

Quarterly Report

September 30, 2015
(Unaudited)



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

AM2 Plus by PACRA

**PAKISTAN
INTERNATIONAL ELEMENT
ISLAMIC ASSET 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	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Mr. Yasir Qadri	Chief Executive Officer
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
Audit Committee	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
	Mr. Yasir Qadri	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 Deutsche Bank Limited Meezan Bank Limited Dubai Islamic Bank Limited Standard Chartered Bank (Pakistan) Limited Habib Metropolitan Bank Limited United Bank Limited Habib 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	Asset Manager 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 **Pakistan International Element Islamic Asset Allocation Fund's** 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 & KMI 30 Index closing about 6.1% & 5.56% lower respectively 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

During the period under review, the fund delivered a return of -6.73% as against its benchmark return of -5.68%. On the equities front, the overall allocation was marginally increased to 68.4% as at quarter-end. The fund increased its exposure in Fertilizer and Glass & Ceramics sector, while decreasing its exposure towards Oil & Gas Exploration, Power Generation & Distribution and Cement sectors during the quarter.

On the fixed income side, the fund allocation remained nil towards Corporate and Ijarah Sukuk. The excess liquidity was held in cash to be routed towards equity or Islamic instruments at appropriate junctures.

The Net Assets of the Fund as at September 30, 2015 stood at Rs. 835 million as compared to Rs. 804 million as at June 30, 2015.

The Net Asset Value (NAV) per unit as at September 30, 2015 was Rs. 56.83 as compared to opening NAV of Rs. 60.93 per unit as at June 30, 2015 registering a decrease of Rs. 4.1 per unit.

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.

Behalf of Directors,




Yasir Qadri
Chief Executive Officer
Dated: October 16, 2015

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT SEPTEMBER 30, 2015

	Unaudited September 30, 2015	Audited June 30, 2015
<i>Note</i>	2015	2015
	(Rupees in '000)	
Assets		
Balances with Banks	259,026	242,427
Receivable against sale of investments	-	18,540
Investments	584,156	564,586
Dividend and profit receivable	7,316	2,260
Advances and deposits	3,138	3,235
Total assets	853,636	831,048
Liabilities		
Payable to Management Company	2,391	2,208
Payable to Central depository company Limited- Trustee	156	135
Payable to Securities and Exchange Commission of Pakistan	204	484
Accrued expenses and other liabilities	15,669	24,620
Total liabilities	18,420	27,447
Net assets	835,216	803,601
Unit holders' funds	835,216	803,601
	(Number of units)	
Number of units in issue	14,696,728	13,189,009
	(Rupee)	
Net asset value per unit	56.83	60.93

These annexed notes from an integral part 1 to 12 of these condensed 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

	September 30, 2015	September 30, 2014
	(Rupees in '000)	
Income		
Capital (loss) / gain on sale of investments - net	(1,013)	2,251
Income from investment in GOP Ijara sukuk	-	-
Income from investment in Sukuk certificates	162	1,231
Dividend income	6,305	4,107
Profit on bank deposits	2,678	975
	<u>8,132</u>	<u>8,564</u>
Reversal / (provision) against debt securities	1,071	(77)
Unrealised (diminution) / appreciation on investments at fair through profit or loss - net	<u>(4,108)</u>	<u>5,935</u>
	5,095	14,422
Expenses		
Remuneration of Management Company	4,208	2,008
Sale tax and Fedral Excise Duty on remuneration of Management Company	1,374	672
Remuneration of Trustee	488	208
Annual fee - Securities and Exchange Commission of Pakistan	204	99
Brokerage expense	162	299
Settlement Charges	111	91
Other expenses	447	280
	<u>6,994</u>	<u>3,657</u>
Net income from operating activities	<u>(1,899)</u>	<u>10,765</u>
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	17	469
- from other income	708	(837)
	<u>725</u>	<u>(368)</u>
Provison for Workers' Welfare Fund	7.2	-
	-	(208)
Net (loss) / income for the period before taxation	<u>(1,174)</u>	<u>10,189</u>
Taxation	9	-
	-	-
Net (loss) / income for the period after taxation	<u>(1,174)</u>	<u>10,189</u>
Earning per Unit (EPU)	10	

These annexed notes from an integral part 1 to 12 of these condensed financial statements.


 Chief Executive Officer

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


 Director

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

	September 30, 2015	September 30, 2014
	(Rupees in '000)	
Net (loss) / income for the period after taxation	(1,174)	10,189
Unrealised (diminution) / appreciation in value of investments classified as available for sale' - net	(58,752)	676
	(58,752)	676
Total comprehensive (loss) / income for the period	(59,926)	10,865

These annexed notes from an integral part 1 to 12 of these condensed financial statements.


 Chief Executive Officer

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


 Director

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

	September 30, 2015	September 30, 2014
	(Rupees in '000)	
Undistribute Gain / (loss) brought forward	114,309	(5,662)
Element of income / (loss) and capital (losses) / gains included in the prices of units issued less those in units redeemed - amount that forms part of the unit holder's fund	16,157	330
Total comprehensive (loss) / income for the period	(59,926) (43,769)	10,865 11,195
Undistributed Gain carried forward	70,540	5,533

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


 Chief Executive Officer


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


 Director

CONDENSED INTERIM MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

	September 30 2015	September 30, 2014
	(Rupees in '000)	
Net assets at the beginning of the period	803,601	411,020
Issue of 3,404,244 units (2014: 1,432,117 units)	204,610	71,748
Redemption of 1,896,525 units (2014: 1,630,689 units)	(112,344)	(81,756)
	92,266	(10,008)
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		
- from realized / unrealized capital gain	(17)	(469)
- from other income	(708)	837
- amount representing (loss) that form part of unit holders' fund - transferred to distribution statement	(16,157)	(330)
	(16,882)	38
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income	16,157	330
Capital (loss) / gain on sale of investments - net	(1,013)	2,251
Unrealised (diminution) / appreciation on investments ' at fair through profit or loss - net	(4,108)	5,935
Other operating income for the period	3,947	2,003
	(1,174)	10,189
Net unrealised (diminution) / appreciation on re-measurement of investments available for sale' - net	(58,752)	676
Net assets at the end of the period	835,216	412,245

These annexed notes from an integral part 1 to 12 of these condensed 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 FLOW FROM OPERATING ACTIVITIES		
Net (loss) / income for the period	(1,174)	10,189
Adjustments		
Unrealised diminution / (appreciation) in the value of investments at fair value through profit or loss - net	4,108	(5,935)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(725)	368
	<u>2,209</u>	<u>4,622</u>
(Increase) / decrease in assets		
Receivable against sale of investments	18,540	7,445
Investments	(82,430)	(21,466)
Advance against investments	-	4,824
Advance against IPO subscription of debt security	-	(35,000)
Dividend and profit receivable	(5,056)	(4,762)
Advances, deposits, prepayments and other receivables	97	(64)
	<u>(68,849)</u>	<u>(49,023)</u>
Increase / (decrease) in liabilities		
Payable to Management Company	183	(268)
Payable to Trustee	21	5
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(280)	(160)
Payable against purchase of Investments	-	(7,993)
Accrued expenses and other liabilities	(8,951)	386
	<u>(9,027)</u>	<u>(8,030)</u>
Net cash flow used in operating activities	(75,667)	(52,431)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts / (payments) from net sales and redemption	<u>92,266</u>	<u>(10,008)</u>
Net Increase / (decrease) in cash and cash equivalents during the period	16,599	(62,439)
Cash and cash equivalents at the beginning of the period	242,427	128,167
Cash and cash equivalents at the end of the period	<u>259,026</u>	<u>65,728</u>

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


 Chief Executive Officer

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


 Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan International Element Islamic Asset Allocation Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited ("the Management Company", "AHIL") as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 December 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003).

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, 2003 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.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

The Fund is an open-ended mutual fund, listed on the Karachi, Lahore and Islamabad Stock Exchanges. The principal activity of the Fund is to make investment in shariah compliant investments in securities or instruments both inside and outside Pakistan. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as "Shariah compliant Asset Allocation" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

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 3-star for long term

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

These financial statements have been prepared in accordance with the 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 the Trust Deed, 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, 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, 2008 and the said directives differ with the requirements of these standards, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, 2008 and the said directives shall prevail.

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.

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.

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 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

2.1 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.

2.2 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 published financial statements of the Fund for the year ended 30th June 2015

- 3.1 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 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.

6 INVESTMENTS

	<i>Note</i>	Unaudited September 30, 2015	Audited June 30, 2015
		(Rupees '000)	
At fair value through profit or loss			
Listed Equity Securities	6.1	27,816	52,662
Unlisted Sukuk Bonds	6.2	-	-
		27,816	52,662
Available-for-sale			
Listed Equity Securities	6.3	556,341	511,924
		584,156	564,586

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

6.1 Listed equity securities - 'at fair value through profit or loss' - held for trading

Name of the Investee Company	----- Number of shares -----					Balance as at 30 September 2015			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of investee company
	As at 1st July 2015	Purchases during the period	Bonus / Right issue	Sales during the period	As at 30 September 2015	Cost	Market Value	(Diminution) / Appreciation			
(Rupees in '000)											
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise											
Automobile Assembler											
Pak Suzuki Motor Company Limited	22,900	-	-	-	22,900	9,982	9,494	(488)	1.14%	1.63%	0.03
						9,982	9,494	(488)			
Automobile Parts & Accessories											
Thal Limited*	25,300	-	-	-	25,300	7,221	6,401	(820)	0.77%	1.10%	0.03
						7,221	6,401	(820)			
Cable & Electrical Goods											
Pakistan Cable Limited	18,400	-	-	18,400	-	-	-	-	0.00%	0.00%	-
						-	-	-			
Construction & Materials											
Maple Leaf Cement Factory Limited	229,000	-	-	225,000	4,000	314	274	(40)	0.03%	0.05%	-
						314	274	(40)			
Fertilizer											
Engro Corporation Limited	3,000	-	-	-	3,000	890	895	5	0.11%	0.15%	-
						890	895	5			
Leather & Tanneries											
Bata Pakistan Limited	3,620	-	-	-	3,620	13,515	10,752	(2,764)	1.29%	1.84%	0.05
						13,515	10,752	(2,764)			
TOTAL - September 30, 2015						31,922	27,816	(4,108)			
June 30, 2015						35,494	52,662	17,168			

* Par Value is Rs. 5/- each share.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

6.1.1 Investments as at 30 September 2015 include shares with market value of Rs. 14.89 million (2015: Rs. Nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in accordance with Circular no. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

6.2 Sukuk Certificates -Unlisted

Note	Unaudited September 30, 2015	Audited June 30, 2015
	(Rupees '000)	
4.2.1	-	6,119
Less: Opening	6,119	6,042
Provision charged during the period	(1,071)	77
Charges during the year	5,048	6,119
	(5,048)	-

6.2.1 Investment in unlisted sukuk bonds in Pakistan

Name of the Investee Company	As at 30 July 01, 2015	Number of certificates			Balance as at 30 September 2015			Market value as percentage of net assets	Market value as percentage of total investment	Outstanding principle value as a percentage of issued debt capital
		Purchases during the period	Sales during the period	As at 30 September 2015	Cost	Market value	Appreciation / (diminution)			

Unlisted Sukuk bonds of Rs 5,000 unless stated otherwise

Pak Elektron Limited (28 September 2007) (a)	3,000	-	-	3,000	5,048	-	-	-	-	-
TOTAL - September 30, 2015					5,048					
June 30, 2015					6,119					

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

6.3 Listed equity securities - 'available-for-sale'

Name of the Investee Company	Number of shares					Balance as at 30 September 2015			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of investee company (% age)
	As at 1st July 2015	Purchases during the period	Bonus / Right issue	Sales during the period	As at 30 September 2015	Cost	Market Value	(Diminution) / Appreciation			
Automobile Assembler											
Indus Motors Company Limited	27,000	-	-	-	27,000	31,361	27,038	(4,323)	3.24%	4.63%	0.03
Millat Tractors Limited	35,000	10,000	-	-	45,000	28,314	28,111	(203)	3.37%	4.81%	0.10
Pak Suzuki Motor Company Limited	8,000	-	-	-	8,000	3,060	3,317	257	0.40%	0.57%	0.01
						62,735	58,466	(4,269)			
Automobile Parts & Accessories											
Thal Limited *	-	25,000	-	-	25,000	8,008	6,325	(1,683)	0.76%	1.08%	0.03
						8,008	6,325	(1,683)			
Cable & Electrical Goods											
Pak Elektron Limited	252,500	100,000	-	-	352,500	24,982	25,412	430	3.04%	4.35%	0.09
						24,982	25,412	430			
Construction & Materials											
Attock Cement Pakistan Limited	1,820	-	-	-	1,820	288	318	30	0.04%	0.05%	-
Cherat Cement Limited	-	255,000	-	-	255,000	22,710	21,986	(724)	2.63%	3.76%	0.14
Fauji Cement Company Limited	1,000,000	-	-	663,000	337,000	11,621	11,283	(338)	1.35%	1.93%	0.03
Lucky Cement Limited	40,000	-	-	-	40,000	18,163	21,068	2,905	2.52%	3.61%	0.01
Maple Leaf Cement Factory Limited	175,000	225,000	-	184,000	216,000	14,023	14,805	782	1.77%	2.53%	0.04
						66,805	69,459	2,654			
Chemicals											
ICI Pakistan Limited	44,600	-	-	-	44,600	17,830	21,466	3,636	2.57%	3.67%	0.05
Linde Pakistan Limited	55,000	-	-	-	55,000	11,182	5,908	(5,274)	0.71%	1.01%	0.22
						29,012	27,374	(1,638)			
Fertilizer											
Engro Fertilizer Limited	-	455,000	-	-	455,000	11,757	12,234	477	1.46%	2.09%	0.03
Engro Corporation Limited	110,000	-	-	69,000	41,000	43,928	40,859	(3,069)	4.89%	6.99%	0.01
Fauji Fertilizer Bin Qasim Limited	-	152,000	-	-	152,000	9,158	9,143	(15)	1.09%	1.57%	0.02
Fauji Fertilizer Company Limited	261,900	25,400	-	-	287,300	40,665	35,467	(5,198)	4.25%	6.07%	0.02
						105,508	97,703	(7,805)			
Food & Personal Care Products											
Engro Foods Limited	-	150,000	-	-	150,000	24,534	22,104	(2,430)	2.65%	3.78%	0.02
						24,534	22,104	(2,430)			
Glass & Ceramics											
Chani Glass Limited	250,000	-	-	-	250,000	16,781	25,000	8,219	2.99%	4.28%	0.20
Tariq Glass Industries Limited	470,000	-	-	-	470,000	27,743	34,052	6,309	4.08%	5.83%	0.64
						44,524	59,052	14,528			

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

Name of the Investee Company	Number of shares -----				Balance as at 30 September 2015			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of investee company (% age)	
	As at 1st July 2014	Purchases during the period	Bonus /Right issue	Sales during the period	As at 30 September 2015	Cost	Market Value				(Diminution) / Appreciation
Miscellaneous											
Shifa International Hospitals Limited	-	24,000	-	-	24,000	6,638	6,363	(275)	0.76%	1.09%	0.05
						6,638	6,363	(275)			
Oil & Gas Expoloration Companies											
Pakistan Oilfields Limited	133,700	-	-	100,000	33,700	12,257	9,905	(2,352)	1.19%	1.70%	0.01
Pakistan Petroleum Limited	265,490	-	-	58,000	207,490	35,446	24,720	(10,726)	2.96%	4.23%	0.01
						47,703	34,625	(13,078)			
Oil And Gas Marketing Companies											
Attock Petroleum Limited	4,750	30,000	-	-	34,750	20,091	17,384	(2,707)	2.08%	2.98%	0.04
Pakistan State Oil Company Limited	65,000	-	-	-	65,000	26,127	18,745	(7,382)	2.24%	3.21%	0.02
						46,218	36,129	(10,089)			
Paper And Board											
Packages Limited	52,450	32,000	-	-	84,450	47,911	45,054	(2,857)	5.39%	7.71%	0.10
						47,911	45,054	(2,857)			
Pharmaceutical S											
Ferozsons Laboratories Limited	12,300	-	-	12,300	-	-	-	-	0.00%	0.00%	-
IBL Healthcare Limited	30,000	-	-	-	30,000	4,386	4,854	468	0.58%	0.83%	0.10
						4,386	4,854	468			
Power Generation & Distribution											
Hub Power Company Limited	25,744	-	-	-	25,744	2,326	2,529	203	0.30%	0.43%	-
K-Electric Limited	190,892	2,000,000	-	-	2,190,892	18,016	15,468	(2,548)	1.85%	2.65%	0.01
Lalpir Power Limited	615,000	250,000	-	-	865,000	28,869	25,232	(3,637)	3.02%	4.32%	0.23
Pakgen Power Limited	722,500	-	-	-	722,500	21,112	20,194	(918)	2.42%	3.46%	0.19
						70,323	63,422	(6,901)			
TOTAL - September 30, 2015						589,287	556,341	(32,946)			
June 30, 2015						486,117	511,924	25,807			

* Par Value is Rs. 5/- each share.

* Par Value is Rs. 5/- each share.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

		Unaudited September 30, 2015	Audited June 30, 2015
7	ACCRUED EXPENSES AND OTHER LIABILITIES		
			(Rupees in '000)
	Federal Excise Duty on remuneration of Management Company	7.1	3,745
	Federal Excise Duty on Front-end load		605
	Provision for Worker's Welfare Fund	7.2	9,641
	Charity / donation payable		518
	Auditors' remuneration		132
	Zakat payable		289
	Brokerage payable		426
	Capital gain tax payable		62
	Other payables		251
		15,669	24,620

7.1 Federal Excise Duty on Remuneration of Management Company

The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% on 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 Company 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 case, the suit is decided against the Fund it would be paid to management company, who will be responsible for submitting the same to taxation authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the Net Assets Value (NAV) of the Fund would have been higher by Re. 0.25 per unit as at 30 September 2015.

7.2 Provision to Worker 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 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.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on 8 July 2010 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 the Court.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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. In view of the afore mentioned developments and uncertainties created by the decision of SHC, Management Company, as a matter of abundant precaution, has made a provision for WWF in these financial statements.

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. 9.641 million, if the same were not made the NAV of the fund would have been higher by Rs. 0.65 per unit.

8 DETAILS OF NON- COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan (SECP) 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 Arif Habib Savings and Investments Limited the Management Company has classified the Fund as 'Shariah compliant Asset Allocation Scheme' in accordance with the said circular. As at June 30, 2013, the Fund is compliant with all the requirements of the said circular except for clause 5 (ii) which requires that the rating of any security in the portfolio shall not be lower than the investment grade, The following investments were held by the Fund which were in non - investment grade:

Category of non-compliant investment	Name of Company	Value of investment before provision	Provision Held	Value of investment after provision	Percentage of net assets	Percentage of gross assets
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Unlisted debt securities	Pak Elektron Limited	5,048	5,048	-	0.00%	0.00%
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At the time of purchase, the above mentioned securities were in compliance of the aforementioned circular (i.e the investment grade) and were subsequently downgraded to non-investment grade by MUFAP.

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 / (Loss) 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 / (loss) per unit is not practicable

11 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2015

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,	September 30,
		2015	2014
		(Rupees in '000)	
11.1	Amount of transactions during the period		
	MCB - Arif Habib Savings & Investments Limited		
	Remuneration of management company including indirect taxes	5,582	2,680
	Arif Habib Limited - Brokerage House		
	Brokerage*	3	21
	Central Depository Company Limited - Trustee		
	Remuneration for the period	488	208
	CDS Charges	32	11
	Key management personnel		
	30,034 units (2014: 22,642 units) issued during the period	1,837	1,104
	29,851 units (2014: 5,264 units) redeemed during the period	1,830	254
		Unaudited	Audited
		September 30,	June 30,
		2015	2015
		(Rupees '000)	
11.2	Amounts outstanding as at the period end		
	MCB - Arif Habib Savings & Investments Limited		
	Remuneration payable to management company	1,358	1,322
	Sale tax payable on management fee	190	198
	Front-end load payable	740	511
	Sindh sales tax payable on Front-end load	104	77
	Legal and professional charges	-	100
	Central Depository Company of Pakistan Limited - Trustee		
	Remuneration payable	156	135
	Security deposit	200	200
	MCB Bank Limited		
	Bank balance	2,916	32,018
	Lalpir Power Limited		
	865,000 shares held at 30 September 2015, (June 2015: 615,000)	25,232	18,758
	Pakgen Power Limited		
	722,500 shares held at 30 September 2015, (June 2015: 615,000)	20,194	21,682
	Arif Habib Limited - Brokerage House		
	*Brokerage	3	18
	Key management personnel		
	39,213 units held (June 2015: 37,148 units)	2,229	2,263
	D.G Khan Cement Company of Pakistan Limited Employees Provident Trust		
	Units held: 99,136 units (June 2015: 99,136 units)	5,634	6,040
	Security Papers Limited **		
	Units held: 2,492,836 units (June 2015: 2,492,836 units)	141,668	151,889

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) 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.

** These includes those parties that exist as at September 30, 2015 and became connected / related parties during the year due to acquiring unit holding of more than 10% of net assets of the Fund.

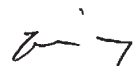
12 DATE OF AUTHORISATION FOR ISSUE

These condensed 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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