



**Bachat** ka Doosra Naam

# Quarterly Report September 30, 2013 (Unaudited)



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

**MCB  
DYNAMIC ALLOCATION FUND**

## TABLE OF CONTENTS

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Fund's Information	169
Report of the Directors of the Management Company	170
Condensed Interim Statement of Assets and Liabilities	173
Condensed Interim Income Statement (Un-audited)	174
Condensed Interim Distribution Statement (Un-audited)	175
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	176
Condensed Interim Cash Flow Statement (Un-audited)	177
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	178

## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource Committee</b>	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB Bank Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings and Investments Limited</b> (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 - Management Quality Rating assigned by PACRA	

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013**

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Dynamic Allocation Fund's accounts review for the first quarter ended September 30th 2013.

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

On the macroeconomic front, inflation has remained slightly higher during the period with CPI averaging around 8.06% amid implementation of tax reforms and higher food prices. The current account balance remained in pressure posting a deficit of \$632 million during 2MFY14 as opposed to surplus of \$582 million during the same period last fiscal year. During the last year, saving grace came in the form of proceeds under the account of Coalition support funds in August, 2012 amounting to \$1.18 bn. On the other hand, financial account registered a surplus of \$401 million in 2MFY14 as compared to deficit of \$271 million during the corresponding period last year.

Out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$850 million to IMF in the 1QFY14. This along with delay in Coalition Support Funds and higher oil payments has reduced reserve balance to around \$ 9.9 billion as on 27-Sep-13, from \$11 billion at the start of the FY14. Consequently, the local currency fell by more than 6% against USD during 1QFY14.

During the quarter, the country successfully managed to enter into three-year \$6.6 billion loan program with IMF. Out of total financing of around \$2.2 billion scheduled for FY14 under IMF Extended Fund Facility (EFF), the country received first tranche of around \$543 million in 1QFY14.

Moreover, Fiscal side has remained a cause of concern for policy makers with FY13 deficit touching a level of around 8% of GDP (Rs 1.83 trillion deficit size in absolute terms) as opposed to the budgeted deficit of around 6.5%.

Keeping in view that inflation is likely to increase going forward and to arrest decline in foreign reserves balance, the government announced 50 bps hike in the discount rate in the last monetary policy, sending a strong signal that the discount rate will be used to keep inflation rate under check. A combination of higher power tariffs, rise in oil prices and rupee depreciation is likely to keep inflationary pressure on the higher side during the year.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. Despite Rs 94 billion net growth in Net Domestic Assets during the quarter (till 27th Sep), money supply (M2) has contracted due to reduction in Net Foreign Assets by around Rs 150 billion. Hence, M2 has contracted by 0.63% in the 1QFY14 (till 27th Sep) as opposed to expansion of 0.58% during the same period last year. While Borrowing from SBP increased by Rs444 billion as opposed to net decline in borrowing of around Rs 372 billion during the same period last year.

Given an upward trajectory in YoY CPI inflation coupled with monetary tightening scenario, the yield curve has adjusted significantly upwards during the period. Hence 1 year PKRV adjusted upwards by 77 bps to 9.71 %, while longer tenure year 10 year PKRV adjusted upwards by 203 bps to 12.96 % during the quarter under review.

### **EQUITIES MARKET OVERVIEW**

In light of smooth political transition, the ongoing financial year started on a positive note, with stock market touching an all time high of 23,776.22 on 24-July-2013. The index posted a return of 10.9% during July, outperforming regional markets. But on account of tepid performance in August and September the benchmark index recorded a total gain of 3.9% during the 1QFY14, with KSE-100 index closing at 21,832.68 at the end of quarter. Restrictive forces that played a dampening role for the market were rationalization of tariffs and gas prices, launch of initiatives to enhance revenue administration, monetary tightening and growing concerns on feeble exchange rate outlook. Although activity remained stable in terms of both volumes and turnover, foreigners remained net seller with a cumulative net outflow of US\$ 94 million during the period under review.

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013**

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Major interest during the period remained in Textile, Construction & Materials and Power Sectors on the heels of strong inherent bottom line growth and healthy payouts. With the market expecting interest rates to increase going forward, Banking sector performed better towards the start of the quarter until the present government announced to peg minimum deposit rates on saving accounts to overnight repo rate.

### **FUND PERFORMANCE**

The fund posted a return of 1.60% during the period under review while since inception return of fund stood at 24.44%. The fund reduced its exposure towards equities from 38.86% to 10.1% at quarter end.

The fund has focused on defensive high yielding stocks. During the quarter, the fund reduced its exposure significantly in Oil & Gas and Chemicals sectors from 16% and 9.7% respectively to 1.2% and 1.5% respectively at quarter-end.

On the fixed income side, the fund divested from PIBs in order to line up with monetary tightening from SBP while accumulating Treasury Bills to the tune of 51%. The fund also reduced its TFC allocations from 7.9% to 3.9%, at quarter-end.

The Net Asset of the Fund as at September 30, 2013 stood at Rs. 625 million as compared to Rs 433 million as at June 30 2013 registering a an increase of 44.34%. The Net Asset Value (NAV) per unit as at September 30, 2013 was Rs. 72.5091.

### **FUTURE OUTLOOK**

We will continue to closely monitor foreign inflows in the presence of higher oil prices and debt repayment to international donors. We believe that the sustainability of external account, in the presence of higher inflationary pressures, would be a key factor shaping up interest rate direction. The foreign reserve balance will continue to remain in the limelight, with the country scheduled to repay more than \$2.3 billion to IMF during the next three quarters. As a result, the local currency is likely to remain under pressure.


The reserve position is likely to improve towards the later half of the ongoing fiscal year, with the government expecting significant improvement in foreign direct investments and materialization of pledges made by multilateral agencies. In addition to projected CSF inflow of around \$1.2 billion, the country is eyeing inflow of \$2.7 billion during the next three quarters under the umbrella of program financing.

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

### **ACKNOWLEDGMENT**

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

For and on behalf of the board



**Yasir Qadri**

Chief Executive

Karachi: October 00, 2013

# **FINANCIAL STATEMENTS**

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2013**

Note	Unaudited September 30, 2013	Audited June 30, 2013
Rupees in '000		

**ASSETS**

Bank balances	134,573	68,364
Investments	420,572	340,218
Receivable against sale of investment	43,708	10,128
Dividend and Profit receivables	9,473	3,687
Receivable from National Clearing Company of Pakistan Limited	20,652	12,764
Fair value of derivative asset	641	-
Security deposits	4,280	4,284
<b>Total assets</b>	<b>633,899</b>	<b>439,445</b>

**LIABILITIES**

Payable to the Management Company	1,206	1,152
Payable to Central Depository Company of Pakistan Limited - Trustee	59	59
Annual fee payable to Securities and Exchange Commission of Pakistan	136	233
Fair value of derivative liability	-	243
Accrued and other liabilities	7,540	5,078
<b>Total liabilities</b>	<b>8,941</b>	<b>6,765</b>

**NET ASSETS**

	624,958	432,680
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**Unit holders' fund**

	624,958	432,680
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**Number of units**

**NUMBER OF UNITS IN ISSUE**


	8,619,032	5,133,825
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**Rupees**

**NET ASSET VALUE PER UNIT**

	72.51	84.28
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The annexed notes form an integral part of these financial statements.

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

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


  
\_\_\_\_\_  
Director



**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Note	Quarter ended	
		September 30, 2013	September 30, 2012
Rupees in '000			
<b>INCOME</b>			
Capital (loss) /gain on sale of investments		(2,376)	10,931
Dividend income		9,455	1,145
Profit on bank deposits and term deposit receipts		2,234	676
Income from government securities		4,512	2,395
Income from Term Finance Certificates		938	1,058
Other Income		2	-
		<b>14,765</b>	<b>16,205</b>
Net unrealised appreciation / (diminution) in the fair value of future contracts		884	(473)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as ' financial assets at fair value through profit or loss'		<b>(3,144)</b>	1,694
<b>Total Income</b>		<b>12,505</b>	<b>17,426</b>
<b>EXPENSES</b>			
Remuneration of the Management Company		3,253	913
Remuneration of Central Depository Company of Pakistan Limited-Trustee		176	176
Annual fee - Securities and Exchange Commission of Pakistan		136	50
Brokerage and settlement charges		1,302	597
Amortisation of preliminary expenses and floatation costs		-	247
Auditors' remuneration		128	141
Other expenses		173	97
		<b>5,168</b>	<b>2,221</b>
<b>Net Income from operating activities</b>		<b>7,337</b>	<b>15,205</b>
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		2,709	1,470
Provision for Workers' Welfare Fund	5	(201)	
<b>Net Income for the period before taxation</b>		<b>9,845</b>	<b>16,675</b>
Taxation	6		-
<b>Net income for the period after taxation</b>		<b>9,845</b>	<b>16,675</b>
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<b>9,845</b>	<b>16,675</b>
Earnings per unit	7		

The annexed notes form an integral part of these financial statements.

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

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

  
\_\_\_\_\_  
Director


**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended	
	September 30, 2013	September 30, 2012
	Rupees in '000	
Net loss brought forward	(80,704)	(41,637)
<b>Distributions to the unit holders of the Fund:</b>		
Final Distribution at the rate of Rs. 33.6889 per unit declared on 04 July, 2013	-	-
- Cash distribution	(87)	
- Bonus distribution	(66,208)	-
Element of loss and capital losses included in the prices of units issued less those in units redeemed - amount forms part of the unit holders' fund	(99,792)	(50,195)
Total Comprehensive income	9,845	16,675
Undistributed loss carried forward	<u>(236,946)</u>	<u>(75,157)</u>

The annexed notes form an integral part of these financial statements.

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

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

  
\_\_\_\_\_  
Director


**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended	
	September 30, 2013	September 30, 2012
	Rupees in '000	
<b>Net assets at beginning of the period</b>	432,680	100,404
Issue of 3,221,694 (2012: 1,783,059) units	233,616	127,687
Issue of Bonus 927,719 (2012: nil) units	66,208	-
Redemption of 664,206 (2012: 70,621) units	(48,387)	(5,169)
	251,437	122,518
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	(2,709)	(1,470)
- amount representing loss that forms part of unit holders' fund - transferred to distribution statement	99,792	50,195
	97,084	48,725
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	(99,792)	(50,195)
Net unrealised (diminution)/ appreciation on re-measurement of investment classified as ' financial assets at fair value through profit or loss'	(3,144)	1,694
Capital (loss) /gain on sale of investments	(2,376)	10,931
Profit from other operating activities	15,366	4,051
Net profit for the period	9,845	16,675
Final distributions during the period ended June 30, 2013: On July 04, 2013 at Rs 12.9135 per unit		
- Cash distribution	(87)	-
- Bonus distribution	(66,208)	-
	(66,295)	-
<b>Net assets as at the end of the period</b>	624,958	238,127

The annexed notes form an integral part of these financial statements.

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

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

  
\_\_\_\_\_  
Director


**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	Quarter ended	
	September 30, 2013	September 30, 2012
	Rupees in '000	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income for the period before taxation	9,845	16,675
<b>Adjustments for non-cash charges and other items:</b>		
Net unrealised diminution on remeasurement of investment classified as 'financial assets at fair value through profit or loss'	2,260	(1,694)
Amortisation of preliminary expenses and floatation costs	-	247
Element of (income) / loss and capital (gains) / losses included in the prices of units issued less those in units redeemed	(2,709)	(1,470)
	<u>9,396</u>	<u>13,758</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	(83,499)	(45,349)
Receivable against sale of Investment	(33,580)	-
Dividend and profit receivable	(5,786)	(1,821)
Advances, deposits prepayments and other receivable	(7,885)	5,505
	<u>(130,750)</u>	<u>(41,665)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	55	223
Annual fee payable to Securities and Exchange Commission of Pakistan	(97)	(200)
Accrued and other liabilities	2,463	23
	<u>2,421</u>	<u>46</u>
<b>Net cash used in operating activities</b>	<u>(118,932)</u>	<u>(27,861)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipts from issue of units	233,616	127,687
Net payments on redemption of units	(48,387)	(5,169)
Distribution during the period	(87)	-
<b>Net cash generated from financing activities</b>	<u>185,141</u>	<u>122,518</u>
<b>Net increase in cash and cash equivalents</b>	<u>66,209</u>	<u>94,657</u>
<b>Cash and cash equivalents at the beginning of the period</b>	<u>68,364</u>	<u>22,560</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><u>134,573</u></u>	<u><u>117,217</u></u>

The annexed notes form an integral part of these financial statements.

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

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

  
\_\_\_\_\_  
Director

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2013

### 1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Allocation Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non-Banking Finance Companies and Notified Entities Regulations, 2007 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on December 17, 2007. It was constituted under a Trust Deed dated November 22, 2007, between MCB Arif Habib Savings & Investments Limited [(formerly Arif Habib Investments Limited), 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.

- 1.1 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.
- 1.2 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.
- 1.3 The Fund is an asset allocation fund and is allowed to shift total exposure into debt or equity instruments as per market conditions and the discretion of the Management Company. The objective of the Fund is to provide a high return which commensurates the higher risk taken due to pro-active allocation of funds across various asset and debt classes.
- 1.4 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' -positive outlook to the Management Company and a rating of '4-Star' to the Fund.

### 2 Statement of compliance

- 2.1 This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) 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 2013.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information 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.

### 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

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**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, 2013.

	Note	September 30, 2013	June 30, 2013
		Rupees in '000	
<b>4 INVESTMENTS</b>			
<b>Financial assets at fair value through profit or loss</b>			
- Listed equity securities	4.1	65,159	173,961
- Listed Debt securities	4.2	25,366	35,219
- Government Securities	4.3	330,048	131,038
		<u>420,572</u>	<u>340,218</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

4.1 Listed equity securities

Name of investee company	Number of shares					Balance as at September 30, 2013			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, 2013	Purchases during the period	Bonus/ rights issue	Disposed off during the year	As at September 30, 2013	Carrying value	Market value	Appreciation/ (diminution)			
----- (Rupees in '000) -----											
<b>Auto Mobile &amp; Parts</b>											
Pak Suzuki Motors Company Limited	19,000	-	-	-	19,000	2,826	2,660	(166)	0.43%	0.63%	0.02%
						<b>2,826</b>	<b>2,660</b>	<b>(166)</b>	<b>0.43%</b>	<b>0.63%</b>	
<b>Construction &amp; Materials</b>											
Cherat Cement Company Limited	-	70,000	-	70,000	-	-	-	-	-	-	-
D.G Khan Cement Limited	-	465,000	-	360,000	105,000	8,159	7,231	(927)	1.16%	1.72%	0.02%
Fauji Cement Company Limited	384,500	299,500	-	684,000	-	-	-	-	0.00%	0.00%	0.00%
Kohat Cement	123,000	7,000	-	130,000	-	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement	-	275,000	-	275,000	-	-	-	-	0.00%	0.00%	0.00%
Pioneer Cement Limited	-	454,000	-	-	454,000	13,622	12,984	(638)	2.08%	3.09%	0.20%
						<b>21,781</b>	<b>20,216</b>	<b>(1,565)</b>	<b>3.23%</b>	<b>4.81%</b>	
<b>Chemicals</b>											
Engro Corporation Limited	216,500	137,000	-	353,500	-	-	-	-	0.00%	0.00%	0.00%
Fatima Fertilizers Limited	446,500	290,000	-	373,000	363,500	9,263	9,451	188	1.51%	2.25%	0.02%
Fauji Fertilizer Bin Qasim Limited	152,000	131,500	-	283,500	-	-	-	-	0.00%	0.00%	0.00%
Arif Habib corporation	-	1,129,500	-	1,129,500	-	-	-	-	0.00%	0.00%	0.00%
Fauji Fertilizer Company Limited	-	42,000	-	42,000	-	-	-	-	0.00%	0.00%	0.00%
						<b>9,263</b>	<b>9,451</b>	<b>188</b>	<b>1.51%</b>	<b>2.25%</b>	
<b>Banks</b>											
Allied Bank Limited	-	45,500	-	-	45,500	3,381	3,511	130	0.56%	0.83%	0.00%
Askari Bank Limited	15,528	-	-	15,528	-	-	-	-	0.00%	0.00%	0.00%
Bank Al-Falah Limited	410,500	330,000	-	460,500	280,000	6,166	5,863	(303)	0.94%	1.39%	0.02%
Bank Al-Habib Limited	138,000	200,000	-	338,000	-	-	-	-	0.00%	0.00%	0.00%
Meezan Bank Limited	950	-	-	-	950	28	35	8	0.01%	0.01%	0.00%
National Bank of Pakistan	-	590,500	-	590,500	-	-	-	-	0.00%	0.00%	0.00%
United Bank Limited	4,000	94,200	-	98,200	-	-	-	-	0.00%	0.00%	0.00%
						<b>9,574</b>	<b>9,410</b>	<b>(165)</b>	<b>1.51%</b>	<b>2.24%</b>	
<b>Non Life Insurance</b>											
Adamjee Insurance Company Limited	11,500	50,500	-	62,000	-	-	-	-	-	-	-
Pakistan Reinsurance Company Limited	28,500	-	-	28,500	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	0.00%	0.00%	
<b>Personal goods</b>											
Nishat (Chunian) Limited	-	50,000	-	50,000	25,200	-	-	-	0.00%	0.00%	0.00%
Nishat Mills Limited	8,000	85,200	-	68,000	-	2,333	2,335	3	0.37%	0.56%	0.01%
						<b>2,333</b>	<b>2,335</b>	<b>3</b>	<b>0.37%</b>	<b>0.56%</b>	

Unless stated otherwise, the holdings are in ordinary shares having a face value of Rs 10 each

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

Name of investee company	Number of shares				Balance as at September 30, 2013			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, 2013	Purchases during the period	Bonus/ rights issue	Disposed off during the year	As at September 30, 2013	Carrying value	Market value				Appreciation/ (diminution)
<b>Oil and gas</b>											
Attock Petroleum Limited	13,500	62,550	10,570	75,450	11,170	5,163	4,821	(343)	0.77%	1.15%	0.11%
Attock Refinery Limited	23,500	-	-	23,500	-	-	-	-	0.00%	0.00%	0.00%
Oil and Gas Development Company	14,600	48,200	-	62,800	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Oil Fields Limited	15,000	-	-	15,000	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Petroleum Limited	133,000	140,000	-	273,000	-	-	-	-	0.00%	0.00%	0.00%
Pakistan State Oil Company Limited	66,000	225,700	-	280,700	11,000	2,957	2,883	(74)	0.46%	0.69%	0.11%
						<b>8,121</b>	<b>7,704</b>	<b>(417)</b>	<b>1.23%</b>	<b>1.83%</b>	
<b>Food Producer</b>											
Engro Foods Limited	76,000	4,000	-	80,000	-	-	-	-	0.00%	0.00%	0.00%
<b>Electricity</b>											
The Hub Power Company Limited	150,000	511,000	-	451,000	210,000	14,239	13,383	(855)	2.14%	3.18%	0.02%
KOT Addu Power Company Limited	-	548,000	-	548,000	-	-	-	-	0.00%	0.00%	0.00%
<b>Software and Computer Service</b>											
Neisol Technologies Limited	21,500	3,000	-	24,500	-	-	-	-	0.00%	0.00%	0.00%
<b>Fixed Line Telecommunication</b>											
Pakistan Telecommunication Company	257,000	1,304,500	-	1,561,500	-	-	-	-	0.00%	0.00%	0.00%
<b>Total as at 30 september 2013</b>											
						68,136	65,159	(2,978)	10.43%	15.49%	
<b>Total - June 30, 2013</b>						174,109	173,961	(148)	30.22%	38.45%	

**4.1.1** Investments include shares with market value aggregating to 13 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 CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

4.2 Listed Debt Securities

Name of investee company	Number of Certificates				Balance as at September 30, 2013				
	As at July 01, 2013	Purchased during the year	Disposed during the year	As at September 30, 2013	Cost	Market value	Appreciation/ (Diminution)	Market value as a percentage of net assets	Market value as a percentage of total investment
Askari Bank Limited III	2,998	-	-	2,998	15,108	15,140	32	2.42%	3.60%
NIB Bank Limited	2,000	-	2,000	-	-	-	-	0.00%	0.00%
Bank Alfalah Limited-V	2,000	-	-	2,000	10,155	10,226	71	1.64%	2.43%
<b>Total - September 30, 2013</b>					<b>25,263</b>	<b>25,366</b>	<b>103</b>	<b>2.42%</b>	<b>3.60%</b>
<b>Total - June 30, 2013</b>					<b>35,860</b>	<b>35,219</b>	<b>(641)</b>	<b>8.14%</b>	<b>10.36%</b>

----- (Rupees in '000) -----

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

4.3 Investment in government securities - Market Treasury Bills

Name of investee company	Face value				Balance as at September 30, 2013				
	As at July 01, 2013	Purchased during the year	Disposed/Matured during the year	As at September 30, 2013	Cost	Market value	Appreciation/ (Diminution)	Market value as a percentage of net assets	Market value as a percentage of total investment
Treasury bills - 3 months	-	252,400	130,000	252,400	250,116	250,121	5	40.02%	59.47%
Treasury bills - 12 months	85000	130,000	130,000	85,000	80,201	79,927	(274)	12.79%	19.00%
<b>Total - September 30, 2013</b>					<b>330,317</b>	<b>330,048</b>	<b>(269)</b>	<b>52.81%</b>	<b>78.48%</b>
<b>Total - June 30, 2013</b>					<b>78,380</b>	<b>78,571</b>	<b>191</b>	<b>18.16%</b>	<b>23.09%</b>

----- (Rupees in '000) -----

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

4.4 Investment in government securities - Pakistan Investment Bond

Name of investee company	Face value				Balance as at September 30, 2013			Market value as a percentage of total investment
	As at July 01, 2013	Purchased during the year	Disposed/Matured during the year	As at September 30, 2013	Cost	Market value	Appreciation/ (Diminution)	
Pakistan Investment Bond - 3Y	25,000	-	25,000	-	-	-	-	0.00%
Pakistan Investment Bond - 10Y	25,000	-	25,000	-	-	-	-	0.00%
	-	-	-	-	-	-	-	0.00%
<b>Total - September 30, 2013</b>								<b>0.00%</b>
<b>Total - June 30, 2013</b>					<b>51,885</b>	<b>52,467</b>	<b>582</b>	<b>12%</b>

-----Rupees in '000-----

**5 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. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements till the year ended 30 June 2011.

Subsequent to the year ended 30 June 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.

In the view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court, the Management company, as a matter of abundant precaution, has decided to retain the entire the provision for WWF. During the quarter fund charged Rs 0.2009 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.4833 per unit.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

**6 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.

**7 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.

**8 TRANSACTIONS WITH CONNECTED PERSONS**

**8.1** 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.

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

**8.3** Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the the provisions of the NBFC Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively.

**8.4** 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:

	September 30, 2013	September 30, 2012
<b>8.5 Details of the transactions with the connected persons during the period are as follows:</b>		
	<b>Rupees in '000</b>	<b>Rupees in '000</b>
<b>MCB Bank Limited</b>		
- Bank Charges	2	-
- Profit received on saving accounts	508	8
<b>Management Company</b>		
- Remuneration of the Management Company	3,253	913
- Issue of 827,401 units (September 30, 2012: 1,406,839 units)	60,000	103,000
- Issue of bonus 211,148 units (September 30, 2012: Nil units)	15,069	-
<b>Central Depository Company of Pakistan Limited</b>		
- Remuneration of the Trustee	176	176
- CDC settlement charges	34	6
<b>Key management personnel</b>		
- Issued of 251 units (September 30, 2012: nil units)	18	-
<b>Arif Habib Corporation</b>		
- Dividend received	2,824	-
<b>D.G Khan Cement Company Limited</b>		
- Issued of bonus 4,032 units (September 30, 2012: Nil units)	288	-
<b>Next Capital Limited</b>		
- Brokerage *	9	23
<b>Arif Habib Limited</b>		
- Brokerage *	-	30

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2013**

	September 30, 2013	June 30 2013
	Rupees in '000	
<b>8.6 Amount outstanding as at period end</b>		
<b>MCB Bank Limited</b>		
- Bank balances	2,219	10,902
- Profit receivable on saving accounts	108	29
<b>Management Company</b>		
- Remuneration payable to the Management Company	1,206	636
- Sales load payable	1,380	516
- 2,205,468 units held as at September 30, 2013 (June 30, 2013: 1,166,918 units)	159,916	98,348
<b>Central Depository Company of Pakistan Limited</b>		
- Remuneration payable to Trustee	59	59
- Security Deposits	100	100
<b>D.G Khan Cement Company Limited</b>		
- 26,317 units held at September 2013 (June 30, 2013: 22,285)	1,908	1,878
<b>Nishat mills Limited</b>		
- 25,200 shares held by the Fund as at September 30, 2013 (June 30, 2013: 8,000 shares)	2,335	754
<b>Fatima Fertilizer Company Limited</b>		
- 363,500 shares held by the Fund as at September 30, 2013 (June 30, 2013: 446,500 shares)	9,451	11,087
<b>Next Capital Limited</b>		
- Brokerage *	3	5
<b>Arif Habib Limited</b>		
- Brokerage *	2	23

\* 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.

**9 DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorised for issue on **October 23, 2013** by the Board of Directors of the Management Company.

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

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

  
 \_\_\_\_\_  
 Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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