



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.)**

**PAKISTAN
INTERNATIONAL ELEMENT
ISLAMIC ASSET ALLOCATION FUND**

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FUND'S INFORMATION

| | | |
|--|--|---|
| Management Company | MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi | |
| Board of Directors of the Management Company | 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) |
| Audit Committee | Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib | Chairman Member Member |
| Human Resource Committee | Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jehangir Mr. Yasir Qadri | Chairman Member Member Member Member |
| Company Secretary & Chief Operating Officer | Mr. Muhammad Saqib Saleem | |
| Chief Financial Officer | Mr. Umair Ahmed | |
| Trustee | Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400 | |
| Bankers | Habib Metropolitan Bank Limited Standard Chartered Bank (Pakistan) Limited Meezan Bank Limited Deutsche 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 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530 | |
| Transfer Agent | MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi | |
| Rating | AM2 - Management Quality Rating assigned by PACRA | |

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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 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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2013

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.

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

During the period under review, the fund delivered a return of 2.83% as against its benchmark return of 2.59%. On the equities front, the overall allocation decreased to 49.7% as at quarter-end. The fund decreased its exposure significantly in Oil & Gas, and Construction and Material sectors, while increasing its exposure towards Electricity during the quarter.

On the fixed income side, the fund allocation towards GoP Ijarah Sukuk slightly reduced to around 21%. The exposure towards corporate Sukuk, remained nil.

The Net Asset of the Fund as at September 30, 2013 stood at Rs. 240 million as compared to Rs 204 million as at June 30 2013 registering a an increase of 17.65%

The Net Asset Value (NAV) per unit as at September 30, 2013 was Rs. 47.02 as compared to opening NAV of Rs. 45.73 per unit as at June 30, 2013 registering an increase of Re. 1.29 per unit

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 23, 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 | | | |
| Balances with Banks | | 63,581 | 30,227 |
| Receivable against sale of investments | | - | 2,030 |
| Receivable against sale of units | | 118 | 418 |
| Investments | 4 | 175,284 | 173,935 |
| Dividend and profit receivable | | 5,764 | 1,018 |
| Advances and deposits | | 3,198 | 3,198 |
| Total assets | | 247,945 | 210,826 |
| Liabilities | | | |
| Payable to Management Company | | 548 | 568 |
| Payable to Central depository company Limited- Trustee | | 52 | 59 |
| Payable to Securities and Exchange Commission of Pakistan | | 55 | 246 |
| Accrued expenses and other liabilities | | 7,263 | 6,413 |
| Total liabilities | | 7,918 | 7,286 |
| Net assets | | 240,027 | 203,540 |
| Unit holders' funds | | 240,027 | 203,540 |
| (Number of units) | | | |
| Number of units in issue | | 5,105,092 | 3,987,627 |
| (Rupees) | | | |
| Net asset value per unit | | 47.02 | 51.04 |

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



Chief Executive Officer

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



Director

Pakistan International Element Islamic Asset Allocation Fund

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

| | September 30 2013 | September 30 2012 |
|--|----------------------|----------------------|
| | (Rupees in '000) | |
| Income | | |
| Capital gain on sale of investments - net | 3,346 | 9,827 |
| Income from investment in GOP Ijara sukuk | 1,100 | 2,621 |
| Income from investment in Sukuk certificates | 181 | 2 |
| Dividend income | 3,789 | 4,967 |
| Profit on bank deposits | 715 | 11 |
| | <u>9,131</u> | <u>17,428</u> |
| Unrealised appreciation/ (distribution) on investments at fair through profit or loss - net | <u>(2,123)</u> | <u>13,657</u> |
| | 7,008 | 31,085 |
| Expenses | | |
| Remuneration of Management Company | 1,570 | 1,719 |
| Remuneration of Trustee | 171 | 176 |
| Annual fee - Securities and Exchange Commission of Pakistan | 55 | 73 |
| Securities transaction cost | 337 | 312 |
| Settlement and bank charges | 66 | 167 |
| Other expenses | 307 | 225 |
| Provision for non-performing term finance certificates | 77 | 963 |
| | <u>2,583</u> | <u>3,635</u> |
| Net income from operating activities | <u>4,425</u> | <u>27,450</u> |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed | 2,313 | (859) |
| Provision for Workers' Welfare Fund | 5 (137) | - |
| Net income for the period before taxation | <u>6,601</u> | <u>26,591</u> |
| Taxation | 6 - | - |
| Net income for the period after taxation | <u>6,601</u> | <u>26,591</u> |
| OTHER COMPREHENSIVE INCOME | | |
| Other comprehensive income for the year | - | - |
| Total comprehensive income for the period | <u><u>6,601</u></u> | <u><u>26,591</u></u> |
| Earning per Unit (EPU) | 7 | |

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



Chief Executive Officer

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



Director

Pakistan International Element Islamic Asset Allocation Fund

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

| | September 30 2013 | September 30 2012 |
|--|----------------------|----------------------|
| | (Rupees in '000) | |
| Undistributed Gain/ (loss) brought forward | 4,346 | (75,607) |
| Final distribution: | | |
| - Issue of 463,778 bonus units for the year ended 30 th June 2013 @ Rs 5.3174 per unit, 04 July 2013 (2012: NIL bonus units) | (21,203) | - |
| Element of (loss) / income 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 | (4,783) | 3,648 |
| Net income for the period after taxation | 6,601 | 27,554 |
| | (19,385) | 31,202 |
| Undistributed loss carried forward | (15,039) | (44,405) |

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



Chief Executive Officer

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



Director

Pakistan International Element Islamic Asset Allocation Fund

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

| | September 30 2013 | September 30 2012 |
|---|----------------------|----------------------|
| | (Rupees in '000) | |
| Net assets at the beginning of the period | 203,540 | 294,063 |
| Issue of 980,335 units (2012: 25,276 units) | 48,140 | 1,071 |
| Issue of 463,778 bonus units (2012: Nil Units) | 21,203 | - |
| Redemption of 326,648 units (2012: 379,995 units) | (15,941) | (16,021) |
| | 53,402 | (14,950) |
| 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 | (2,313) | 859 |
| - amount representing (loss) / income that form part of unit holders' fund - transferred to distribution statement | 4,783 | (3,648) |
| | 2,470 | (2,789) |
| Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income | (4,783) | 3,648 |
| Capital gain / (loss) on sale of investments - net | 3,346 | 9,827 |
| Net unrealised (diminution) / appreciation on investments | (2,123) | 13,657 |
| Other operating income for the period | 5,378 | 4,070 |
| | 6,601 | 27,554 |
| Final distribution: | | |
| - Issue of 463,774 bonus units for the year ended 30 th June 2013 @ Rs 5.3174 per unit, 04 July 2013 (2012: NIL bonus units) | (21,203) | - |
| Net assets at the end of the period | <u>240,027</u> | <u>307,526</u> |

The annexed notes from 1 to 10 form an integral part of these condensed financial statements.



Chief Executive Officer

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




Director

Pakistan International Element Islamic Asset Allocation Fund

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

| | September 30 2013 | September 30 2012 |
|---|----------------------|----------------------|
| | (Rupees in '000) | |
| CASH FLOW FROM OPERATING ACTIVITIES | | |
| Net income for the period | 6,601 | 27,554 |
| Adjustments | | |
| Unrealised (appreciation)/ diminution in the value of investments at fair value through profit or loss - net | 2,123 | (13,657) |
| Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed | (2,313) | 859 |
| Amortisation of preliminary expenses and floatation costs | - | - |
| | 6,411 | 14,756 |
| (Increase) / decrease in assets | | |
| Receivable against sale of investments | 2,030 | (4,084) |
| Investments | (3,472) | (28,960) |
| Profit receivable | (4,746) | (6,930) |
| Advances, deposits, prepayments and other receivables | - | (50) |
| | (6,188) | (400,24) |
| Increase / (decrease) in liabilities | | |
| Payable to Management Company | 20 | (21) |
| Payable to Trustee | (7) | 1 |
| Payable to Securities and Exchange Commission of Pakistan - Annual Fee | (191) | (217) |
| Payable against purchase of Investments | - | (11,826) |
| Accrued expenses and other liabilities | 850 | (120) |
| | 632 | (12,183) |
| Net cash flow from operating activities | 855 | (37,451) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net (payments)/ receipts from net sales and redemption | 32,499 | (13,950) |
| Net Increase/ (decrease) in cash and cash equivalents during the period | 33,354 | (51,401) |
| Cash and cash equivalents at the beginning of the period | 30,227 | 56,479 |
| Cash and cash equivalents at the end of the period | 63,581 | 5,076 |

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



Chief Executive Officer

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



Director

Pakistan International Element Islamic Asset Allocation Fund

**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

The Pakistan International Element Islamic Asset Allocation Fund (formerly Pakistan International Element Islamic Fund) ("the Fund") was established under a Trust Deed executed between MCB Arif Habib Savings and Investments Limited [(Formerly: Arif Habib Investments Limited)] (Pursuant to merger of Arif Habib Savings and Investments Limited with in to Arif Habib Investments Limited) as a 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). The name of the Fund was changed via fourth supplemental Trust Deed dated 11 May 2011 and it was categorized as Shariah Compliant Asset Allocation Scheme.

The Management Company of the Fund has been licensed to act as an 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, 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 Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' (Positive Outlook) to the Management Company and 3 star / 2 star rating to the Fund.

2. BASIS OF PREPARATION

The transactions undertaken by the Fund are in accordance with the process prescribed under the Shariah guidelines issued by the Shariah Advisory Board.

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 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.

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

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 published financial statements of the Fund for the year ended 30th June 2013

| | Note | Unaudited 30 September 2013 | Audited 30 June 2013 |
|---|------|--|----------------------------|
| 4 INVESTMENTS - 'AT FAIR VALUE THROUGH PROFIT OR LOSS' | | (Rupees '000) | |
| At fair value through profit or loss | | | |
| Listed Equity Securities | 4.1 | 123,124 | 127,357 |
| Unlisted Sukuk Bonds | 4.2 | - | - |
| Government Ijara Sukuk | 4.3 | 52,160 | 46,578 |
| | | <u>175,284</u> | <u>173,935</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 the Investee Company | Number of shares | | | | Balance as at 30 September 2013 | | | Market value as percentage of net assets | Market value as percentage of total investments | Par value as percentage of issued capital of investee |
|---|---------------------|-----------------------------|---------------------|-------------------------|---------------------------------|----------------|----------------|--|---|---|
| | As at 1st July 2013 | Purchases during the period | Bonus / Right issue | Sales during the period | As at 30 September 2013 | Cost | Market Value | | | |
| SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise | | | | | | | | | | |
| Oil and Gas | | | | | | | | | | |
| Pakistan Oilfields Limited | 30,111 | - | - | 30,100 | 11 | 5 | 5 | 0.00 | 0.00 | 0.00 |
| Pakistan Petroleum Limited | 85,225 | 15,600 | 19,165 | 33,500 | 86,490 | 15,625 | 16,485 | 6.87 | 9.40 | 0.01 |
| Pakistan State Oil Company | 21,600 | 27,000 | - | - | 48,600 | 15,320 | 12,738 | (2,582) | 5.31 | 7.27 |
| Attock Petroleum | - | 20,800 | 4,160 | 8,300 | 16,660 | 8,191 | 7,190 | (1,001) | 3.00 | 4.10 |
| Oil and Gas Development Company Limited | 50,000 | 18,000 | - | 67,500 | 500 | 115 | 118 | 0.05 | 0.07 | 0.00 |
| Shell Pakistan Limited | 4,000 | - | - | 4,000 | - | - | - | - | - | - |
| | | | | | | 39,257 | 36,535 | | | (2,722) |
| Chemicals | | | | | | | | | | |
| Fauji Fertilizer Bin Qasim Limited. | 149,000 | - | - | 40,000 | 109,000 | 4,092 | 4,098 | 7 | 1.71 | 2.34 |
| Fauji Fertilizer Company Limited | - | 40,000 | - | 40,000 | - | - | - | - | - | - |
| Sitara Chemical Industries Limited. | 400 | - | - | - | 400 | 80 | 89 | 9 | 0.04 | 0.05 |
| | | | | | | 4,172 | 4,187 | 15 | | |
| Construction and Materials | | | | | | | | | | |
| Attock Cement Pakistan Limited | 105 | - | 15 | - | 120 | 14 | 16 | 2 | 0.01 | 0.00 |
| Cherat Cement Company Limited. | 153,000 | 16,000 | - | 25,500 | 143,500 | 8,538 | 7,098 | (1,440) | 2.96 | 4.05 |
| D. G. Khan Cement | 78,500 | 97,500 | - | 78,500 | 97,500 | 7,514 | 6,715 | (800) | 2.80 | 3.83 |
| Fecto Cement | 77,000 | - | - | - | 77,000 | 3,697 | 2,999 | (698) | 1.25 | 1.71 |
| Kohat cement | 93,500 | 35,500 | - | 41,575 | 129,000 | 11,352 | 11,942 | 590 | 4.98 | 6.81 |
| Lucky Cement | 41,575 | - | - | - | - | - | - | - | - | - |
| Maple Leaf Cement | - | 200,000 | - | - | 200,000 | 4,668 | 4,276 | (392) | 1.78 | 2.44 |
| | | | | | | 35,783 | 33,045 | (2,738) | | |
| Industrial Engineering | | | | | | | | | | |
| Millat Tractors Limited | 5 | - | - | - | 5 | 3 | 2 | (0) | 0.00 | 0.00 |
| | | | | | | 3 | 2 | (0) | | |
| Automobile and Parts | | | | | | | | | | |
| Pak Suzuki Motor Company Limited. | 18,000 | - | - | - | 18,000 | 2,677 | 2,520 | (157) | 1.05 | 1.44 |
| | | | | | | 2,677 | 2,520 | (157) | | |
| Household Goods | | | | | | | | | | |
| Tanq Glass Industries | - | 179,000 | - | 179,000 | - | - | - | - | - | - |
| | | | | | | | | | | |
| Personal Goods | | | | | | | | | | |
| Nislat Mills Limited. | 59,500 | - | - | 59,500 | - | - | - | - | - | - |
| | | | | | | | | | | |
| Fixed Line Telecommunication | | | | | | | | | | |
| Pakistan Telecommunication Company Ltd. "A" | - | 500,000 | - | 305,000 | 195,000 | 4,915 | 5,101 | 186 | 2.13 | 2.91 |
| | | | | | | 4,915 | 5,101 | 186 | | |
| Electricity | | | | | | | | | | |
| Hub Power Company Limited. | 224,244 | 155,000 | - | - | 379,244 | 24,484 | 24,169 | (315) | 10.07 | 13.79 |
| Kot Adda Power Company Limited. | - | 227,000 | - | 186,500 | 40,500 | 2,364 | 2,583 | 219 | 1.08 | 1.47 |
| | | | | | | 26,847 | 26,752 | (95) | | |
| Banks | | | | | | | | | | |
| Meezan Bank Limited | 403,707 | - | - | - | 403,707 | 11,708 | 14,982 | 3,274 | 6.24 | 8.55 |
| | | | | | | 11,708 | 14,982 | 3,274 | | |
| TOTAL - September 30, 2013 | | | | | | 125,361 | 123,124 | (2,237) | | |
| June 30, 2013 | | | | | | 103,682 | 127,357 | 23,675 | | |

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

Unaudited 30 September 2013 **Unaudited 30 June 2013**
(Rupees '000)

4.2 Sukuk Certificates -Unlisted

| | | |
|-------|--------------|--------------|
| 4.2.1 | 6,119 | 6,042 |
| | 6,042 | 1,465 |
| | 77 | 4,577 |
| | 6,119 | 6,042 |
| | - | - |

Less:
Provision charged during the period
Charges during the year

4.2.1 Investment in unlisted sukuk bonds in Pakistan

| Name of the Investee Company | As at 30 July 01, 2013 | Number of certificates | | | Balance as at 30 September 2013 | | | Outstanding principle value as a percentage of issued debt capital |
|---|------------------------|-----------------------------|-------------------------|-------------------------|---------------------------------|-----------------------------|--|--|
| | | Purchases during the period | Sales during the period | As at 30 September 2013 | Market value | Appreciation / (diminution) | Market value as percentage of net assets | |
| Pak Elektron Limited (28 September 2007) (a) | 3,000 | - | - | 3,000 | 6,042 | 77 | 2.55 | 3.52 |
| TOTAL - September 30, 2013 | | | | | 6,042 | 77 | | 1.25 |
| June 30, 2013 | | | | | 6,042 | - | | |

Unlisted Sukuk bonds of Rs 5,000 unless stated otherwise

(a) This unlisted sukuk bond carry floating profit rates equal to 3 month ask side Karachi inter bank offer rate plus 1.75% per annum receivable quarterly with no floor or cap. These sukuk bonds are secured against floating charge on all of the issuer's present and future fixed assets.

Note

4.2 Investment in GOP Ijara Pakistan

| Name of the Investee Company | As at 30 July 01, 2013 | Face Value | | | Balance as at 30 September 2013 | | | Market value as percentage of net total investment |
|-----------------------------------|------------------------|-----------------------------|-------------------------|-------------------------|---------------------------------|--------------|-----------------------------|--|
| | | Purchases during the period | Sales during the period | As at 30 September 2013 | Cost | Market value | Appreciation / (diminution) | |
| 16-May-11 | 10,000 | 37,000 | - | 47,000 | 47,116 | 40 | 19.65 | 27.11 |
| 15-Nov-10 | 36,500 | - | 31,500 | 5,000 | 5,008 | (4) | 2.08 | 2.88 |
| TOTAL - September 30, 2012 | | | | | 52,124 | 36 | | |
| June 30, 2013 | | | | | 46,527 | 51 | | |

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

5 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. Arif Habib 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, 2012, 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 |
|--------------------------------------|----------------------|--------------------------------------|----------------|-------------------------------------|--------------------------|----------------------------|
| Unlisted debt securities | Pak Elektron Limited | 5,965 | 5,965 | - | 0.00% | 0.00% |

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.

6 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.

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 provision for WWF. The aggregate amount of WWF charged as on September 30,2013 is Rs.4.544 m.If the same were not made the NAV of the fund would have been higher by Rs.0.89 per unit

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

7 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.

8 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

9 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 Rules 2003, the NBFC Regulations 2008 and Trust Deed respectively

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 |
| | | 2013 | 2012 |
| | | (Rupees in '000) | |
| 9.1 | Amount of transactions during the period | | |
| | <i>Management Company</i> | | |
| | Remuneration for the period | <u>1,570</u> | <u>1,719</u> |
| | Arif Habib Limited - Brokerage House | | |
| | Brokerage* | <u>9</u> | <u>24</u> |
| | Next capital Limited - Brokerage House | | |
| | Brokerage* | <u>2</u> | <u>8</u> |
| | Central Depository Company Limited - Trustee | | |
| | Remuneration for the period | <u>171</u> | <u>176</u> |
| | CDS Charges | <u>2</u> | <u>5</u> |

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

| | | Unaudited | |
|---|--|-------------------------|---------------------|
| | | September 30 | September 30 |
| | | 2013 | 2012 |
| | | (Rupees in '000) | |
| Directors and Officers | | | |
| | 24,651 units (2012: 2,220 units) issued during the period | <u>1,202</u> | <u>90</u> |
| | 6,837 bonus units (2012: Nil units) issued during the period | <u>321</u> | <u>-</u> |
| | 31,359 units (2012: 1,235 units) redeemed during the period | <u>1,547</u> | <u>54</u> |
| The Bank of Punjab | | | |
| | Nil units (2012: 3,209 units) issued during the period | <u>-</u> | <u>136</u> |
| | Nil units (2012: 9,774 units) redeemed during the period | <u>-</u> | <u>422</u> |
| D.G Khan Cement Company Limited | | | |
| | 8,536 bonus units (2012: Nil units) issued during the period | <u>390</u> | <u>-</u> |
| Adamjee Life Assurance Company Limited | | | |
| | 2,617 bonus units (2012: Nil units) issued during the period | <u>120</u> | <u>-</u> |
| | 25,128 units (2012: Nil units) redeemed during the period | <u>1,233</u> | <u>54</u> |
| 9.2 | Amounts outstanding as at the period / year end | Unaudited | Audited |
| | | September 30 | June 30 |
| | | 2013 | 2013 |
| | | (Rupees '000) | |
| | Management Company | | |
| | Remuneration payable | 548 | 419 |
| | Front-end load payable | 2 | 149 |
| | Central Depository Company of Pakistan Limited - Trustee | | |
| | Remuneration payable | 52 | 59 |
| | Security deposit (assets) | 200 | 200 |
| | Key management personnel | | |
| | 22,890 units held (2013: 22,762) | <u>1,076</u> | <u>1,157</u> |
| | D.G Khan Cement Company of Pakistan Limited Employees Provident Trust | | |
| | 81,940 Units held (2013: 73,403) | <u>3,852</u> | <u>3,747</u> |
| | D.G Khan Cement Company Limited | | |
| | 97,500 shares held (2013: 78,500) | <u>7,514</u> | <u>6,570</u> |

* 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.

10 DATE OF AUTHORISATION FOR ISSUE

These condensed financial statements were authorised for issue on 23 October 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**

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(formerly: Arif Habib Investments Limited)

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