

Quarterly Report

September 30, 2015
(Unaudited)



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited

AM2 Plus by PACRA

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.

TABLE OF CONTENTS

1.	MCB DCF Income Fund (Formerly MCB Dynamic Cash Fund)	04
2.	Pakistan Income Fund	15
3.	MCB Pakistan Sovereign Fund (Formerly MetroBank - Pakistan Sovereign Fund)	43
4.	Pakistan Income Enhancement Fund	62
5.	MCB Cash Management Optimizer	80
6.	Pakistan Cash Management Fund	97
7.	MCB Pakistan Stock Market Fund (Formerly Pakistan Stock Market Fund)	112
8.	MCB Pakistan Islamic Stock Fund (Formerly Pakistan Strategic Allocation Fund)	133
9.	MCB Pakistan Asset Allocation Fund (Formerly MCB Dynamic Allocation Fund)	153
10.	Pakistan Capital Market Fund	176
11.	Pakistan International Element Islamic Asset Allocation Fund	198
12.	MCB Islamic Income Fund	219
13.	Pakistan Sarmaya Mehfooz Fund	235
14.	Pakistan Pension Fund	254
15.	Pakistan Islamic Pension Fund	278



MCB DCF INCOME FUND
(Formerly MCB Dynamic Cash Fund)

CONTENTS

Fund's Information	06
Report of the Directors of Management Company	07
Condensed Interim Statement of Assets and Liabilities	09
Condensed Interim Income Statement (Un-audited)	10
Condensed Interim Distribution Statement (Un-audited)	11
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	12
Condensed Interim Cash Flow Statement (Un-audited)	13
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	14

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	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
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Financial Officer	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB Bank Limited Allied Bank Limited Habib Metropolitan Bank Limited United Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 + Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB DCF Income Fund's** (Formerly: MCB Dynamic Cash Fund) accounts review for the first quarter ended September 30th, 2015.

Economy and Money Market Overview

Benefits of more than 50 percent drop year on year in crude oil prices are visible in the macroeconomic score card positively nudging the Balance of Payment, Foreign Exchange Reserves, Inflation, Interest rates and the Fiscal deficit. A net benefit of more than USD 1 billion is visible in the trade account during first two months of fiscal year which has offset the otherwise slower exports. In the same period, Balance of Payment Account also remained stable where a near USD 394 million Current Account deficit has been largely offset by Financial and Capital Account Inflows. During the same period last year, the country had a negative balance of payment of near USD 729 million mainly derived from a current account deficit of about USD 1,456 million. With controlled current account deficit, the support of IMF tranche, CSF flows and multilateral flows, reserves remained firm near USD 18.5 billion (Sep-18) mark giving resilience to PKR which underwent relatively lesser depreciation in the fragile environment prevailing in the emerging markets. Although, the local fuel prices were cushioned by increase in taxes, yet the drop in crude oil along with other commodity prices, kept the inflation contribution from food and other sectors at lower levels. During the first quarter, headline inflation average remained near 1.6% which along with strong external account position, created comfortable space for another 50 basis point cut in policy rate in September monetary policy. M2 growth remained mildly negative on FY15 to date basis (18-Sep) which reflects the seasonal adjustment where NDA continually supported by a net govt. borrowing of about PKR 255 billion with a muted contribution from NFA in absence of any major net inflows. Money markets remained cautiously optimistic about further cut in discount rate and its sustainability. Yield Curve has thus recently witnessed a slight increase in slope with longer dated bonds remaining relatively less responsive to the change in policy rate. Increasingly the markets continue to remain cautious primarily due to low quality of market liquidity which has been reliant on OMO injections and the expected uptick in inflation as 2nd half FY16 inflation is expected to remain near 6% largely due to low base effect.

Fund Performance

With interest outlook now stabilized and expected uptick in inflation, the fund reduced exposure from longer dated bonds towards short and medium term where yield premium is better while retaining potential upside from Yield curve movements.

During the quarter under review, the fund generated an annualized return of 8.02% as against its benchmark return of 7.58%. The fund exposure towards government securities stood at 53.5% at quarter end with T-Bills and PIB's exposure of 9.1% and 44.4% respectively. The exposure towards TFCs was also reduced to 10.7%. Around 34.6% of the fund was invested in cash and term deposits at quarter-end.

The Net Assets of the Fund as at September 30, 2015 stood at Rs 13,379 million as compared to Rs 11,273 million as at June 30, 2015 registering an increase of 18.7%. The Net Asset Value (NAV) per unit as at September 30, 2015 was Rs. 107.7341.

Future Outlook

Oil prices have improved the economic scorecard significantly particularly the external account and inflation while providing an opportunity to address the chronic energy issues along with fiscal management. Most of the indicators have improved passively however critical indicators which still lack significant improvement include Credit off take and Capital Expenditure along with FDI. Despite conducive macro environment, growth is yet to pick up and we hope the China Pakistan Corridor provides the required growth impetus for investment to pick up. Government still remains significantly dependent on domestic borrowing to fund fiscal deficit and still progress has remained slow on key reforms including energy, privatization and revenue generation. Security situation has also improved which however remains a long and continuing challenge with potential risks to infrastructure plans going forward.

With stable macro environment and pace expected to pick up on the infrastructure projects, we expect the environment to remain conducive for capital markets. We expect the full year inflation to remain below 4.5% as remainder year inflation is expected to gradually pick up and thus provides a stable interest rate outlook. Budgeted target for economic growth appear achievable while fiscal deficit may marginally exceed due to challenges in revenue collection despite significant reduction in subsidies. With Policy Rate at 6% and SBP committed to contain the money market volatility and liquidity through continuous OMO support, we expect stable environment for short term papers and medium term bonds while longer dated bonds would respond to further confirmations on external account including trade account and exchange rate which in turn would remain dependent on commodity prices and multilateral flows.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Volatility in global markets particularly emerging equity markets and commodities may affect the short term returns however direct affect remains muted for Pakistan. Global slowdown poses a challenge for exports particularly textiles while significantly lower oil prices can affect the worker remittances from Middle East in particular. Given the steep drop in crude oil prices, the risks remain manageable however sustained degradation shall be a bigger challenge.

Acknowledgment

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Yasir Qadri
Chief Executive Officer
Dated: October 16, 2015

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2015

	Note	Unaudited September 30, 2015	Audited June 30, 2015
(Rupees in '000)			
ASSETS			
Balances with banks		3,026,212	2,327,525
Investments	6	10,509,235	8,932,479
Fair Value of Derivative		1,078	-
Income from investment and other receivables		118,061	374,991
Advance Security deposits and prepayments		3,044	3,494
Total assets		13,657,630	11,638,489
LIABILITIES			
Payable to Management Company		19,953	34,095
Payable to Trustee - CDC		994	863
Annual fee payable to the Securities and Exchange Commission of Pakistan		2,350	9,620
Payable against purchase of investments		326	-
Accrued expenses and other liabilities	7	255,397	321,105
Total liabilities		279,020	365,683
NET ASSETS		13,378,610	11,272,806
Unit holders' fund		13,378,610	11,272,806
(Number of units)			
NUMBER OF UNITS IN ISSUE		124,181,729	106,749,897
(Rupees)			
NET ASSET VALUE PER UNIT		107.73	105.60

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.


Chief Executive Officer

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


Director


CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	Note	September 30, 2015	September 30, 2014
		----- (Rupees in '000) -----	
INCOME			
Capital gain/ (loss) on sale of investments		102,514	(5,253)
Profit on bank deposits and term deposit receipts		12,497	24,540
Income from term finance certificates		38,472	51,925
Income from government securities		220,341	249,441
Net unrealised appreciation in the fair value of future contracts		1,078	-
Loss on spread transaction		(4,034)	-
Dividend Income		3,770	-
Other Income		15	241
		<u>374,653</u>	<u>320,894</u>
(Provision) against debt securities	6.1.4	(3,068)	(1,666)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	6.1.7	(5,827)	26,049
Total income		<u>365,758</u>	<u>345,277</u>
EXPENSES			
Remuneration of Management Company		47,003	44,032
Sale tax and Federal Excise Duty on remuneration of Management Company	7.2	15,152	14,707
Remuneration of Trustee		2,958	2,458
Annual fee - Securities and Exchange Commission of Pakistan		2,350	2,202
Brokerage and settlement charges		3,504	510
Auditors' remuneration		245	179
Other expenses		465	203
Total expenses		<u>71,677</u>	<u>64,291</u>
Net income from operating activities		<u>294,081</u>	<u>280,986</u>
Element of income and capital gains included in the prices of units issued less those in units redeemed			
Arising from capital gain and unrealised gain		5,306	626
Arising from other income		14,310	9,341
		<u>19,616</u>	<u>9,967</u>
Provision for Workers' Welfare Fund	7.1	-	(5,819)
Net income for the period before taxation		<u>313,697</u>	<u>285,134</u>
Taxation	9	-	-
Net income for the period after taxation		<u>313,697</u>	<u>285,134</u>
Other comprehensive income for the period			
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale' - Net		(42,957)	29,979
Total comprehensive income for the period		<u>270,740</u>	<u>315,113</u>
Earnings per unit	10	-	-

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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


Chief Executive Officer


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 30, 2015	September 30, 2014
	----- (Rupees in '000) -----	
Undistributed income brought forward	507,966	117,865
Element of income and capital gains included in the prices of units issued less those in units redeemed - amount representing unrealised income	91,887	10,546
Total comprehensive income for the period	270,740	315,113
Undistributed income carried forward	870,593	443,524

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.


 Chief Executive Officer


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


 Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	September 30, 2015	September 30, 2014
	----- (Rupees in '000) -----	
Net assets at beginning of the period	11,272,806	11,101,985
Issue of 41,059,538 units (2014: 21,215,011 units)	4,330,451	2,173,474
Redemption of 23,627,706 units (2014: 12,368,733 units)	(2,475,771)	(1,268,357)
	1,854,680	905,117
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement		
Arising from capital gain and unrealised gain	(5,306)	(626)
Arising from other income	(14,310)	(9,341)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	(91,887)	(10,546)
	(111,503)	(20,513)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	91,887	10,546
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(5,827)	26,049
Income from other operating activities	319,524	259,085
Net income for the period	313,697	285,134
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale' - Net	(42,957)	29,979
Net Assets at end of the period	13,378,610	12,312,248

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.



Chief Executive Officer

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



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 30, 2015	September 30, 2014
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	313,697	285,134
Adjustments		
Net unrealised diminution / (appreciation) in the fair value of investments classified as 'financial assets at fair value through profit or loss'	5,827	(26,049)
Provision on debt securities	3,068	1,666
Fair Value of Derivative	(1,078)	-
Element of loss and capital losses included in prices of units issued less those in units redeemed		
Arising from capital gain and unrealised gain	(5,306)	(626)
Arising from other income	(14,310)	(9,341)
	<u>301,898</u>	<u>250,784</u>
Working capital changes		
(Increase)/decrease in assets		
Investments - net	(1,628,608)	(1,629,936)
Advance Security deposits and prepayments	450	21
Advance against Subscription of TFCs	-	(1,500)
Income from investment and other receivables	256,930	127,303
	(1,371,228)	(1,504,112)
(decrease)/Increase in liabilities		
Remuneration payable to the Management Company	(14,142)	1,616
Remuneration payable to the Trustee	131	893
Annual fee payable to the Securities and Exchange Commission of Pakistan	(7,270)	(5,965)
Payable against purchase of investments	326	-
Accrued expenses and other liabilities	(65,708)	16,125
	(86,663)	12,669
Net cash inflow from operating activities	(1,155,993)	(1,240,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipt against issue of units	4,330,451	2,173,474
Net payments on redemption of units	(2,475,771)	(1,268,357)
Net cash from financing activities	<u>1,854,680</u>	<u>905,117</u>
Net (decrease) / increase in cash and cash equivalents during the period	698,687	(335,542)
Cash and cash equivalents at beginning	2,327,525	2,404,638
Cash and cash equivalents as at closing	<u><u>3,026,212</u></u>	<u><u>2,069,096</u></u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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


Chief Executive Officer


Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB DCF Income Fund (Formerly MCB Dynamic Cash Fund) (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2008 on December 12, 2006.

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.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2008 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, Pakistan.

The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

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

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 (positive outlook) dated April 07, 2015 to the Management Company and a rating of "A+(f)" dated March 19, 2015 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

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Trust Deed, 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). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2015 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2015, 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 quarter ended 30 September 2014.

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 of the fund for the year ended 30 June 2015.

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted for 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 2015

3.2 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 result in change to the Fund's operation or a change in accounting policies 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 2015.

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 2015.

	Note	Unaudited September 30, 2015	Audited June 30, 2015
6 INVESTMENTS		Rupees in '000	
Financial assets at fair value through profit or loss	6.1	2,748,528	2,530,471
Available for sale	6.2	6,058,641	6,148,787
Loans and receivables - Term Deposit Receipt	6.3	1,702,066	253,221
		10,509,235	8,932,479
6.1 Financial assets at fair value through profit or loss			
Listed debt securities	6.1.1	422,254	465,449
Unlisted debt securities	6.1.2	1,038,155	1,071,418
Listed equity securities	6.1.5	37,263	-
Government securities	6.1.3	1,250,856	993,604
		2,748,528	2,530,471
6.2 Available for sale			
Government securities	6.2.1	6,058,641	6,148,787
6.3 Loan and Recievable			
	6.3.1	1,702,066	253,221

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

6.1.1 Listed debt securities - term finance certificates

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

Name of investee company	Number of Certificates				Balance as at Sept 30, 2015			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2015	Purchased during the period	Matured/ Call Option during the period	Disposed during the period	As at Sept 30, 2015	Carrying value	Market value		
Rupees in '000									
Commercial banks									
Allied Bank Limited (August 28, 2009)	9,000	-	9,000	-	-	-	-	-	-
Bank Alfalah Limited (February 20, 2013)	72,631	-	-	-	72,631	363,336	365,413	2,077	3.48
Faysal Bank Limited (December 27, 2010)	10,000	-	-	-	10,000	51,183	50,869	(314)	0.48
Leasing Companies									
Saudi Pak Leasing Company Limited	10,000	-	-	-	10,000	17,381	-	-	-
Less: Provision						(11,409)	-	-	-
						5,972	5,972	-	0.06
Total - September 30, 2015									
						420,490	422,254	1,763	4.02
Total - June 30, 2015									
						469,709	465,449	(4,260)	7.49

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

6.1.2 Unlisted debt securities - term finance certificates

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

Name of investee company	Number of Certificates					Balance as at Sept 30, 2015			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2015	Purchased during the period	Matured/ Call Option during the period	Disposed during the period	As at Sept 30, 2015	Carrying value	Market value	Appreciation / (diminution)		
						Rupees in '000----				
Askari Bank Limited PPTFC (December 23, 2011) *	45	-	-	-	45	45,341	45,341	-	0.34	0.43
Askari Bank Limited (September 30, 2014)	56,000	-	-	-	56,000	279,362	277,722	(1,641)	2.08	2.64
Bank Alfalah Limited (December 02, 2009)	40,250	-	-	-	40,250	207,836	205,506	(2,329)	1.54	1.96
Bank Alfalah Limited (December 02, 2009) fixed	18,235	-	-	-	18,235	101,865	100,476	(1,389)	0.75	0.96
Standard Chartered Bank (Pakistan) Limited (June 29, 2012)	41,000	-	-	-	41,000	202,696	205,821	3,125	1.54	1.96
Maple Leaf Cement Factory Limited (December 03, 2007)	68,000	-	-	-	68,000	113,153	110,725	(2,428)	0.83	1.05
Engro Fertilizer Limited (March 18, 2008) PTFC-1	2,419	-	-	2,419	-	-	-	-	-	-
Engro Fertilizer Limited (March 18, 2008) PTFC-2	2,000	-	-	-	2,000	9,210	9,137	(73)	0.07	0.09
Engro Fertilizer Limited (July 09, 2014) Sukuk	15,800	-	-	-	15,800	77,771	77,752	(19)	0.58	0.74
Security Leasing Corporation Limited (Feb 28, 2013)	10,000	-	-	-	10,000	5,067	-	-	-	-
Less: Provision						(1,269)	-	-	-	-
Security Leasing Corporation Limited - Sukuk (Feb 19, 2013)	5,000	-	-	-	5,000	3,798	3,798	-	-	-
Less: Provision						2,935	-	-	-	-
						(1,058)	-	-	-	-
New Allied Electronics Industries (Private) Limited (May 15, 2007)	10,400	-	-	-	10,400	1,877	1,877	-	-	-
Less: Provision						22,337	-	-	-	-
						(22,337)	-	-	-	-
New Allied Electronics Industries (Private) Limited - Sukuk (July 27, 2007)	112,000	-	-	-	112,000	35,063	-	-	-	-
Less: Provision						(35,063)	-	-	-	-
Total - September 30, 2015						1,042,908	1,038,155	(4,753)	7.73	9.83
Total - June 30, 2015						1,052,722	1,071,418	18,697	16.19	16.30

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

5.1.3

Pakistan Investment Bonds - 05 years
Total of Pakistan Investment Bond as at 30 September 2015

Total of investments in Government Securites as at 30 September 2015

5.1.4 Movement in provision against debt securities

5.1.4

Name of investee company	Face Value				Balance as at Sept 30, 2015			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2015	Purchased during the period	Disposed during the period	Matured during the period	As at Sept 30, 2015	Carrying value	Appreciation / (diminution)		
Pakistan Investment Bond									
Pakistan Investment Bonds - 10 years	1,247,900	150,000	925,000	-	472,900	488,020	491,458	3,438	4.68
Pakistan Investment Bonds - 05 years	2,132,800	1,800,000	1,000,000	-	2,932,800	3,111,240	3,146,283	35,043	29.94
Pakistan Investment Bonds - 03 years	2,474,900	2,150,000	2,310,000		2,314,900	2,386,930	2,420,900	33,971	23.04
Total of Pakistan Investment Bond as at 30 September 2015						5,986,190	6,058,641	72,452	57.66
Total of investments in Government Securities as at 30 September 2015									
						5,986,190	6,058,641	72,452	57.66
Total of investments in Government Securities as at 30 June 2015									
						6,033,380.00	6,148,787	115,407	69.00

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

6.1.5 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - 'HELD-FOR-TRADING'

LISTED EQUITY SECURITIES

Name of investee company	As at July 01, 2015	Number of shares			As at SEP 30, 2015	Balance as at September 30, 2015			Market value as a % of net assets	% of the paid-up capital of the company
		Purchases during the year	Bonus / right issue during the year	Sales during the year		Cost	Market value	Appreciation / (Diminution)		
Oil and gas										
Oil & Gas Development Company Limited	-	202,000	-	202,000	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	329,000	-	329,000	-	-	-	-	-	-
Sui Northern Gas Company Limited	-	4,267,500	-	4,078,500	189,000	6,487	5,940	(547)	0.04	0.03
Pakistan State Oil Company Limited	-	592,000	-	588,500	3,500	1,177	1,009.37	(168)	0.01	
					192,500	7,664	6,950	(715)	0.05	
Chemicals										
Engro Fertilizer Limited	-	1,426,500	-	1,355,000	71,500	6,797	6,421	(376)	0.05	0.01
Engro Corporation Limited	-	1,825,500	-	1,806,000	19,500	6,300	5,818	(482)	0.04	-
Fauji Fertilizer Bin Qasim Limited	-	6,607,000	-	6,474,000	133,000	8,296	8,000	(296)	0.06	0.01
Fauji Fertilizer Company Limited	-	286,500	-	286,500	-	-	-	-	-	-
					224,000	21,394	20,239	(1,154)	0.15	
Fixed line telecommunication										
Pakistan Telecommunication Company Limited 'A'	-	490,500	-	490,500	-	-	-	-	-	-
Electricity										
K-Electric Limited	-	18,785,000	-	18,067,500	717,500	5,632	5,066	(567)	0.04	0.00
					717,500	5,632	5,066	(567)	0.04	
Construction and materials (cement)										
Cherat Cement Limited	-	411,500	-	411,500	-	-	-	-	-	-
D.G. Khan Cement Limited	-	404,500	-	404,500	-	-	-	-	-	-
Fauji Cement Company Limited	-	1,285,000	-	1,285,000	-	-	-	-	-	-
Lucky Cement Limited	-	31,000	-	31,000	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	3,493,000	-	3,493,000	-	-	-	-	-	-
Pakcem Limited	-	119,500	-	119,500	-	-	-	-	-	-
Pioneer Cement Limited	-	622,500	-	622,500	-	-	-	-	-	-
					-	-	-	-	-	-
Food and personal care products										
Engro Foods Limited	-	1,402,000	-	1,370,500	31,500	5,039	4,642	(397)	0.03	0.00
					31,500	5,039	4,642	(397)	0.03	
Commercial banks										
Bank Al Falah Limited	-	29,500	-	29,500	-	-	-	-	-	-
National Bank Of Pakistan	-	324,000	-	324,000	-	-	-	-	-	-
United Bank Limited	-	60,000	-	57,500	2,500	400	367	(34)	0.00	0.00
					2,500	400	367	(34)	0.00	
Cable and electrical goods										
Pak Elektron Limited	-	5,245,500	-	5,245,500	-	-	-	-	-	-
					-	-	-	-	-	-
Total September 30, 2015					1,168,000	40,129	37,263	(2,866)	0.28	
Total June 30, 2015					-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

6.1.6 Investments include TFC with market value aggregating to 101.53 million that have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the SECP.

	Note	Unaudited September 30, 2015	Audited June 30, 2015
(Rupees in '000)			
6.1.7 Net unrealised diminution on re-measurement of investments classified as financial 'assets at fair value through profit or loss'			
Market value of investment	6.1.1, 6.1.2, 6.1.3	2,748,528	2,530,471
Carrying Value of investment	6.1.1, 6.1.2, 6.1.3	2,754,354	2,516,693
		(5,827)	13,778

6.3.1 Loans and receivables

Particulars	Maturity date	Closing balance as at September 30, 2015	Value as a percentage of net assets	Value as a percentage of investment
Rs in '000				
Term deposit receipts	Oct 26, 2015 to Oct 29, 2015	1,702,066	12.72	16.20
Total - September 30, 2015		1,702,066	12.72	16.20
Total - June 30, 2015		253,221	4.42	5.85

	Unaudited September 30, 2015	Audited June 30, 2015
(Rupees in '000)		

7 ACCRUED EXPENSES AND OTHER LIABILITIES

Auditors' remuneration		180	525
Withholding tax payable		489	79,812
Provision for Workers' Welfare Fund	7.1	121,190	121,190
Federal Excise Duty on remuneration of Management Company	7.2	75,853	67,281
Others		15,240	1,781
Payable against redemption of units		15,397	25,844
Federal Excise Duty payable on Sales Load		27,048	24,672
		255,397	321,105

7.1 Provision for Workers' 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 mutual funds / Collective Investment Schemes (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 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

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.

However, in 2013, a 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 per the legal counsel handling the case, the constitutional petition filed by the CIS to challenge the WWF contribution has not been affected by SHC judgment.

Further, in May 2014, the Honourable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the Ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money Bill under the constitution and, hence, the amendments made through the Finance Acts were declared as 'Ultra Vires'.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs.121.190 million (2014: Rs.98.643 million) in these financial statements. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Re.0.98 per unit (0.91%) (2015: Re.1.13 per unit (1.08%)).

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'industrial establishment' subject to WWF under WWF Ordinance, 1971. Accordingly, no provision for WWF is made from July 01, 2015 onwards. However, provision made till September 30, 2015 has not been reversed as the above lawsuit is pending in the SHC.

7.2 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 financial information aggregating to Rs. 75.853 million as at 30 September 2015. 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 recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.61 per unit as at 30 September 2015. (June 2015: Re. 0.63 per unit)

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

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. MCB Asset Management Company Limited (Management Company) classified MCB Dynamic Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at March 31, 2011, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than investment grade:

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

Category of non-compliant investment	Type of Investment / Name of Company	Outstanding face value	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in Debt securities							
	c) New Allied Electronics Industries (Pvt) Limited	22,337	22,337	22,337	-	-	-
	d) New Allied Electronics Industries Pvt. Limited - Sukuk	35,063	35,063	35,063	-	-	-
	e) Security Leasing Corporation Limited Sukuk	1,072	2,935	1,058	1,877	0.01	0.01
	f) Security Leasing Corporation Limited TFC	643	5,067	1,269	3,798	0.03	0.03
	g) Saudi Pak Leasing Company Limited TFC	1,614	17,381	11,409	5,972	0.04	0.04

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

9 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 by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in the manner as explained above accordingly no provision for taxation has been made in these financial statements.

10 EARNINGS / (LOSS) PER UNIT

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

11 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

- 11.1 Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.
- 11.2 The transactions with connected persons are in the normal course of business.
- 11.3 Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

Quarter ended	
September 30, 2015	September 30, 2014
----- (Rupees '000) -----	

11.4 Details of transactions with connected persons are as follows:

MCB - Arif Habib Savings & Investments Limited

Remuneration of management company including indirect taxes	62,155	58,739
Redemption of Nil units (2014: 1,126,673 units)	-	115,000

MCB Bank Limited

Profit on deposit account	1,132	2,165
Bank charges	35	8

Central Depository Company of Pakistan Limited - Trustee

Remuneration and settlement charges for the period	3,173	2,461
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	Quarter ended	
	September 30, 2015	September 30, 2014
	----- (Rupees '000) -----	
Arif Habib Limited		
Brokerage expense*	41	-
Next Capital Limited		
Brokerage expense*	191	-
Mandate Under Discretionary Portfolio Services		
Issue of Nil Units (2014: 117,680 units)	-	12,165
Redemption of Nil units (2014: 75,786 units)	-	7,666
Key management personnel		
Issue of 29,721 units (2014: 99,042 units)	3,160	1,981
Redemption of 52,815 units (2014: 34,205 units)	5,630	2,559
	(Unaudited)	(Audited)
	September 30,	June 30,
	2015	2015
	(Rupees in '000)	
11.5 Amount outstanding as at period / year end		
MCB - Arif Habib Savings & Investments Limited		
Remuneration payable to management company	15,870	15,655
Sale tax payable on management fee	2,222	2,348
Sale load Payable	1,632	13,993
Sales tax payable on Sales Load	229	2,099
MCB Bank Limited		
Bank balance	9,431	720,335
Profit receivable on deposit accounts	216	816
MCB Employees Provident Fund		
1,118,478 units held as at Septmeber 30 2015 (June 30, 2015: 1,118,478 units)	120,498	118,112
MCB Employees Pension Fund		
1,118,478 units held as at Septmeber 30 2015 (June 30, 2015: 1,118,478 units)	120,498	118,112
D.G Khan Cement Company Limited Employees Provident Fund Trust		
3,364 units held as at Septmeber 30 2015 (June 30, 2015: 3,364 units)	362	355
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	200	200
Remuneration payable	872	863
Adamjee Life Assurance Company Limited - Non-Unitised Investment Linked Fund		
104,166 units held as at Semptember 30, 2015 (June 30,2015: 104,166 units)	11,222	11,000

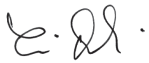
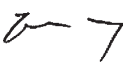
**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	(Unaudited) September 30, 2015	(Audited) June 30, 2015
	(Rupees in '000)	
Arif Habib Limited		
Brokerage Payable*	41	3
Next Capital Limited		
Brokerage Payable*	168	19
Key management personnel		
55,943 units held as at September 30, 2015. (June 30, 2015: 79,037 units)	6,027	8,346

* 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.

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorised for issue on **October 16, 2015** by the Board of Directors of the Management Company.

 <hr style="width: 100%;"/> Chief Executive Officer	For MCB-Arif Habib Savings and Investments Limited (Management Company)	 <hr style="width: 100%;"/> Director
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