

# Half Year Report December 31, 2014 (Unaudited)



Funds Under Management  
of  
MCB-Arif Habib Savings and 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.

# **MCB DYNAMIC ALLOCATION FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings & 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 Dr. 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. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. 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 Ltd. CDC House, 99-B, Block 'B', S.M.C.H.S., Main Shahra-e-Faisal, Karachi.	
<b>Bankers</b>	MCB Bank Limited Bank Al-Falah Limited Faysal Bank Limited Standard Chartered Bank Pakistan Limited Allied Bank Limited NIB Bank Limited United Bank Limited	
<b>Auditors</b>	KPMG Taseer Haidi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	MCB-Arif Habib Savings & Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM 2 - Management Quality Rating assigned by PACRA	

## **REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014**

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**Dear Investor,**

On behalf of the Board of Directors, I am pleased to present MCB Dynamic Allocation Fund's accounts review for the first half year ended December 31<sup>st</sup> 2014

### **ECONOMY AND MONEY MARKET OVERVIEW**

In the wake of decline in oil prices in the international market, the country witnessed significant improvement in the macroeconomic indicators. Oil prices fell by 48 percent during the first half of the current fiscal year, aided by increase in global oil production amid weak demand.

Consequently, inflation remained subdued with CPI averaging around 6.11 percent during the 1HFY15. If oil prices, which eased down to a five-year low in December, stabilize below \$60 per barrel, inflation is likely to persist in lower ranges during the second half of the current fiscal year.

Despite decline in oil prices, the country's trade deficit widened to \$ 9.7 billion during 1HFY15 as opposed to deficit of \$ 8.6 billion during the corresponding period last year. Exports remained subdued perhaps due to lower cotton prices and disruptive power supplies. With oil imports accounting for one-third of the country's total import bill, trade deficit is forecasted to narrow down in the coming months reflecting significant drop in oil prices.

At the same time, financial account registered a surplus of \$ 2.4 billion as compared to a surplus of \$ 0.24 billion recorded during the same period last year. This is mainly due to increase in portfolio investments after the government successfully raised \$ 1 billion through Sukuk auction. However, foreign direct investment yet failed to pick up pace during the first half.

The country's foreign reserve balance also improved towards the end of the year after the country received \$1 billion through Sukuk auction in November and IMF released 4th and 5th tranche amounting to \$1.1 billion in December. The country's reserve balance totaled to \$14.9 billion at the end of December 2014.

Keeping in view lower inflationary pressure and stable foreign reserves position, the government had announced 50 bps cut in the discount rate in the monetary policy held in November, bringing the discount rate to 9.5 percent. Moreover, the gap between discount rate and inflation is still hovering above 5 percent which supports the case for further monetary easing down the line.

M2 has expanded by 3.08 percent during the 1HFY15 (till 26th December) as opposed to expansion of 4.76 percent during the same period last year. While borrowing from the banking system stood at Rs 243 billion as opposed to borrowing of around Rs 539 billion during the same period last year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. PIB rates moved downwards in anticipation of cut in the discount rate. Major activity was witnessed in the longer tenor bonds causing the yield curve to move sharply in the downward direction.

### **EQUITIES MARKET OVERVIEW**

Despite poor performance of oil and gas sector in the wake of continuous decline in oil prices, KSE-100 index managed to surge by 8.4 percent during 1HFY15. Decline in energy cost has made manufacturing sector attractive, while anticipation of discount rate cut has brought leveraged and high dividend yield companies into limelight.

Cement, fertilizer, and power sector remained top performers. Cement companies benefited from decline in coal prices and lower distribution cost. While high dividend yield made fertilizer and power sectors attractive. Performance of E&P, Refineries and Oil Marketing Companies remained dismal and Banking sector stayed range-bound in anticipation of monetary easing down the line.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED DECEMBER 31, 2014

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Foreigners remained net buyers with a cumulative net inflow of US\$ 113 million during the first half of the fiscal year.

### FUND PERFORMANCE

The fund posted a return of 10.25% during the period under review while since inception return of fund stood at 51.17%. The fund has gradually increased exposure in equities which reached to around 26.9% by the end of the first half of the fiscal year. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks. During the period under review, the fund mainly remained in the Electricity sector throughout the period under review while reduced its exposure from Commercial Bank sector.

On the fixed income side, the fund significantly increased its exposure in T-Bills to 9.4% from 0% in order to abide with SECP regulations regarding asset allocation therefore we increased our exposure in T-bills and reduced our investment in PIBs from 43.4% to 38%.

The Net Asset of the Fund as at December 31, 2014 stood at Rs.1,096 million as compared to Rs.779 million as at June 30 2014 registering an increase of 40.69%.

The Net Asset Value (NAV) per unit as at December 31, 2014 was Rs.79.2385 as compared to opening NAV of Rs.71.8713 per unit as at June 30, 2014 registering a decrease of Rs.7.3672 per unit.

### FUTURE OUTLOOK

Economic activity is expected to gain momentum in 2015. The manufacturing activity will be driven by lower energy cost, weak raw material prices, improvement in gas supply situation and progress on the political front. In a major positive development, the government is planning to import LNG to ease off gas shortage in the country.

Although the government is eyeing increase in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on volatile law and order situation. In the near-term, realization of expected inflows-through divestment of shares of HBL would be crucial, where the country is expected to raise around \$1 billion. We believe that the sustainability of external account, in the presence of subdued inflationary pressures, would be a key factor in shaping up interest rate direction.

### 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

Karachi, February 02, 2015



## 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 Shahra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
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Email: [info@cdcpak.com](mailto:info@cdcpak.com)



## TRUSTEE REPORT TO THE UNIT HOLDERS

### MCB DYNAMIC ALLOCATION FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Dynamic Allocation Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2014 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.

  
**Aftab Ahmed Diwan**  
Officiating Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 20, 2015





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



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847  
Fax + 92 (21) 3568 5095  
Internet [www.kpmg.com.pk](http://www.kpmg.com.pk)

## Report on review of Condensed Interim Financial Information to the Unit Holders

### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Dynamic Allocation Fund** ("the Fund") as at 31 December 2014 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, condensed interim cash flow statement and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). Management Company is responsible for the preparation and presentation of this condensed 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 condensed interim financial information based on our review.

### *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 condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

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

### *Other matters*

The figures for the quarter ended 31 December 2014 and 31 December 2013 in the condensed interim financial information have not been reviewed by us and we do not express a conclusion on them.

**Date: 02 February 2015**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan  
and a member firm of the KPMG network of independent member  
firms affiliated with KPMG International Cooperative  
("KPMG International"), a Swiss entity.

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT 31 DECEMBER 2014**

	Note	31 December 2014 (Unaudited) (Rupees in '000)	30 June 2014 (Audited)
<b>Assets</b>			
Balances with banks	6	235,653	96,667
Investments	7	872,593	510,520
Dividend and profit receivables		25,956	19,517
Receivable against sale of investment		2,704	142,712
Advances, deposits and prepayments		4,361	15,397
Receivable from National Clearing Company of Pakistan Limited		1,226	8,191
<b>Total assets</b>		<b>1,142,493</b>	<b>793,004</b>
<b>Liabilities</b>			
Payable to the Management Company		5,820	3,820
Payable to Central Depository Company of Pakistan Limited - Trustee		171	126
Payable to Securities and Exchange Commission of Pakistan		405	630
Fair value of Derivative Liability		-	10
Payable against purchase of investment		27,032	-
Accrued expenses and other liabilities	8	13,427	9,301
<b>Total liabilities</b>		<b>46,855</b>	<b>13,887</b>
<b>Net assets</b>		<b>1,095,638</b>	<b>779,117</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,095,638</b>	<b>779,117</b>
<b>Contingencies and commitments</b>	9		
<b>(Number of units)</b>			
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>13,827,071</b>	<b>10,840,442</b>
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>79.24</b>	<b>71.87</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  
(Management Company)

  
Director

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

	<b>Half year ended</b>		<b>Quarter ended</b>	
<i>Note</i>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>----- (Rupees in '000) -----</b>			
<b>Income</b>				
Capital gain on sale of investments	38,079	2,501	27,686	4,877
Dividend income	4,065	11,293	2,696	1,838
Profit on bank deposits	9,137	4,442	3,913	2,208
Income from government securities	22,135	14,873	12,051	10,361
Income from term finance certificates	1,525	1,641	769	703
Other Income	11	11	5	9
	<b>74,952</b>	<b>34,761</b>	<b>47,120</b>	<b>19,996</b>
Net unrealised appreciation / (diminution) in the fair value of future contra	-	-	-	(884)
Net unrealised appreciation on re-measurement of investments classified as financial assets at 'fair value through profit or loss'	22,786	1,611	22,695	4,755
<b>Total income</b>	<b>97,738</b>	<b>36,372</b>	<b>69,815</b>	<b>23,867</b>
<b>Expenses</b>				
Remuneration of the Management Company	8,532	5,771	4,535	3,353
Sindh Sales tax and Federal Excise Duty on Management Fee	2,850	1,994	1,515	1,159
Remuneration of Central Depository Company of Pakistan Limited - Trustee	851	621	451	445
Annual fee to Securities and Exchange Commission of Pakistan	405	295	215	159
Brokerage and settlement charges	3,293	2,386	1,998	1,084
Auditor's remuneration	367	290	209	162
Other expenses	241	337	139	164
<b>Total operating expenses</b>	<b>16,539</b>	<b>11,694</b>	<b>9,062</b>	<b>6,526</b>
<b>Net income from operating activities</b>	<b>81,199</b>	<b>24,678</b>	<b>60,753</b>	<b>17,341</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed	13,040	4,313	13,251	1,604
Provision for workers' welfare fund	8.2 (1,884)	(580)	(1,479)	(379)
<b>Net income for the period before taxation</b>	<b>92,355</b>	<b>28,411</b>	<b>72,525</b>	<b>18,566</b>
Taxation	10 -	-	-	-
<b>Net income for the period after taxation</b>	<b>92,355</b>	<b>28,411</b>	<b>72,525</b>	<b>18,566</b>
<b>Earnings per unit</b>	11			

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**  
**(Management Company)**

  
**Director**

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

	<i>Note</i> <b>Half year ended</b>		<b>Quarter ended</b>	
	<b>31 December 2014</b>	31 December 2013	<b>31 December 2014</b>	31 December 2013
	<b>----- (Rupees in '000) -----</b>			
<b>Net income for the year after taxation</b>	<b>92,355</b>	28,411	<b>72,525</b>	18,566
<b>Other comprehensive income:</b>				
<i>Items that are or may be reclassified subsequently to income statement</i>				
Net unrealised appreciation in investments classified as 'available for sale'	<b>8,102</b>	-	<b>6,388</b>	-
<b>Total comprehensive income for the period</b>	<b>100,457</b>	28,411	<b>78,913</b>	18,566

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  
(Management Company)

  
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

	<b>Half year ended</b>		<b>Quarter ended</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>----- (Rupees in '000) -----</b>			
Accumulated loss brought forward	<b>(304,929)</b>	(80,704)	<b>(281,801)</b>	(236,946)
Net income for the period	<b>100,457</b>	28,411	<b>78,913</b>	18,566
Element of loss and capital losses included in the prices of units issued less those in units redeemed - amount representing unrealized (diminution) / appreciation	<b>(82,599)</b>	(123,560)	<b>(84,183)</b>	(23,768)
Final distribution at the rate Rs. Nil (2013: Rs. 12.9135) for the year ended 30 June 2014 / 30 June 2013				
Declared on 4 July 2013				
- Cash dividend	-	(87)	-	-
- Bonus distribution 927,719 units	-	(66,208)	-	-
<b>Accumulated loss carried forward</b>	<b><u>(287,071)</u></b>	<b><u>(242,148)</u></b>	<b><u>(287,071)</u></b>	<b><u>(242,148)</u></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  
(Management Company)

  
**Director**

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)**  
**FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

	Half year ended		Quarter ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
<b>Net assets at beginning of the period</b>	<b>779,117</b>	<b>432,680</b>	<b>799,966</b>	<b>624,958</b>
Issue of 4,629,154* (2013: 5,666,215) units and 1,005,931 (2013: 1,516,801 568,482) units for the half year and quarter respectively	<b>350,975</b>	411,026	<b>277,928</b>	111,203
Redemption of 1,642,525 (2013: 1,350,918) units and 1,015,416 (2013: 686,712) units for the half year and quarter respectively	<b>(121,871)</b>	(98,741)	<b>(47,918)</b>	(50,354)
	<b>229,104</b>	312,285	<b>230,010</b>	60,849
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed				
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	<b>(13,040)</b>	(4,313)	<b>(13,251)</b>	(1,604)
- amount representing (income) / loss and capital losses / (gains) - transferred to distribution statement	<b>82,599</b>	123,560	<b>84,182</b>	23,768
	<b>69,559</b>	119,247	<b>70,931</b>	22,164
Element of (loss) and capital (losses) that forms part of unit holders' fund transferred to distribution statement	<b>(82,599)</b>	(123,560)	<b>(84,182)</b>	(23,768)
Net income for the period (excluding net unrealized appreciation in fair value of investment classified at 'fair value through profit or loss', future contracts and capital gain on sale of investment)	<b>31,490</b>	24,299	<b>22,144</b>	8,933
Net unrealised appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss'	<b>22,786</b>	1,611	<b>22,695</b>	4,755
Net unrealised appreciation on re-measurement of investment classified as 'available for sale'	<b>8,102</b>	-	<b>6,388</b>	-
Capital gain on sale of investments - net	<b>38,079</b>	2,501	<b>27,686</b>	4,877
Total comprehensive income for the period.	<b>100,457</b>	28,411	<b>78,913</b>	18,565
Distribution during the period	-	(66,295)	-	-
<b>Net assets at the end of the period</b>	<b>1,095,638</b>	<b>702,768</b>	<b>1,095,638</b>	<b>702,768</b>
Net assets value per unit at beginning of the period	<b>71.87</b>	84.28	<b>73.86</b>	72.51
Net assets value per unit at end of the period	<b>79.24</b>	74.37	<b>79.24</b>	74.37

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**  
**(Management Company)**

  
**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)**  
**FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

	Half year ended	Quarter ended		
Note	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	92,355	28,411	72,525	18,566
<b>Adjustments for non-cash charges and other items:</b>				
Dividend income	(4,065)	(11,293)	(2,696)	(1,838)
Net unrealised appreciation on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	(22,786)	(1,611)	(22,695)	(3,871)
Element of income and capital gains included in the prices of units issued less those in units redeemed	(13,040)	(4,313)	(13,251)	(1,604)
Net cash generated from operations before working capital changes	52,464	11,194	33,883	11,253
<i>(Increase) / decrease in assets</i>				
Investments - net	(331,185)	(76,292)	(318,360)	7,207
Receivable against sale of investment	140,008	10,128	41,066	43,708
Profit and other receivable	(6,016)	2,392	(15,980)	439
Advances and deposits	11,036	(16,882)	49,151	(16,882)
Receivable from National Clearing Company of Pakistan Limited	6,965	(6,384)	6,965	1,501
	(179,192)	(87,038)	(237,158)	35,973
<i>Increase / (decrease) in liabilities</i>				
Payable to the Management Company	2,000	1,768	2,407	1,713
Payable to Central Depository Company of Pakistan Limited - Trustee	45	59	45	59
Payable to Securities and Exchange Commission of Pakistan	(225)	62	(414)	159
Fair value of Derivative Liability	(10)	(243)	(10)	(243)
Payable against purchase of investment	27,032	-	-	-
Accrued expenses and other liabilities	4,126	1,486	2,716	(977)
	32,968	3,132	4,744	711
Dividend income received	3,642	11,386	2,231	9,670
<b>Net cash (used in) / generated from operating activities</b>	(90,118)	(61,326)	(196,300)	57,607
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	350,975	344,818	277,928	111,202
Payments against redemption of units	(121,871)	(98,741)	(47,918)	(50,354)
Distribution during the period	-	(87)	-	-
<b>Net cash generated from financing activities</b>	229,104	245,990	230,010	60,848
Net increase in cash and cash equivalents	138,986	184,664	33,710	118,455
Cash and cash equivalents at beginning of the period	96,667	68,364	201,943	134,573
<b>Cash and cash equivalents at end of the period</b>	235,653	253,028	235,653	253,028

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  
(Management Company)

  
Director



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014

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## 1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Allocation Fund (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, 2007 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 17 December 2007. It was constituted under a Trust Deed dated 22 November 2007 between MCB Asset Management Company Limited (MCB-AMC) 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.

Pursuant to merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.

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 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.

Under circular 7 dated 6 March 2009 issued by the SECP, the Fund is categorised as an Asset Allocation Scheme. The Management Company is in the process of making requisite amendments in relation to categorisation, investment objectives and relevant benchmark in the constitutive documents of the Fund.

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

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

## 2. BASIS OF PREPARATION

### 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 2014.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 December 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2014, where as the comparatives in the condensed interim income statement, condensed interim cash flow 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 December 2013.

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 is unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of clause (xix) of the Code of Corporate Governance.

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

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014

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

## **2.4 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 2014.

**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 2014.

## **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 2014.

## **6. BALANCE WITH BANKS**

	<b>31 December 2014 (Unaudited) (Rupees in '000)</b>	<b>30 June 2014 (Audited)</b>
Saving accounts	6.1 235,598	96,662
Current account	55	5
	<u>235,653</u>	<u>96,667</u>

**6.1** These carry mark-up at rates ranging from 6.5% to 9.90% per annum (30 June 2014: 6% to 9 % per annum).

## **7. INVESTMENTS**

### **7.1 Held for trading investments**

Quoted equity securities	7.1.1 241,289	125,962
Listed debt securities	7.1.2 24,368	24,699
Government Securities	7.1.3 378,359	95,422
	<u>644,016</u>	<u>246,083</u>

### **7.2 Available for sale investments**

Quoted equity securities	7.2.1 51,146	11,218
Unquoted equity securities	7.2.2 14,600	-
Government Securities	7.2.3 162,831	253,219
	<u>228,577</u>	<u>264,437</u>
	<u>872,593</u>	<u>510,520</u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014

## 7.1 Held for trading investments

### 7.1.1 Quoted Equity securities

Name of investee company	As at 1 July 2014	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 December 2014	Carrying Cost as at 31 December 2014	Market value as at 31 December 2014	Appreciation/ (Diminution) as at 31 December 2014	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
----- (Rupees in '000) -----											
<b>Oil and Gas</b>											
Attock Petroleum Limited	-	64,100	-	(21,350)	42,750	23,883	23,067	(816)	2.11%	2.64%	0.05%
Hascol Petroleum Limited	-	113,500	-	(113,500)	-	-	-	-	-	-	-
Oil and Gas Development Company Limited	-	70,000	-	(70,000)	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	39,100	-	(39,100)	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	272,000	-	(272,000)	-	-	-	-	-	-	-
Shell (Pakistan) Limited	-	20,000	-	(20,000)	-	-	-	-	-	-	-
						<b>23,883</b>	<b>23,067</b>	<b>(816)</b>	<b>2.11%</b>	<b>2.64%</b>	<b>0.05%</b>
<b>Chemicals</b>											
Dawood Hercules Corporation	-	146,500	-	(77,500)	69,000	5,670	5,831	161	0.53%	0.67%	0.01%
Engro Corporation Limited	-	117,500	-	(69,000)	48,500	10,614	10,743	129	0.98%	1.23%	0.01%
Engro Fertilizers Limited	-	425,000	-	(425,000)	-	-	-	-	-	-	-
Fatima Fertilizers Company Limited	-	700,000	-	(700,000)	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	720,000	-	(720,000)	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	70,000	-	(70,000)	-	-	-	-	-	-	-
						<b>16,284</b>	<b>16,574</b>	<b>290</b>	<b>1.51%</b>	<b>1.90%</b>	<b>0.02%</b>
<b>Forestry (Paper and Board)</b>											
Century Papers and Board Mills Limited	-	180,000	-	-	180,000	9,804	9,758	(46)	0.89%	1.12%	0.12%
						<b>9,804</b>	<b>9,758</b>	<b>(46)</b>	<b>0.89%</b>	<b>1.12%</b>	<b>0.12%</b>
<b>Industrial Metals and Mining</b>											
Crescent Steel and Allied Products Limited	-	185,000	-	(80,000)	105,000	5,538	5,319	(219)	0.49%	0.61%	0.17%
International Industries Limited	-	190,000	-	(190,000)	-	-	-	-	-	-	-
						<b>5,538</b>	<b>5,319</b>	<b>(219)</b>	<b>0.49%</b>	<b>0.61%</b>	<b>0.17%</b>
<b>Construction &amp; Materials</b>											
Attock Cement Limited	-	50,000	-	-	50,000	9,250	9,759	509	0.89%	1.12%	0.04%
D G Khan Cement Limited	-	350,000	-	(350,000)	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	602,000	-	-	602,000	13,855	15,556	1,701	1.42%	1.78%	0.05%
Kohat Cement Company Limited	-	60,000	-	(60,000)	-	-	-	-	-	-	-
Lafarge Pakistan Cement Limited	-	5,183,000	-	(3,683,000)	1,500,000	24,375	26,025	1,650	2.38%	2.98%	0.10%
Lucky Cement Limited	-	60,500	-	(60,500)	-	-	-	-	-	-	-
Maple Leaf Cement	80,000	735,000	-	(815,000)	-	-	-	-	-	-	-
Pioneer Cement Limited	-	25,000	-	(25,000)	-	-	-	-	-	-	-
						<b>47,480</b>	<b>51,340</b>	<b>3,860</b>	<b>4.69%</b>	<b>5.88%</b>	<b>0.19%</b>
<b>General Industries</b>											
Ghani Glass	-	5,000	-	-	5,000	329	340	11	0.03%	0.04%	0.00%
Packages Limited	9,700	-	-	(9,700)	-	-	-	-	-	-	-
Thal Limited*	-	44,100	-	(39,500)	4,600	1,188	1,238	50	0.11%	0.14%	0.01%
						<b>1,517</b>	<b>1,578</b>	<b>61</b>	<b>0.14%</b>	<b>0.18%</b>	<b>0.01%</b>

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

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

Name of investee company	As at 1 July 2014	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 December 2014	Carrying Cost as at 31 December 2014	Market value as at 31 December 2014	Appreciation/ (Diminution) as at 31 December 2014	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
-----Number of shares----- (Rupees in '000) -----											
<b>Engineering</b>											
Al-Ghazi Tractors Limited	-	23,800	-	(23,800)	-	-	-	-	-	-	-
Millat Tractors Limited	-	38,900	-	(38,900)	-	-	-	-	-	-	-
<b>Automobile and Parts</b>											
Indus Motor Company Limited	-	36,000	-	(24,100)	11,900	9,428	10,476	1,048	0.96%	1.20%	0.02%
Pak Suzuki Motor Company Limited	-	125,000	-	(100,000)	25,000	8,912	9,278	366	0.85%	1.06%	0.03%
						<b>18,340</b>	<b>19,754</b>	<b>1,414</b>	<b>1.81%</b>	<b>2.26%</b>	<b>0.05%</b>
<b>Food Producers</b>											
Nestle Pakistan Limited	-	1,940	-	(1,940)	-	-	-	-	-	-	-
<b>House hold goods</b>											
Pak Elektron Limited	-	300,000	-	(300,000)	-	-	-	-	-	-	-
Tariq Glass Industries Limited	-	100,000	-	(100,000)	-	-	-	-	-	-	-
<b>Personal Goods</b>											
Kohinoor Textile Mills Limited	-	50,000	-	(50,000)	-	-	-	-	-	-	-
Nishat Chumian limited	6,000	-	-	(6,000)	-	-	-	-	-	-	-
Nishat Mills Limited	-	219,000	-	(219,000)	-	-	-	-	-	-	-
<b>Pharma and Bio Tech</b>											
Searl Company	-	50,000	-	(50,000)	-	-	-	-	-	-	-
<b>Electricity</b>											
Engro Powergen Qadirpur Limited	-	47,689	-	(47,689)	-	-	-	-	-	-	-
The Hub Power Company Limited	310,000	1,428,500	-	(375,500)	1,363,000	99,065	106,805	7,740	9.75%	12.24%	0.12%
Kot Addu Power Company Limited	327,000	-	-	(327,000)	-	-	-	-	-	-	-
Lalpur Power Limited	-	200,000	-	(200,000)	-	-	-	-	-	-	-
Nishat Power Limited	42,000	-	-	(42,000)	-	-	-	-	-	-	-
Pakgen Power Limited	-	150,000	-	(150,000)	-	-	-	-	-	-	-
						<b>99,065</b>	<b>106,805</b>	<b>7,740</b>	<b>9.75%</b>	<b>12.24%</b>	<b>0.12%</b>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

Name of investee company	As at 1 July 2014	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 December 2014	Carrying Cost as at 31 December 2014	Market value as at 31 December 2014	Appreciation/ (Diminution) as at 31 December 2014	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
-----Number of shares----- (Rupees in '000)											
<b>Commercial Banks</b>											
Allied Bank Limited	-	70,000	-	(70,000)	-	-	-	-	-	-	-
Askari Bank Limited	-	333,000	-	(333,000)	-	-	-	-	-	-	-
Bank Al-Falah Limited	524,500	517,000	-	(1,041,500)	-	-	-	-	-	-	-
Bank Al-Habib Limited	160,000	400,000	-	(560,000)	-	-	-	-	-	-	-
Faysal Bank Limited	150,000	1,575,000	-	(1,725,000)	-	-	-	-	-	-	-
Habib Bank Limited	-	78,000	-	(78,000)	-	-	-	-	-	-	-
Habib Metro Bank Limited	402,000	1,150,000	-	(1,473,000)	79,000	2,868	2,947	79	0.27%	0.34%	0.01%
MCB Bank Limited	-	24,500	-	(24,500)	-	-	-	-	-	-	-
National Bank of Pakistan Limited	50,000	-	-	(50,000)	-	-	-	-	-	-	-
Soneri Bank Limited	-	347,500	-	(11,000)	336,500	4,593	4,147	(446)	0.38%	0.48%	0.02%
United Bank Limited	180,936	257,200	-	(438,136)	-	-	-	-	-	-	-
<b>Non Life Insurance</b>											
IGI Insurance Limited	38,800	50,000	-	(88,800)	-	-	-	-	-	-	-
<b>Total - 31 December 2014</b>						<b>7,461</b>	<b>7,094</b>	<b>(367)</b>	<b>0.65%</b>	<b>0.82%</b>	<b>0.03%</b>
<b>Total - 30 June 2014</b>						<b>229,372</b>	<b>241,289</b>	<b>11,917</b>	<b>22.04%</b>	<b>27.65%</b>	
						121,224	125,962	4,738	15.84%	24.66%	

\* Par value of Rs. 5 each

7.1.1.1 Investments include shares with market value aggregating of Rs. 9,968 million (30 June 2014: 17.51 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

7.1.1.2 Cost of investment of equity securities is Rs. 231,247 million (30 June 2014: Rs. 121.22 million).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

**7.1.2 Term Finance Certificates**

Name of investee company	Issue Date	As at 1 July 2014	Purchased during the period	Sold / matured during the period	As at 31 December 2014	Carrying Cost as at 31 December 2014	Market value as at 31 December 2014	Appreciation/ (Diminution) as at 31 December 2014		Market value as a percentage of net assets	Market value as a percentage of total investments

----- Number of certificates ----- (Rupees in '000) -----

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

Askari Bank Limited-III	18-Nov-09	2,998	-	-	2,998	14,568	14,445	(123)		1.32%	1.66%
Bank Alfalah Limited-V	20-Feb-13	2,000	-	-	2,000	10,126	9,923	(203)		0.91%	1.14%
<b>Total - 31 December 2014</b>						<b>24,694</b>	<b>24,368</b>	<b>(326)</b>		<b>2.23%</b>	<b>2.80%</b>
Total - 30 June 2014						25,255	24,699	(556)		3.17%	4.83%

7.1.2.1 Significant terms and conditions of Term Finance Certificate and Sukuk Certificate outstanding are as follows:

Name of Security	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Askari Bank Limited-III	6 months KIBOR 2.50%	18-Nov-09	18-Nov-19	AA-
Bank Alfalah Limited-V	6 months KIBOR 1.50%	20-Feb-13	20-Feb-21	AA-

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

**7.1.3 Government Securities**

Particulars	As at 1 July 2014	Purchased during the period	Sold during the period	Matured during the period	As at 31 December 2014	Carrying value	Market Value	Appreciation / (diminution)	Market value	
									as a percentage of net assets	as a percentage of total investments
-----Face value----- (Rupees in '000)-----										
<b>Treasury bills</b>										
Treasury Bills - 3 Months	7.3.1	1,889,000	(200,000)	(805,000)	884,000	87,337	87,306	(31)	7.97%	10.01%
Treasury Bills - 1 year	7.3.1	192,350	-	-	192,350	19,200	19,199	(1)	1.75%	2.20%
<b>Total - 31 December 2014</b>						<b>106,537</b>	<b>106,505</b>	<b>(32)</b>	<b>9.72%</b>	<b>12.21%</b>
<b>Pakistan Investment Bond</b>										
PIB - 3 years	30,000	-	-	-	30,000	29,596	30,763	1,167	2.81%	3.53%
PIB - 5 years	65,000	-	-	-	65,000	65,826	65,730	(96)	6.00%	7.53%
PIB - 10 years	-	162,500	-	-	162,500	165,214	175,361	10,147	16.01%	20.10%
<b>Total - 31 December 2014</b>						<b>260,636</b>	<b>271,854</b>	<b>11,218</b>	<b>24.82%</b>	<b>31.16%</b>
Total - 30 June 2014						95,864	95,422	(442)	12.00%	19.00%
<b>Total Investment in Government Securities - 31 December 2014</b>										
						<b>367,173</b>	<b>378,359</b>	<b>11,186</b>	<b>34.54%</b>	<b>43.37%</b>
Total Investment in Government Securities - 30 June 2014						95,864	95,422	(442)	12.00%	19.00%

7.1.3.1 These Treasury bills have a cost of Rs. 105,591 million (30 June 2014: nil) maturing up till 19 Feb 2015 and carry effective yield ranging between 9.46% to 9.95% (30 June 2014: nil) per annum

7.1.3.2 These Pakistan Investment Bonds have a cost of Rs. 260,632 million (30 June 2014: 95,864 million) maturing till 17 July 2022 (30 June 2014: 18 July 2016) and carrying interest at the rate of 11.25% to 12% (30 June 2014: 11.25% to 12% per annum) .



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014

## 7.2 Available for sale investments

### 7.2.1 Quoted equity securities

Name of investee company	As at 1 July 2014	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 December 2014	Carrying Cost as at 31 December 2014	Market value as at 31 December 2014	Appreciation/ (Diminution) as at 31 December 2014	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
Number of shares											
(Rupees in '000)											
<b>Oil and Gas</b>											
Pakistan Petroleum Limited	50,000	25,000	-	(50,000)	25,000	4,432	4,413	(19)	0.40%	0.51%	0.00%
						<b>4,432</b>	<b>4,413</b>	<b>(19)</b>	<b>0.40%</b>	<b>0.51%</b>	<b>0.00%</b>
<b>Chemicals</b>											
Engro Corporation Limited	-	90,000	-	-	90,000	20,032	19,936	(96)	1.82%	2.28%	0.02%
						<b>20,032</b>	<b>19,936</b>	<b>(96)</b>	<b>1.82%</b>	<b>2.28%</b>	<b>0.02%</b>
<b>House hold goods</b>											
Ghani Glass Limited	-	191,000	-	-	191,000	12,904	12,982	78	1.18%	1.49%	0.16%
						<b>12,904</b>	<b>12,982</b>	<b>78</b>	<b>1.18%</b>	<b>1.49%</b>	<b>0.16%</b>
<b>Electricity</b>											
Kot Addu Power Company Limited	-	175,000	-	-	175,000	13,763	13,815	52	1.26%	1.58%	0.02%
						<b>13,763</b>	<b>13,815</b>	<b>52</b>	<b>1.26%</b>	<b>1.58%</b>	<b>0.02%</b>
<b>Total - 31 December 2014</b>						<b>51,131</b>	<b>51,146</b>	<b>15</b>	<b>4.66%</b>	<b>5.86%</b>	
Total - 30 June 2014						11,197	11,218	21	1.44%	2.20%	

7.2.1.1 Cost of investment of equity securities is Rs. 51,131 million (30 June 2014: Rs. 11,197 million).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014**

**7.2.2 Unquoted equity securities**

Name of investee company	As at 1 July 2014	Purchased during the period	Bonus/ rights issue during the period	Sales during the period	As at 31 December 2014	Carrying Cost as at 31 December 2014	Market value as at 31 December 2014	Appreciation/ (Diminution) as at 31 December 2014	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
-----Number of shares----- (Rupees in '000)-----											
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
Systems Limited*	-	365,000	-	-	365,000	14,600	14,600	-	1.33%	1.67%	0.42%
<b>Total - 31 December 2014</b>						<b>14,600</b>	<b>14,600</b>	<b>-</b>	<b>1.33%</b>	<b>1.67%</b>	
Total - 30 June 2014						-	-	-	0.00%	0.00%	

7.2.2.1 Cost of investment of equity securities is Rs. 14,600 million (30 June 2014: Rs. nil).

\* As at 31 December 2014, the company is in the process of formal listing and the Fund has been allotted shares against Book Building offer.

**7.2.3 Government Securities**

Particulars	As at 1 July 2014	Purchased during the period	Sold during the period	Matured during the period	As at 31 December 2014	Carrying value	Market Value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investment
-----Face value----- (Rupees in '000)-----										
<b>Pakistan Investment Bond</b>										
PIB - 3 years	232,500	-	(100,000)	-	132,500	130,672	135,869	5,197	12.40%	15.57%
PIB - 10 years	-	25,000	-	-	25,000	24,151	26,962	2,811	2.46%	3.09%
<b>Total - 31 December 2014</b>						<b>154,823</b>	<b>162,831</b>	<b>8,008</b>	<b>14.86%</b>	<b>18.66%</b>
Total - 30 June 2014						253,322	253,219	(103)	32.50%	49.60%

7.2.3.1 These Pakistan Investment Bonds have a cost of Rs. 154,819 million (30 June 2014: 253,322 million) maturing till 17 July 2024 (30 June 2014: 19 July 2022) and carrying interest at the rate of 11 to 12% (30 June 2014: 11.25% to 12% per annum).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
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**8. ACCRUED EXPENSES AND OTHER LIABILITIES**

		<b>31 December 2014 (Unaudited) (Rupees in '000)</b>	<b>30 June 2014 (Audited)</b>
Auditor's remuneration payable		316	442
Brokerage payable		1,466	546
Provision for Federal Excise Duty and related taxes	8.1	4,005	2,436
Provision for Workers' Welfare Fund	8.2	7,560	5,676
Others		80	201
		<b>13,427</b>	<b>9,301</b>

**8.1.** 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 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 in this condensed interim financial information aggregating to Rs. 4,005 million as at 31 December 2014. 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 not been recorded in the books of account of the Fund, the Net Asset Value of the Fund would have been higher by Rs. 0.0037 per unit as at 31 December 2014.

**8.2.** 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, challenging the applicability of WWF to the CISs, which is pending for adjudication.

On 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 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.

During the year ended 30 June 2012, 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 filed by

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
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companies other than mutual funds 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 advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

The Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF in this condensed interim financial information.

**9. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at 31 December 2014.

**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 Management intends to distribute at least 90% of the income earned by the fund by the year end 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. Accordingly, no provision for taxation has been made in this condensed interim financial information.

**11. EARNINGS 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 NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND THE QUARTER ENDED 31 DECEMBER 2014

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

	Half year ended 31 December		Quarter ended 31 December	
	2014	2013	2014	2013
	(Unaudited)			
	(Rupees in '000)			
<b>MCB-Arif Habib Savings and Investments Limited</b>				
Remuneration of the Management Company (including indirect taxes)	11,382	7,765	6,050	4,512
<b>Central Depository Company of Pakistan Limited</b>				
Remuneration of trustees	851	621	675	445
CDC settlement charges	184	147	150	113
<b>MCB Bank Limited</b>				
Dividend income	37	-	-	-
Profit on bank deposits	5,329	1,256	4,821	748
Bank charges	14	5	12	3
<b>Arif Habib Corporation</b>				
Dividend income	-	2,824	-	-
<b>D.G. Khan Cement</b>				
Dividend income	175	335	175	335
<b>Nishat Mills Limited</b>				
Dividend income	388	58	388	58
<b>Nishat Power Limited</b>				
Dividend income	-	9	-	9
<b>Arif Habib Limited</b>				
Brokerage expense**	252	65	196	65

12.2 Balance outstanding as at the period / year end

	31 December 2014 (Unaudited)	30 June 2014 (Audited)
	(Rupees in '000)	
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration payable to the Management Company	1,741	1,258
Sales tax payable on remuneration of Management	261	201
Sales load payable	3,817	2,361
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable to the Trustee	171	126
Security deposits	100	100
<b>MCB Bank Limited</b>		
Bank deposits*	68,036	94,010
Profit receivable	204	564
<b>Nishat Chunian Limited</b>		
Nil shares held by the Fund (30 June 2014: 6,000 shares)	-	254
<b>Nishat Power Limited</b>		
Nil shares held by the Fund (30 June 2014: 42,000 shares)	-	1,494

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
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	<b>31 December 2014 (Unaudited) (Rupees in '000)</b>	<b>30 June 2014 (Audited) (Rupees in '000)</b>
<b>Arif Habib Limited</b>		
Brokerage payable**	<u>144</u>	<u>71</u>

\* This includes Rs. 67.981 million (30 June 2014: 94.005 million) in saving accounts carrying profit at the rate of 8.5% to 9.2% (30 June 2014: 8% to 9%) per annum.

\*\* 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.

	<b>Half year ended 31 December 2014 (Unaudited)</b>		<b>Half ended 31 December 2013 (Unaudited)</b>	
	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Units sold to:</b>				
MCB-Arif Habib Savings and Investments Limited	-	-	1,034,095	75,000
Key management personnel	<u>64,321</u>	<u>2,611</u>	<u>28,052</u>	<u>2,133</u>
<b>Units redeemed by:</b>				
Mandate under discretionary Portfolio	<u>274,648</u>	<u>20,000</u>	-	-
Key management personnel	<u>183</u>	<u>14,000</u>	-	-
<b>Bonus Units issued:</b>				
MCB-Arif Habib Savings and Investments Limited	-	-	211,148	15,069
D. G Khan Cement Company Limited (Employees Provident Fund Trust)	-	-	4,032	288
Key management personnel	<u>-</u>	<u>-</u>	<u>251</u>	<u>18</u>
	<b>31 December 2014 (Unaudited)</b>	<b>30 June 2014 (Audited)</b>	<b>31 December 2014 (Unaudited)</b>	<b>30 June 2014 (Audited)</b>
	<b>Units</b>		<b>(Rupees in '000)</b>	
<b>Units held by:</b>				
MCB-Arif Habib Savings and Investments Limited	<u>2,364,412</u>	<u>2,364,412</u>	<u>187,356</u>	<u>169,934</u>
D. G Khan Cement Company Limited (Employees Provident Fund Trust)	<u>29,253</u>	<u>29,253</u>	<u>2,318</u>	<u>2,102</u>
Mandate under discretionary Portfolio	<u>294,377</u>	<u>569,025</u>	<u>23,326</u>	<u>40,897</u>
Adamjee Life Assurance Company Limited	<u>247,820</u>	<u>247,820</u>	<u>19,637</u>	<u>17,811</u>
Key management personnel	<u>95,479</u>	<u>31,341</u>	<u>7,566</u>	<u>2,253</u>

**13. DATE OF AUTHORIZATION FOR ISSUE**

This condensed interim financial information was authorized for issue on 02 February, 2015 by the Board of Directors of the Management Company.

  
Chief Executive Officer

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

  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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