

Quarterly Report

September 30, 2015
(Unaudited)



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

AM2 Plus by PACRA

MCB PAKISTAN ASSET ALLOCATION FUND
(Formerly: MCB DYNAMIC ALLOCATION FUND)

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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 Stadnard Chartered Bank Limited United Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530.	
Legal Advisor	Bawaney & Partners 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 MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Asset Allocation Fund's** (Formerly: MCB Dynamic Allocation 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.

Equities Market Overview

The bourse underperformed during the quarter with KSE 100 Index closing about 6.1% lower at the end of first quarter. The quarter began with the overall positive momentum carried forward through FY-15 on the back of positive macroeconomic direction and stable valuations at KSE. However after crossing 36,000 in early August, the index could not sustain the momentum initially due to political noise while later after showing some recovery, the negative spell that started in global emerging market struck harder at the local bourse. Despite a growing stable macro environment and another 50 basis points cut in policy rate, concerns of foreign selling coupled with speculation and fears of a fall out of wider scope investigations into corruption cases from politicians to defaulted stock market brokers stalled the buying activity from investors. During the quarter, the participation at KSE remained commensurate KSE100 Index direction as the volumes that averaged above 400 million till early August, dropped to below 250 million shares during remaining quarter which fell further to 183 million in September, worst month during the quarter in which KSE 100 index shed more than 7%. Foreign investors withdrew more than USD 105 million during the quarter, about USD 82 million were withdrawn in the first two months while September remained relatively calm mainly due to lack of liquidity and a bigger correction at the local bourse. Oil & Gas, Banks and Telecom with high concentration of foreign investors remained among the key laggards.

Fund Performance

The fund posted a return of -1.43% during the period under review while since inception return of fund stood at 61.38%. The fund decreased its exposure towards equities from 27.5% to 25.6% at quarter end.

The fund took a cautious due to market volatility. During the quarter, the fund reduced its exposure in most of the sectors at quarter-end.

On the fixed income side, the exposure towards T-bills was reduced to book capital gains and the liquidity was routed towards bank balances at attractive rates. Exposure in PIBs was reduced mainly from longer duration bonds to hedge fund returns against reversal in monetary easing scenario. Exposure in TFCs was marginally reduced.

The Net Assets of the Fund as at September 30, 2015 stood at Rs. 3,132 million as compared to Rs 2,640 million as at June 30, 2015 registering an increase of 18.64%. The Net Asset Value (NAV) per unit as at September 30, 2015 was Rs. 76.2741.

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

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.

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. A disconnect in current improvement in macro economic variables and KSE performance offers an opportunity for investors to add equities which offer higher return potential on risk adjusted basis for long term investors. Improved outlook on GDP growth, Current Account and controlled fiscal balance in a low inflationary environment supports the case for equities where a PE of 9x prospective earnings along with a dividend yield of 6% with a regional valuation discount in excess of 32% affirms case for higher return potential. We expect infrastructure linked sectors including Cements, Steel, Power and Consumption driven sectors to drive returns while Oil & Gas and Banking Sectors remain attractive on long term valuations.

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 bank		978,320	252,325
Investments	6	2,189,662	2,366,195
Dividend and Profit receivables		25,775	52,117
Receivable from National Clearing Company of Pakistan Limited		23,985	41,067
Fair value of derivative asset		-	1,257
Advances,deposits and prepayments		191	4,124
Total assets		3,217,932	2,717,085
LIABILITIES			
Payable to the Management Company		9,331	14,736
Payable to Central Depository of Pakistan Limited - Trustee		388	297
Annual fee payable to Securities and Exchange Commission of Pakistan		727	1,326
Accrued and other liabilities	7	75,857	61,025
Total liabilities		86,303	77,384
NET ASSETS		3,131,629	2,639,701
Unit holders' fund		3,131,629	2,639,701
Number of units			
NUMBER OF UNITS IN ISSUE		41,057,586	34,114,128
Rupees			
NET ASSET VALUE PER UNIT		76.27	77.38

These annexed notes from 1 to 11 form an integral part of these financial statements.

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


Chief Executive Officer


Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	Note	Unaudited September 30, 2015	Unaudited September 30, 2014
		(Rupees in '000)	
INCOME			
Capital (loss) / gain on sale of investments		(17,763)	10,393
Dividend income		8,802	1,369
Profit on bank deposits and term deposit receipts		4,132	5,224
Income from government securities		22,210	10,084
Income from Term Finance Certificates		225	756
Income from spread transactions		2,392	-
Other Income		15,885	6
		35,884	27,832
Net unrealised (diminution) in the fair value of future contracts		(1,257)	-
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		(2,759)	92
Total Income		31,867	27,924
EXPENSES			
Remuneration of the Management Company		15,315	3,997
Sindh sales tax and federal excise duty on remuneration of the Management Company		4,938	1,335
Remuneration of the Trustee		1,159	400
Annual fee - Securities and Exchange Commission of Pakistan		727	190
Brokerage and settlement charges		1,417	1,295
Auditors' remuneration		226	158
Other expenses		259	102
		24,042	7,477
Net Income from operating activities		7,825	20,447
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed			
- from realized / unrealized capital gain		5,475	293
- from other income		(4,299)	(504)
		1,176	(211)
Provision for Workers' Welfare Fund	7.2	-	(405)
Net Income for the period before taxation		9,001	19,831
Taxation	8	-	-
Net income for the period after taxation		9,001	19,831
Earning per Unit (EPU)			

These annexed notes from 1 to 11 form an integral part of these financial statements.

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


Chief Executive Officer


Director

**CONDENSED INTERIM OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	Unaudited September 30, 2015 (Rupees in '000)	Unaudited September 30, 2014
Net income for the period after taxation	9,001	19,831
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'	(55,225)	1,714
Total comprehensive (loss) / income for the period	(46,224)	21,545

These annexed notes from 1 to 11 form an integral part of these 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**

	Unaudited September 30, 2015 (Rupees in '000)	Unaudited September 30, 2014
Undistributed loss brought forward	(770,383)	(304,929)
Distributions to the unit holders of the Fund:		
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount forms part of the unit holders' fund	(155,849)	1,583
Total Comprehensive (loss) / income for the period	(46,224)	21,545
Undistributed loss carried forward	<u>(972,456)</u>	<u>(281,801)</u>

These annexed notes from 1 to 11 form an integral part of these financial statements.

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



Chief Executive Officer



Director

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

	Unaudited September 30, 2015 (Rupees in '000)	Unaudited September 30, 2014
Net assets at beginning of the period	2,639,701	779,117
Issue of 13,396,440 (2014: 1,005,931) units	1,036,448	73,054
Redemption of 6,452,982 (2014: 1,015,416) units	(497,120)	(73,961)
	539,328	(907)
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	(5,475)	293
- from realized / unrealized capital gain	4,299	(504)
- from other income		
- amount representing loss that forms part of unit holders' fund - transferred to distribution statement	155,849	(1,583)
	154,673	(1,372)
Element of (loss) / income and capital (loss) / gain included in prices of units issued less those in units redeemed - amount representing unrealised income	(155,849)	1,583
Net unrealised (diminution) / appreciation on re-measurement of investment classified as ' financial assets at fair value through profit or loss'	(2,759)	92
Capital (loss) / gain on sale of investments -net	(17,763)	10,393
Profit from other operating activities	29,523	9,346
	9,001	19,831
Net unrealised (diminution) / appreciation in fair value of investments classified as 'at available for sale'	(55,225)	1,714
Net assets as at the end of the period	3,131,629	798,252

These annexed notes from 1 to 11 form an integral part of these financial statements.

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


Chief Executive Officer


Director

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

	Unaudited September 30, 2015	Unaudited September 30, 2014
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for the period before taxation	9,001	19,831
Adjustments for non-cash charges and other items:		
Net unrealised diminution on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	4,016	(92)
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed		
- from realized / unrealized capital gain	(5,475)	(293)
- from other income	4,299	504
	11,842	19,950
(Increase) / decrease in assets		
Investments - net	117,292	16,480
Receivable against sale of Investment	(0)	98,942
Dividend and profit receivable	26,342	7,733
Advances, deposits prepayments and other receivable	22,273	(38,115)
	165,906	85,039
Increase / (decrease) in liabilities		
Payable to Management Company	9,331	(407)
Annual fee payable to Securities and Exchange Commission of Pakistan	727	189
Accrued and other liabilities	(1,139)	1,410
	8,919	1,193
Net cash generated from operating activities	186,667	106,183
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issue of units	1,036,448	73,054
Net payments on redemption of units	(497,120)	(73,961)
Distribution during the period	-	-
Net cash generated from financing activities	539,328	(907)
Net increase in cash and cash equivalents	725,995	105,276
Cash and cash equivalents at the beginning of the period	252,325	96,667
Cash and cash equivalents at the end of the period	978,320	201,943

These annexed notes from 1 to 11 form an integral part of these financial statements.

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



Chief Executive Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Asset Allocation Fund (formerly : 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, Technocity Corporate Tower, Hasrat Mohani Road, Karachi.

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

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.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee 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 Fund performance ranking of 4-star for Short term and 5-star for long term

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 2015.

This condensed interim financial information is unaudited. 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'. The Directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

The comparatives in the condensed interim 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 comparative in condensed interim income statement, condensed interim distribution

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2014

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2015.

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
		(Rupees in '000)	
6 INVESTMENTS			
6.1 Held for trading investments			
- Quoted equity securities	6.1.1	7,817	281,708
- Term finance certificates - listed	6.1.2	10,062	10,007
- Government Securities	6.1.3	366,656	522,200
		384,535	813,915
6.2 Available for sale investments			
- Quoted equity securities	6.2.1	817,406	733,205
- Government Securities	6.2.2	987,721	819,075
		1,805,127	1,552,280
		2,189,662	2,366,195

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

6.1 Held for trading investments

6.1.1 Quoted equity securities

Name of investee company	Number of shares				Balance as at September 30, 2015			Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2015	Purchases during the period	Bonus/ rights issue	Disposed off during the period	As at September 30, 2015	Carrying value	Market value			
-----((Rupees in '000))-----										
Unless stated otherwise, the holdings are in ordinary shares having a face value of Rs 10 each										
Automobile Assembler										
Indus Motors Company Limited	-	400	-	400	-	-	-	0.00%	0.00%	0.00%
						-	-	0.00%	0.00%	
Cable & Electrical Goods										
Pak Elektron Limited	451,000	1,655,000	-	2,106,000	-	-	-	0.00%	0.00%	0.00%
						-	-	0.00%	0.00%	
Construction & Materials										
Cherat Cement Limited	-	44,500	-	44,500	-	-	-	0.00%	0.00%	0.00%
D.G. Khan Cement Limited	-	54,500	-	54,500	-	-	-	0.00%	0.00%	0.00%
Fauji Cement Company Limited	208,500	251,500	-	460,000	-	-	-	0.00%	0.00%	0.00%
Lucky Cement Limited	-	8,000	-	8,000	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Factory Limited	112,500	362,000	-	474,500	-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Limited	-	107,500	-	107,500	-	-	-	0.00%	0.00%	0.00%
						-	-	0.00%	0.00%	
Commercial Banks										
Bank Al Falah Limited	17,500	1,000	-	18,500	-	-	-	0.00%	0.00%	0.00%
National Bank Of Pakistan Limited	22,500	62,500	-	84,500	500	29	26	(3)	0.00%	0.00%
United Bank Limited	1,500	1,000	-	2,500	-	-	-	0.00%	0.00%	0.00%
						29	26	(3)	0.00%	0.00%
Fertilizer										
Engro Fertilizer Limited	178,500	190,000	-	368,500	-	-	-	0.00%	0.00%	0.00%
Engro Corporation Limited	322,000	624,700	-	946,700	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Bin Qasim Limited	1,286,500	3,883,000	-	5,169,500	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Company Limited	-	500	-	500	-	-	-	0.00%	0.00%	0.00%
						-	-	-	-	
Food & Personal Care Products										
Engro Foods Limited	42,500	70,500	-	113,000	-	-	-	0.00%	0.00%	0.00%
						-	-	0.00%	0.00%	
Oil & Gas Exploration Companies										
Oil & Gas Development Company Limited	76,700	21,500	-	35,700	62,500	10,947	7,792	(3,155)	0.25%	0.36%
Pakistan Oilfields Limited	-	5,900	-	5,900	-	-	-	0.00%	0.00%	0.00%
Pakistan Petroleum Limited	18,000	21,000	-	39,000	-	-	-	0.00%	0.00%	0.00%
						10,947	7,792	(3,155)	0.25%	0.36%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

Name of investee company	Number of shares				Balance as at September 30, 2015		Market value as a percentage of net assets	Market value as a percentage of total investment	Percentage of paid up capital of investee company held
	As at July 1, 2015	Purchases during the year	Bonus/ rights issue	Disposed off during the year	As at September 30, 2015	Carrying value	Market value (diminution)		
Oil And Gas Marketing Companies									
Pakistan State Oil Company Limited	35,500	19,500	-	55,000	-	-	-	0.00%	0.00%
Sui Southern Gas Company Limited	163,500	96,500	-	260,000	-	-	-	0.00%	0.00%
						-	-	0.00%	0.00%
Power Generation & Distribution									
K-Electric Limited	-	166,000	-	166,000	-	-	-	0.00%	0.00%
						-	-	0.00%	0.00%
Total as at 30 september 2015						10,975	7,817	(3,158)	0.36%
Total - June 30, 2015						280,035	281,708	1,673	11.91%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

6.1.2 Term finance certificates - listed

Name of investee company	Number of Certificates			Balance as at September 30, 2015			Market value as a percentage of net assets	Market value as a percentage of total Investments	
	As at July 01, 2015	Purchased during the year	Disposed during the year	As at September 30, 2015	Cost	Market value			Appreciation/ (Diminution)
------(Rupees in '000)-----									
Certificates having a face value of Rs. 5,000 each unless stated otherwise									
Bank Alfalah Limited-V	2,000	-	-	2,000	10,005	10,062	57	0.32%	
Total - September 30, 2015					10,005	10,062	57	0.32%	
Total - June 30, 2015					10,124	10,007	(117)	3.17%	
								4.83%	

6.1.3 Government Securities

Treasury Bills

Name of investee company	Face value			Balance as at September 30, 2015			Market value as a percentage of net assets	Market value as a percentage of total Investments
	As at July 01, 2015	Purchased during the year	Disposed/Mat ured during the year	As at September 30, 2015	Cost	Market value		
(Rupees in '000)								
Treasury Bills- 2 Months	-	300,000.00	300,000.00	-	-	-	-	0.00%
Treasury Bills- 3 Months	437,500	1,075,000	1,487,500	25,000	25,000	25,000	-	6.50%
Treasury Bills- 6 Months	25,000	700,000	525,000	200,000	199,475	199,505	30	51.88%
Treasury Bills- 12 Months	-	300,000	150,000	150,000	141,839	142,151	312	36.97%
Total - September 30, 2015					366,314	366,656	342	95.35%
Total - June 30, 2015					457,131	457,031	(100)	19.31%

PIB- 5 Years

65,000	-	65,000	-	-	-	-	-	0.00%
								0.00%

Total investments in Government Securities- September 2015

366,314	366,656	342	11.71%	95.35%
522,957	522,200	(757)	19.79%	22.06%

Total investments in Government Securities- June 2015

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

3.2 Available for sale investments

3.2.1 Quoted equity securities

Name of investee company	Number of shares				Balance as at September 30, 2015			Market value as a percentage of total investment	Percentage of paid up capital of investee company held (percentage %)
	As at July 01, 2015	Purchases during the year	Bonus/ rights issue	Disposed off during the year	As at September 30, 2015	Carrying value	Market value		
(Rupees in '000)									
Automobile Assembler									
Indus Motors Company Limited	81,250	49,600	-	33,520	97,330	120,721	97,466	(23,255)	3.11%
Millat Tractors Limited	70,900	-	-	-	70,900	43,486	44,290	804	1.41%
						164,207	141,756	(22,451)	4.53%
Automobile Parts & Accessories									
Thal Limited*	-	50,000	-	-	50,000	16,016	12,650	(3,366)	0.40%
						16,016	12,650	(3,366)	0.40%
Cable & Electrical Goods									
Pak Elektron Limited	402,000	100,000	-	502,000	-	-	-	-	0.00%
						-	-	-	0.00%
Construction & Materials									
Cherat Cement Limited	-	65,500	-	-	65,500	5,834	5,647	(187)	0.18%
D.G. Khan Cement Limited	300,000	202,500	-	502,500	-	-	-	-	0.00%
Maple Leaf Cement Factory Limited	-	300,000	-	300,000	-	-	-	-	0.00%
Pakcem Limited	308	-	-	-	308	6	6	-	0.00%
						5,840	5,653	(187)	0.18%
Commercial Banks									
Habib Bank Limited	94	-	-	-	94	16	19	3	0.00%
United Bank Limited	-	25,000	-	-	25,000	4,133	3,668	(465)	0.12%
						4,149	3,687	(462)	0.12%
Engineering									
International Steels Limited	1,000,000	-	-	-	1,000,000	28,060	26,220	(1,840)	0.84%
						28,060	26,220	(1,840)	0.84%
Fertilizer									
Engro Fertilizer Limited	-	500,000	-	-	500,000	49,089	44,900	(4,189)	1.43%
Engro Corporation Limited	-	80,000	-	79,800	200	64	60	(4)	0.00%
Fatima Fertilizer Company Limited	489,000	550,000	-	205,000	834,000	36,542	38,598	2,056	1.23%
Fauji Fertilizer Bin Qasim Limited	-	600,000	-	-	600,000	36,351	36,090	(261)	1.15%
Fauji Fertilizer Company Limited	542,600	-	-	-	542,600	77,445	66,984	(10,461)	2.14%
						199,491	186,632	(12,859)	5.96%
Food & Personal Care Products									
Engro Foods Limited	-	50,000	-	-	50,000	8,315	7,368	(947)	0.24%
Shezan International Limited	4,650	-	-	-	4,650	5,882	3,534	(2,348)	0.11%
						14,197	10,902	(3,295)	0.35%
Glass & Ceramics									
Tariq Glass Industries Limited	535,500	-	-	-	535,500	31,317	38,797	7,480	1.24%
						31,317	38,797	7,480	1.24%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Name of investee company	Number of shares				Balance as at September 30, 2015			Market value as a percentage of total investment	Percentage of paid up capital of investee company held (percentage %)	
	As at July 01, 2015	Purchases during the year	Bonus/ rights issue	Disposed off during the year	As at September 30, 2015	Carrying value	Market value			Appreciation/ (diminution)
------(Rupees in '000)-----										
Insurance										
Adanjee Insurance Company Limited	-	295,000	-	-	295,000	15,716	15,361	(355)	0.49%	0.08
IGI Insurance Limited	50,000	50,000	-	-	100,000	22,831	21,867	(964)	0.70%	0.08
						38,547	37,228	(1,319)	1.19%	
Oil & Gas Expoloration Companies										
Oil & Gas Development Company Limited	200,500	339,300	-	200,000	339,800	45,515	42,363	(3,152)	1.35%	0.01
Pakistan Oilfields Limited	155,700	-	-	150,000	5,700	2,237	1,675	(562)	0.05%	0.00
Pakistan Petroleum Limited	300,000	-	-	300,000	-	-	-	-	0.00%	0.00
						47,752	44,038	(3,714)	1.41%	
Oil And Gas Marketing Companies										
Pakistan State Oil Co Limited	88,200	200,000	-	-	288,200	91,667	83,114	(8,553)	2.65%	0.11
Sui Northern Gas Pipelines Limited	-	508,500	-	-	508,500	18,776	15,982	(2,794)	0.51%	0.08
						110,443	99,096	(11,347)	3.16%	
Paper And Board										
Packages Limited	80,000	200,000	-	94,150	-	106,669	99,151	(7,518)	3.17%	0.21
						106,669	99,151	(7,518)	3.17%	
Power Generation & Distribution										
Hub Power Company Limited	75,500	-	-	75,000	500	46	49	3	0.00%	0.00
Kot Addu Power Company Limited	-	328,000	-	328,000	-	-	-	-	0.00%	0.00
Lalpur Power Limited	800,000	19,000	-	19,000	800,000	27,811	23,336	(4,475)	0.75%	0.21
Pakgen Power Limited	1,775,500	-	-	-	1,775,500	55,510	49,625	(5,885)	1.58%	0.48
						83,367	73,010	(10,357)	2.33%	
Refinery										
National Refinery Limited	2,200	-	-	2,200	-	-	-	-	0.00%	0.00
						-	-	-	0.00%	
Technology & Communications										
Hum Network Limited	-	784,000	-	-	784,000	14,432	12,795	(1,637)	0.41%	0.08
Systems Limited	390,368	-	-	-	390,368	14,195	25,792	11,597	0.82%	0.35
						28,627	38,587	9,960	1.23%	
Total - September 30, 2015						878,682	817,406	(61,276)	26.10%	37.33%
Total - June 30, 2015						716,859	733,205	16,346	27.76%	30.99%

* Par value Rs. 5/- each share

Investments include shares with market value aggregating to 27.09 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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

6.2.2 Government Securities

Name of investee company	Face value			Balance as at September 30, 2015			Market value as a percentage of net assets	Market value as a percentage of total Investments
	As at July 01, 2015	Purchased during the year	Disposed/Matured during the year	As at September 30, 2015	Cost	Market value		
<hr/> <div>(Rupees in '000)</div> <hr/>								
PIB-3 years	-	150,000	-	150,000	154,660	155,821	1,161	7.12%
PIB-5 years	400,000	475,000	175,000	700,000	772,266	774,486	2,220	35.37%
PIB-10 years	350,000	-	300,000	50,000	57,699	57,414	(285)	2.62%
Total - September 30, 2014					984,625	987,721	3,096	45.11%
Total - June 30, 2015					838,379	819,075	19,304	34.62%

7 ACCRUED AND OTHER LIABILITIES

	September 30, 2015 (Unaudited)	June 30, 2015 (audited)
Provision for Federal Excise Duty and related taxes on management fee	7.1	7.573
Provision for Federal Excise Duty on sales load	10,367	9,807
Provision for Workers' Welfare Fund	12,335	13,732
Withholding tax payable (deducted on dividend distribution)	13,732	23,527
Withholding tax payable (deducted on capital gains)	268	88
Auditors' remuneration payable	88	3,175
Brokerage payable	170	446
Others	1,164	2,584
	37,733	181
	75,857	61,025

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

7.1 Provision for Federal Excise Duty and Related Taxes

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 Collective Investment Schemes (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 Federal Board of Revenue (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 these financial statements aggregating to Rs. Rs. 10.37 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 not been recorded in the books of account of the Fund, the Net Asset Value of the Fund would have been higher by Re 0.25 per unit as at 30 September 2015

7.2 Provision for Workers' Welfare Fund

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

Furthermore, in the Finance Act, 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from 01 July 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The management company, as a matter of abundant precaution, has decided to retain the provision for WWF in these financial statements. The aggregate amount of WWF charge as on September 30, 2015 is Rs. 13.732 million, if the same were not made the NAV of the fund would have been higher by Rs. 0.33 per unit.

8 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Since the management has distributed 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

9 EARNINGS PER UNIT

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

10 TRANSACTIONS WITH CONNECTED PERSONS

10.1 Connected persons of the Fund include the Management Company, other collective investment, schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more units of the Fund.

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

10.3 Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the the provisions of the NBFC Regulations 2008 and constitutive documents of the fund.

10.4 Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

	Unaudited September 30, 2015	Unaudited September 30, 2014
10.5 Details of the transactions with the connected persons during the period are as follows:	(Rupees in '000)	
MCB Bank Limited		
- Bank Charges	18	5
- Profit on saving accounts	553	4,418
MCB-Arif Habib Savings and Investments Limited		
- Remuneration of the Management Company (including indirect taxes)	20,252	5,332
- Issued of 1,516,906 units (September 30, 2014: Nil units)	118,152	-
- Redemption of 549,625 units (September 30, 2014: Nil units)	43,000	-
Central Depository Company of Pakistan Limited		
- Remuneration of the Trustee	1,159	400
- CDC settlement charges	105	31
Key management personnel		
- Issued of 21,449 units (September 30, 2014: 23,362)	1,650	1,768
Brokerage		
- Arif habib Limited	29	-
- Next Capital Private Limited	71	73
Dividend received		
- Adamjee Insurance Company Limited	443	-
- MCB Bank Limited	-	37

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2015**

	Unaudited September 30, 2015	Audited June 30, 2015
10.6 Amount outstanding as at period end	(Rupees in '000)	
MCB Bank Limited		
- Bank balances	30,001	29,584
- Profit receivable on saving accounts	57	409
MCB-Arif Habib Savings and Investments Limited		
- Remuneration payable to the Management Company	5,159	4,300
- Sales tax payable on remuneration of Management Company	722	645
- Sales load payable	3,449	9,691
- Legal & Professional Charges	-	100
- Units held: 967,281 units (June 2015: Nil units)	73,778	-
Central Depository Company of Pakistan Limited		
- Remuneration payable to Trustee	388	297
- Security Deposits	100	100
Fatima Fertilizer Company Limited		
- 834,000 shares held as at 30 September 2015 (June 2015: 489,000)	38,598	19,105
Adamjee Insurance Company Limited		
- 295,000 shares held as at 30 September 2015 (June 2015: Nil)	15,361	-
Lalpir Power Limited		
- 800,000 shares held as at 30 September 2015 (June 2015: 800,000)	23,336	24,400
Pakgen Power Limited		
- 1,775,500 shares held as at 30 September 2015 (June 2015: 1,775,000)	49,625	53,283
D.G Khan Cement Company of Pakistan Limited Employees Provident Trust		
Units held: 32,443 units (June 2015: 32443 units)	2,475	2,510
Key Management Personnel		
- 128,743 units held (June 30, 2015: 99,550)	9,820	7,703
Arif Habib Limited		
- Brokerage *	29	53
Next Capital Private Limited		
- Brokerage *	30	66

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2015

* 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.

11 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.

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



Chief Executive Officer



Director

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