corporate earnings are largely expected to continue to improve. Earnings growth is expected to continue in E&P, Textile, Power and Cement sector. The rupee depreciation bodes well for Textile, E&P and Power sector, while higher allocation in PSDP will increase demand for cement.

### **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.

For and on behalf of the board



**Yasir Qadri**

Chief Executive Officer

Karachi: February 06, 2014

## TRUSTEE REPORT TO THE UNIT HOLDERS



### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office

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



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### PAKISTAN STRATEGIC ALLOCATION FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Strategic Allocation Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited (formerly Arif Habib Investments Limited) being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2013 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 13, 2014



# AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

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# Deloitte.

**M. Yousuf Adil Saleem & Co**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Sharea Faisal,  
Karachi-75350  
Pakistan

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## AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Pakistan Strategic Allocation Fund (the Fund) as at December 31, 2013, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holder's fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the six month period ended December 31, 2013. The Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2013 and 2012 have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2013.

### Scope of Review

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



**AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED  
INTERIM FINANCIAL INFORMATION**

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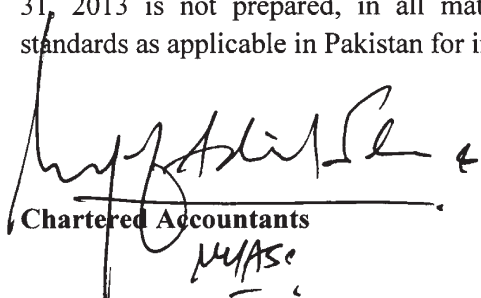
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**Deloitte.**

**M. Yousuf Adil Saleem & Co**  
Chartered Accountants

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six month period ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



Chartered Accountants  
M.A.S.C.

**Engagement Partner**  
Mushtaq Ali Hirani

**Dated: 06 FEB 2014**  
**Karachi**



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

	(Un-Audited) December 31, 2013	(Audited) June 30, 2013
	----- (Rupees in '000') -----	
<b>Assets</b>		
Balances with banks	42,858	21,834
Investments	331,079	312,688
Receivable against sale of investments	1,273	400
Profit and other receivable	529	219
Advances and security deposits	2,971	2,971
<b>Total assets</b>	<b>378,710</b>	<b>338,112</b>
<b>Liabilities</b>		
Payable to Management Company	677	609
Payable to Central Depository Company of Pakistan Limited - Trustee	59	58
Payable to Securities and Exchange Commission of Pakistan - annual fee	159	311
Unclaimed dividend	12,400	12,405
Accrued expenses and other liabilities	19,278	18,944
<b>Total liabilities</b>	<b>32,573</b>	<b>32,327</b>
<b>NET ASSETS</b>	<b>346,137</b>	<b>305,785</b>
<b>UNIT HOLDERS' FUND (As per statement attached)</b>	<b>346,137</b>	<b>305,785</b>
<b>Contingencies and commitments</b>		
	7	
	(Number of Units)	
<b>Number of units in issue</b>	<b>31,167,244</b>	<b>26,957,076</b>
	----- (Rupees) -----	
<b>Net assets value per unit</b>	<b>11.11</b>	<b>11.34</b>

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

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

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

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

	Note	Half year ended December 31,		Quarter ended December 31,	
		2013	2012	2013	2012
------(Rupees in '000')-----					
<b>Income</b>					
Capital gain on sale of investments - net		40,797	19,687	22,082	9,701
Dividend income		7,055	10,627	2,650	7,383
Income from government securities		2,847	2,796	1,690	915
Profit on bank deposits		2,035	1,764	1,013	715
Unrealised appreciation in value of investments 'at fair value through profit or loss' - net	5.3	12,555	22,526	15,593	12,522
<b>Total Income</b>		<b>65,289</b>	<b>57,400</b>	<b>43,028</b>	<b>31,236</b>
<b>Operating expenses</b>					
Remuneration of Management Company		3,349	3,475	1,677	1,699
Sales Tax and Federal Excise Duty on remuneration of Management Company	6.1	1,158	556	581	272
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		353	355	177	176
Annual fee - Securities and Exchange Commission of Pakistan		159	165	80	81
Securities transaction cost		1,158	1,311	577	614
Brokerage and settlement charges		161	189	98	89
Auditors' remuneration		297	300	163	162
Fees and subscription		187	122	126	61
Printing and related cost		108	180	51	72
<b>Total operating expenses</b>		<b>6,930</b>	<b>6,653</b>	<b>3,530</b>	<b>3,226</b>
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		(1,530)	(9,072)	(1,403)	(7,654)
Provision for Workers' Welfare Fund	8	(1,137)	-	(762)	-
<b>Net income for the period before taxation</b>		<b>55,692</b>	<b>41,675</b>	<b>37,333</b>	<b>20,356</b>
Taxation	9	-	-	-	-
Net income for the period after taxation		55,692	41,675	37,333	20,356
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>55,692</b>	<b>41,675</b>	<b>37,333</b>	<b>20,356</b>
<b>Earnings per unit</b>	10				

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

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

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

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

	Half year ended		Quarter year ended	
	December 31,		December 31,	
	2013	2012	2013	2012
	------(Rupees in '000')-----			
Undistributed Income / (loss) brought forward	36,215	(58,825)	(3,761)	(32,358)
Final bonus distribution for the period ended June 30, 2013 distributed at Rs. 2.0247 per unit (Declared on July 4, 2013)	(54,580)	-	-	-
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount representing unrealized income	(2,863)	15,090	892	9,942
Net income for the period after taxation	55,692	41,675	37,333	20,356
<b>Undistributed income / (loss) carried forward</b>	<b>34,464</b>	<b>(2,060)</b>	<b>34,464</b>	<b>(2,060)</b>

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

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

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

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

	Half year ended December 31,		Quarter ended December 31,	
	2013	2012	2013	2012
	------(Rupees in '000')-----			
<b>Net assets at beginning of the period</b>	<b>305,785</b>	351,503	<b>321,046</b>	342,079
Issue of 1,534,239 units (2012: 13,362) units and 1,047,448 units (2012: 7,065) for the half year and quarter ended respectively	<b>16,240</b>	125	<b>11,243</b>	69
Issued of bonus units 5,856,222 (2012: Nil) for the half year	<b>54,580</b>	-	-	-
Redemption of 3,180,293 units (2012: 10,553,286 units) and 2,361,019 units (2012: 6,958,955 units) for the half year and quarter ended respectively	<b>(33,110)</b>	(99,519)	<b>(24,889)</b>	(67,302)
	<b>37,710</b>	(99,394)	<b>(13,646)</b>	(67,233)
	<b>343,495</b>	252,109	<b>307,400</b>	274,846
Element of loss / (income) and capital (losses) / gains included in prices of units sold less those in units redeemed				
- amount representing accrued loss and realised capital losses lost transferred to the Income Statement	<b>1,530</b>	9,072	<b>1,403</b>	7,654
- amount representing unrealised capital losses / (gains) transferred to the Distribution Statement	<b>2,863</b>	(15,090)	<b>(892)</b>	(9,942)
	<b>4,393</b>	(6,018)	<b>511</b>	(2,288)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised income	<b>(2,863)</b>	15,090	<b>893</b>	9,941
Net income for the period transferred from the distribution statement				
Capital gain on sale of investments	<b>40,797</b>	19,687	<b>22,082</b>	9,701
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	<b>12,555</b>	22,526	<b>15,593</b>	12,522
Other net income for the period	<b>2,340</b>	(538)	<b>(342)</b>	(1,866)
Distributions made during the period (Refer distribution statement)	<b>(54,580)</b>	-	-	-
	<b>1,112</b>	41,675	<b>37,333</b>	20,357
<b>Net assets at the end of the period</b>	<b>346,137</b>	302,856	<b>346,137</b>	302,856
	-----Rupees-----			
Net assets value per unit	<b>11.11</b>	9.93	<b>11.11</b>	9.93

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

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

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

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2013**

	Half year ended December 31,		Quarter ended December 31,	
	2013	2012	2013	2012
------(Rupees in '000')-----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income before taxation	55,692	41,675	37,333	20,356
<b>Adjustments</b>				
Element of loss and capital losses included in prices of units issued less those in units redeemed	1,530	9,072	1,403	7,654
Unrealised appreciation in value of investments 'at fair value through profit or loss' - net	(12,555)	(22,526)	(15,593)	(12,522)
Dividend income	(7,055)	(10,627)	(2,650)	(7,383)
	<u>37,612</u>	<u>17,594</u>	<u>20,493</u>	<u>8,105</u>
<b>Working capital changes</b>				
<i>(Increase) / decrease in assets</i>				
Investments - net	(5,836)	84,235	17,345	86,238
Receivable against sale of investments	(873)	47	(1,273)	3,209
Profit and other receivable	(364)	440	3,293	(5,798)
Advances and security deposits	-	(6,653)	-	47
	<u>(7,073)</u>	<u>78,069</u>	<u>19,365</u>	<u>83,696</u>
<i>Increase / (decrease) in liabilities</i>				
Payable to Management Company	11	(41)	(56)	(32)
Payable to Central Depository Company of Pakistan Limited - Trustee	1	2	1	3
Payable to Securities and Exchange Commission of Pakistan - annual fee	(152)	(311)	80	81
Accrued expenses and other liabilities	391	(259)	(26,879)	(1,609)
	<u>251</u>	<u>(609)</u>	<u>(26,854)</u>	<u>(1,557)</u>
	<u>30,790</u>	<u>95,054</u>	<u>13,004</u>	<u>90,244</u>
Dividend received	7,109	10,812	7,108	7,569
<b>Net cash generated from operating activities</b>	<u>37,899</u>	<u>105,866</u>	<u>20,112</u>	<u>97,813</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	16,240	125	11,245	68
Payments on redemption of units	(33,110)	(99,519)	(24,889)	(67,302)
Cash dividend paid	(5)	(23)	(5)	(23)
<b>Net cash used in financing activities</b>	<u>(16,875)</u>	<u>(99,417)</u>	<u>(13,649)</u>	<u>(67,257)</u>
<b>Net increase in cash and cash equivalents during the period (A+B)</b>	<u>21,024</u>	<u>6,449</u>	<u>6,463</u>	<u>30,556</u>
Cash and cash equivalents at beginning of the period	21,834	42,371	36,395	18,264
<b>Cash and cash equivalents at end of the period</b>	<u>42,858</u>	<u>48,820</u>	<u>42,858</u>	<u>48,820</u>

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

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

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

  
\_\_\_\_\_  
Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

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**1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Pakistan Strategic Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004.
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3** Formation of the Fund as a closed-end fund was authorised by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund.
- 1.4** "The Fund is categorised as ""equity scheme"" and is listed on the Karachi stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund."
- 1.5** The Fund primarily invests in listed equity securities. It also invests in cash instruments and treasury bills not exceeding 90 days maturities.
- 1.6** Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2 dated March 21, 2013 to the management company and 2-Star as stability rating dated December 18, 2013 to the Fund.
- 1.7** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

**2. STATEMENT OF COMPLIANCE**

- 2.1** This condensed interim financial information has been prepared in accordance with the 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) shall prevail.
- 2.2** This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof. 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'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2013. Comparative information of the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the quarters ended December 31, 2013 and December 31, 2012 are un-audited and have been included to facilitate comparison.
- 2.3** This condensed interim financial information is Un-audited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.
- 2.4** This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

2.5 The directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

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

3.1 The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund for the year ended June 30, 2013.

3.2 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2013.

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

**4. FINANCIAL RISK MANAGEMENT**

The Fund's risk management policies are consistent with that disclosed in the financial statements of the Fund as at and for the year ended June 30, 2013.

		<b>Un-audited December 31, 2013</b>	<b>Audited June 30, 2013</b>
	<b>Note</b>	<b>Rupees in '000</b>	
<b>5. INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
Listed equity securities	5.1	<b>252,326</b>	255,998
Government securities	5.2	<b>78,753</b>	56,690
		<b><u>331,079</u></b>	<b><u>312,688</u></b>



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

5.1 Listed equity securities' at fair value through profit or loss'  
(Face value of Rs. 10/- each unless stated otherwise)

Name of the Investee Company	As at July 1, 2013	Purchases during the period	Bonus/ rights issue	Sales during the period	As at December 31, 2013	Balance as at December 31, 2013			Market value as percentage of total investments	Paid up value of shares as percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation/(depreciation)		
						Rupees in '000'			%	
<b>OIL AND GAS</b>										
Attock Petroleum Limited	26,184	5,400	4,046	30,150	5,480	2,798	2,738	(60)	0.79	0.83
National Refinery Limited	9,800	47,500	-	27,100	30,200	6,714	6,509	(205)	1.88	1.97
Oil & Gas Development Company Limited	78,776	44,900	-	65,700	57,976	15,440	16,022	582	4.63	4.84
Pakistan Oilfield Limited	42,453	42,600	-	50,450	34,603	17,193	17,222	29	4.98	5.20
* Pakistan Petroleum Limited	136,848	145,200	8,409	172,100	118,357	25,080	25,324	244	7.32	7.65
* Pakistan State Oil Company Limited	51,985	43,500	-	38,300	57,185	17,508	18,998	1,490	5.49	5.74
						<b>84,733</b>	<b>86,813</b>	<b>2,080</b>	<b>25.09</b>	<b>26.23</b>
<b>CHEMICALS</b>										
Engro Corporation Limited	178,700	70,900	-	188,900	60,700	9,370	9,614	244	2.78	2.90
Fatima Fertilizer Company Limited	532,200	90,000	-	126,000	496,200	12,448	14,171	1,723	4.09	4.28
Fauji Fertilizer Bin Qasim Limited	266,400	500	-	266,500	400	15	18	3	0.01	0.01
Fauji Fertilizer Company Limited	169,100	31,500	-	172,200	28,400	2,874	3,180	306	0.92	0.96
Lotte Chemical Pakistan Limited	125,000	-	-	125,000	-	-	-	-	0.00	0.00
						<b>24,707</b>	<b>26,983</b>	<b>2,276</b>	<b>7.80</b>	<b>8.15</b>
<b>CONSTRUCTION AND MATERIALS</b>										
Cherat Cement Company Limited	51,500	201,300	-	225,500	27,300	1,675	1,728	53	0.50	0.52
D. G. Khan Cement	20,100	160,000	-	153,000	27,100	2,145	2,323	178	0.67	0.70
Fauji Cement Company Limited	-	319,000	-	55,900	263,100	3,597	4,196	599	1.21	1.27
Kohat cement Company Limited	89,500	82,000	31,700	203,012	188	14	18	4	0.01	0.01
Lucky Cement Company Limited	2,619	16,600	-	12,500	6,719	1,890	2,015	125	0.58	0.61
Maple Leaf Cement Company Limited	-	753,500	-	76,000	677,500	14,844	18,584	3,740	5.37	5.61
						<b>24,165</b>	<b>28,864</b>	<b>4,699</b>	<b>8.34</b>	<b>8.72</b>
<b>GENERAL INDUSTRIALS</b>										
Packages Limited	-	38,600	-	-	38,600	10,461	10,524	63	3.04	3.18
<b>FOOD PRODUCERS</b>										
Engro Foods Limited	-	74,000	-	31,200	42,800	4,319	4,470	151	1.29	1.35
<b>PERSONAL GOODS</b>										
Nishat Mills Limited	68,300	240,200	-	290,600	17,900	2,231	2,278	47	0.66	0.69

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

Name of the Investee Company	As at July 1, 2013	Purchases during the period	Bonus/ rights issue	Sales during the period	As at December 31, 2013	Balance as at December 31, 2013			Market value as percentage of total investments	Paid up value of shares as percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation/(diminution)		
						Rupees in '000'			%	
<b>FIXED LINE TELECOMMUNICATION</b>										
Pakistan Telecommunication Company Limited		237,200	-	189,500	47,700	1,454	1,357	(97)	0.39	0.41
<b>ELECTRICITY</b>										
* Hub Power Company Limited	337,571	232,800	-	33,500	536,871	32,691	32,599	(92)	9.42	9.85
Kot Addu Power Company Limited	-	617,000	-	437,500	179,500	10,953	11,084	131	3.20	3.35
Nishat Power Limited	100	-	-	-	100	3	3	-	0.00	0.00
Pakgen Power Limited		165,000	-	-	165,000	3,465	3,582	117	1.03	1.08
						<b>47,112</b>	<b>47,268</b>	<b>156</b>	<b>13.65</b>	<b>14.28</b>
<b>BANKS</b>										
Allied Bank Limited	452	137,000	-	48,500	88,952	8,049	8,006	(43)	2.31	2.42
Bank Al-Falah Limited	468,585	218,000	-	679,500	7,085	170	192	22	0.06	0.00
Bank AL-Habib Limited	499,891	293,500	-	595,800	197,591	7,842	8,210	368	2.37	2.48
MCB Bank Limited	-	37,700	-	7,600	30,100	8,238	8,463	225	2.44	2.56
Meezan Bank Limited	458,070	-	-	452,752	5,318	154	209	55	0.06	0.00
National Bank Of Pakistan	126,205	67,500	-	66,500	127,205	5,514	7,386	1,872	2.13	2.23
United Bank Limited	-	160,000	-	75,700	84,300	10,470	11,172	702	3.23	3.37
						<b>40,437</b>	<b>43,638</b>	<b>3,201</b>	<b>12.60</b>	<b>13.18</b>
<b>NON LIFE INSURANCE</b>										
Pakistan Reinsurance Company Limited	393,500	17,100	-	406,000	4,600	108	131	23	0.04	0.04
						<b>239,727</b>	<b>252,326</b>	<b>12,599</b>	<b>72.90</b>	<b>76.23</b>
<b>December 31, 2013</b>						<b>241,075</b>	<b>255,998</b>	<b>14,923</b>	<b>78.84</b>	<b>77.32</b>

\* The above include shares with a market value aggregating to Rs. 76,921 thousand (June 2013: Rs. 66,419 thousand) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

**5.2 Government securities - 'at fair value through profit or loss'**

Tenor	Face Value			Balance as at December 31, 2013			Market value as % of net assets	Market value as % of total investments
	As at July 01, 2013	Purchases during the period	Sales / matured during the period	As at December 31, 2013	Carrying value	Appreciation / (diminution)		
Rupees in '000'								
Treasury Bills - 3 months	45,000	215,000	180,000	80,000	78,797	78,753	(44)	23.79
Treasury Bills - 12 months	12,000	15,000	27,000	-	-	-	-	-
<b>December 31, 2013</b>					<b>78,797</b>	<b>78,753</b>	<b>(44)</b>	
June 30, 2013					56,680	56,690	10	

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

		(Un-Audited) December 31 2013	(Audited) June 30 2013
	Note	-----(Rupees in '000)----	
<b>5.3 Net unrealised appreciation in value of investments at fair value through profit or loss</b>			
Market value of investments	5.1 & 5.2	<b>331,079</b>	312,688
Less: Cost of investments	5.1 & 5.2	<b>(318,524)</b>	(297,755)
		<u><b>12,555</b></u>	<u>14,933</u>

**6. ACCRUED EXPENSES AND OTHER LIABILITIES**

Provision for worker's welfare fund		<b>13,802</b>	12,666
Conversion cost payable		<b>3,603</b>	5,123
Federal Excise Duty on remuneration of Management Company	6.1	<b>679</b>	57
Auditor's remuneration		<b>265</b>	400
Legal and professional		<b>188</b>	150
Brokerage		<b>411</b>	158
Others		<b>330</b>	390
		<u><b>19,278</b></u>	<u>18,944</u>

**6.1 FEDERAL EXCISE DUTY ON REMUNERATION OF MANAGEMENT COMPANY**

The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies .In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment . The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this condensed interim financial information aggregating to Rs. 0.679 million as at 31 December 2013. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.02 per unit as at 31 December 2013.

**7. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at December 31, 2013 and June 30, 2013

**8. PROVISION FOR WORKER'S WELFARE FUND**

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds 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 Collective Investment Schemes (CISs) through their trustees in the Honorable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

However in 2013, the Larger Bench of the SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

As the matter relating to levy of WWF on CISs is currently pending in the SHC, the Management Company has decided to retain and continue with the provision for WWF in its books of account and these condensed interim financial information which aggregate to Rs. 13.802 million as at December 31, 2013. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.44 per unit.

**9. TAXATION**

The Fund's income is exempt from Income Tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) 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. 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 Ordinance as the management intends to distribute at least 90% of income earned during current year to the unit holders therefore, no provision for taxation has been recorded in this condensed interim financial information.

**10. EARNINGS PER UNIT**

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

**11. 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, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Remuneration to the Management Company and the Trustee are determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

**11.1 Details of transactions with connected persons are as follows:**

	----- Un-audited -----			
	Half year ended		Quarter ended	
	December 31		December 31	
	2013	2012	2013	2012
----- (Rupees in '000') -----				
<b>MCB Arif Habib Savings and Investments (formerly: Arif Habib Investments Limited)</b>				
Remuneration of management company including indirect taxes	4,506	3,475	2,257	1,414
<b>Central Depository Company - Trustee</b>				
Remuneration	353	355	177	176
CDC charges for conversion	26	66	(37)	-
<b>Arif Habib Limited - Brokerage house</b>				
Brokerage *	46	55	46	16
<b>MCB Bank Limited</b>				
Mark up income during the period	1,505	649	1,505	649
Bank charges	4	5	3	1

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

	Half year ended December 31		Quarter ended December 31	
	2013	2012	2013	2012
	------(Rupees in '000')-----			
<b>Directors and executives of the Management Company</b>				
Redemption of Nil units (2012: 46,617 units) for the half year ended	-	423	-	-
<b>Nishat Mills Limited</b>				
Issue Bonus 126,590 (2012: Nil)	1,180	-	-	-
<b>Next Capital</b>				
Brokerage*	23	34	23	34
<b>DG Khan Cement Limited</b>				
Dividend received	248	154	248	-
<b>Nishat Chunian Power Limited</b>				
Dividend received	-	1,520	-	-
<b>Diwan Salman Fibre Limited</b>				
Issue Bonus 558,011 (2012: Nil)	5,201	-	-	-

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

	Un-audited December 31, 2013	Audited June 30, 2013
<b>11.2 Amount outstanding as at period / year end</b>		
<b>MCB Arif Habib Savings and Investments (formerly: Arif Habib Investments Limited)</b>		
Remuneration payable	584	525
Sales tax payment on management fee	93	84
Conversion cost payable	3,603	5,123
<b>Trustee</b>		
Remuneration payable	59	703
Security deposit	300	300
<b>Arif Habib Limited - Brokerage house</b>		
Brokerage payable	13	-
<b>Summit Bank Limited</b>		
Balance with bank	-	5,109
<b>MCB Bank Limited</b>		
Balances with Bank	26,685	8,041
Accrued mark-up	343	33
<b>Dewan Salman Fibre Limited</b>		
3,126,624 units held as at December 31, 2013 (2012: 2,568,612)	34,737	29,128
<b>Nishat Mills Limited</b>		
709,305 units held as at December 31, 2013 (2012: Nil)	7,880	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2013**

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**12. RECLASSIFICATION**

Following reclassification have been made in this condensed interim financial information in order to give better and more appropriate presentation:

	<b>From</b>	<b>To</b>	<b>June 30, 2013 (Rupees in '000)</b>
Federal Excise Duty payable on management fee	Payable to Management Company	Accrued expenses and other liabilities	57

**13. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information were authorised for issue on 06 February, 2014 by the Board of Directors of the Management Company.



Chief Executive Officer

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



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

**MCB-Arif Habib Savings and Investments Limited**  
*(formerly: Arif Habib Investments Limited)*

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