



Bachat ka Doosra Naam

Quarterly Report
September 30, 2014
(Unaudited)



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

**PAKISTAN
STRATEGIC ALLOCATION FUND**

CONTENTS

Fund's Information	133
Report of the Directors of the Management Company	134
Condensed Interim Statement of Assets and Liabilities	136
Condensed Interim Income Statement (Un-audited)	137
Condensed Interim Distribution Statement (Un-audited)	138
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	139
Condensed Interim Cash Flow Statement (Un-audited)	140
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	141

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief 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	MCB Bank Limited Summit Bank Limited Habib Metropolitan Bank Limited United Bank Limited Standard Chartered Bank (Pakistan) Limited	
Auditors	Ernst & Young Ford Rhodes Sidhat Hyder, Progressive Plaza, Beaumont Road, P.O Box 15541 Karachi, Sindh 75530, Pakistan	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
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 THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Strategic Allocation Fund's** accounts review for the first quarter ended September 30th 2014.

EQUITIES MARKET OVERVIEW

Local stock market remained volatile in the wake of growing apprehension on the political front during the first quarter of the current fiscal year. The index posted a return of 2.2 percent and 4.1 percent during July and September, respectively, but on account of poor performance in August the benchmark index recorded a total gain of 0.25 percent during the 1QFY15, with KSE-100 index closing at 29,726.39 at the end of the quarter.

Demonstrations and sit-ins across the country took its toll on the stock market's performance during August, but the gradual drop in political temperature in September helped in restoring confidence over the continuity of the current democratic system.

Local investors' interest remained subdued. This can be gauged from the fact that the average turnover stood at 131 million shares during 1QFY15 as opposed to the average turnover of 236 million shares during 2HFY14. Although local investors took a cautious stance and preferred to remain on the sideline, foreign investors remained upbeat on the market and remained net buyer with a cumulative net inflow of US\$ 165.77 million during the period under review.

Auto sector and small capital stocks stayed in the limelight, while performance of Oil and Gas, Cement, and Banks remained unimpressive.

FUND PERFORMANCE

During the period, PSAF outperformed KSE100 index by delivering 2.69% return as compared to KSE100 index return of 0.25%. Overall equity exposure of the fund was increased from 70.6% to 75.8% at the end of the quarter. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the quarter fund realigned its sector exposure by reducing allocation in Oil & Gas and Electricity while increasing its allocations Construction & Materials, Commercial Banks and Chemicals sectors.

The Net Assets of the Fund as at September 30, 2014 stood at Rs. 366 million as compared to Rs 358 million as at June 30, 2014 registering an increase of 2.2%.

The Net Asset Value (NAV) per unit as at September 30, 2014 was Rs. 9.91 as compared to opening NAV of Rs. 9.65 per unit as at June 30, 2014 registering a decrease of Rs. 0.26 per unit.

FUTURE OUTLOOK

The country's import bill is likely to ease off after a lag of few months on the account of lower oil prices. Conversely, weak cotton prices might annul the benefit arising from lower oil prices on the country's trade balance. Although the government is eyeing increase in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on the country's political condition.

In the near-term, realization of expected inflows-through divestment of shares of OGDCL and HBL and issuance of dollar-denominated Sukuks would be crucial.

We believe that the sustainability of external account, in the presence of subdued inflationary pressures, would be a key factor in shaping up interest rate direction. Lower commodity price, in the presences of stable local currency and higher base effect, is likely to keep inflationary pressure on the lower side during the year.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

With the market expecting interest rates to remain stable and oil prices lower, profitability of power intensive companies such as: Textile and Cement are expected to improve. On the contrary, lower oil prices bode ill for Exploration and Production and Oil Marketing Companies.


In the face of stable fundamentals and better expectation of financial results of manufacturing companies, we expect the bourse to remain range bound in short term amid lack of clarity on the future of the current government.

Above all, the equity market will continue to attract foreign investors owing to divestment of the government's holding in the listed companies and increase in the country's weight in MSCI FM Index.

ACKNOWLEDGMENT

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

On behalf of Directors,



Yasir Qadri

Chief Executive Officer

Dated: October 20, 2014

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2014**

ASSETS	Note	Un-Audited September 30 2014	Audited June 30 2014
(Rupees in '000)			
Balances with banks		76,925	99,647
Investments	4	288,850	277,307
Receivable against sale of investments		14,563	12,401
Advance against IPO subscription of Equity security		15,295	-
Dividend and profit receivable		2,871	618
Security deposit and Advances		2,971	2,971
Total Assets		401,475	392,944
LIABILITIES			
Payable to Management Company		789	717
Payable to Central Depository Company of Pakistan Limited - Trustee		62	59
Payable to Securities and Exchange Commission of Pakistan		88	330
Payable against purchase of investments		3,106	-
Unclaimed dividend		12,400	12,400
Accrued expenses and other liabilities	5	19,399	21,497
Total Liabilities		35,844	35,003
NET ASSETS		365,631	357,941
Unit holders' fund □		365,631	357,941
(Number of Units)			
Number of units		36,879,973	37,107,015
Net assets value per unit (Face Value per unit Rs 10/- each)		9.91	9.65

The annexed notes form an integral part of these 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, 2014

	Note	September 30, 2014	September 30, 2013
(Rupees in '000)			
Income			
Capital gain on sale of investments - net		7,388	18,715
Income from government securities		293	1,157
Dividend income		3,006	4,405
Profit on bank deposits		2,053	1,022
		12,740	25,299
Unrealised appreciation / (diminution) on revaluation of investments Element of income/(loss) and capital gains/(losses) included in		1,294	(3,038)
Total income		14,034	22,261
Operating expenses			
Remuneration of the Management Company		1,859	1,672
Sales tax and Federal Excise Duty on Remuneration of Management Company		620	578
Remuneration of Central Depository Company of Pakistan Limited - Trustee		186	176
Annual fee - Securities and Exchange Commission of Pakistan		88	79
Securities transaction cost		485	581
Custody, settlement and bank charges		93	63
Fees and subscription		51	59
Printing and related cost		22	57
Auditors' remuneration		111	134
Total operating expenses		3,515	3,399
Net income from operating activities		10,519	18,861
Element of (loss) and capital (losses) included in prices of units sold less those in redeemed		(533)	(127)
Provision for Workers' Welfare Fund	5.1	(200)	(375)
Net income for the period before taxation		9,786	18,360
Taxation	6	-	-
Net income for the period after taxation		9,786	18,360
OTHER COMPREHENSIVE INCOME FOR THE PERIOD			
Unrealised appreciation in value of investments Classified as "availalabe for sale"		18	-
Total comprehensive income for the period		9,804	18,360
Earning per unit	7		

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

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


Chief Executive Officer


Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
Undistributed Accumulated (loss) / Income brought forward	(13,245)	36,215
Distribution to the unit holders of the fund ;		
Final Distribution for the year ended June 30, 2013 distributed at Rs. 2.0427 per unit (Declared on July 04, 2013)		
- Bonus Units	-	(54,580)
Element of income/(loss) and capital gains/(losses) included in prices of units sold less those in units redeemed - amount - amount representing unrealised capital gains / (losses) and capital (losses)/gain that forms part of the unit holders' fund transferred to distribution statement	270	(3,756)
Total comprehensive income for the period	9,804	18,360
Accumulated (loss) carried forward	<u>(3,171)</u>	<u>(3,761)</u>

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

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



Chief Executive Officer



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
Net assets at beginning of the period	357,941	305,785
Issue of 3,233,915 units (2013 : 486,791 units)	31,548	4,995
Issue of bonus Nil units (2013: 5,856,222 units)	-	54,580
Redemption of 3,460,957 units (2013: 819,274 units)	(34,195)	(8,221)
	<u>(2,647)</u>	<u>51,354</u>
	355,294	357,139
Element of income/(loss) and capital gains/(losses) included in in prices of units issued less those in units redeemed :		
- amount representing unrealised loss and capital losses - transferred to income statement	533	127
- amount representing unrealised capital (gains) / losses and capital (gains) / losses that forms part of the unit holders' fund transferred to distribution statement	(270)	3,756
	263	3,883
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing unrealised capital gains / (losses) and capital gains / (losses) that forms part of	270	(3,756)
Capital gain on sale of investments	7,388	18,715
Unrealised appreciation/(diminution) in value of investments at fair value through profit or loss - net	1,294	(3,038)
Other net income for the period	1,122	2,684
	9,804	18,360
Final distribution for the year ended June 30, 2013 distributed at Rs. 2.0427 per unit - Bonus Units	-	(54,580)
Net assets at end of the period	<u>365,631</u>	<u>321,047</u>

The annexed notes from an integral part of these 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, 2014**

September 30, September 30,
2014 2013
(Rupees in '000)

CASH FLOW FROM OPERATING ACTIVITIES

Net income for the period before taxation	9,786	18,360
Adjustments for:		
Element of loss and capital gains / (losses) included in prices of units issued less those in units redeemed	533	127
Unrealised (diminution)/appreciation in value of investments classified as 'at fair value through profit and loss'	(1,294)	3,038
	9,025	21,526

(Increase) / decrease in assets

Receivable against sale of investments	(2,162)	400
Advance against IPO subscription of Equity security	(15,295)	-
Investments - net	(10,231)	(23,181)
Dividend and profit receivable	(2,253)	(3,657)
	(29,941)	(26,438)

Increase / (decrease) in liabilities

Payable against purchase of investments	3,106	-
Payable to Management Company	72	67
Payable to Central Depository Company of Pakistan Limited - Trustee	3	-
Payable to Securities and Exchange Commission of Pakistan	(242)	(232)
Unclaimed dividend	-	1
Accrued expenses and other liabilities	(2,098)	27,270
	841	27,106
Net cash (used in)/generated from operating activities	(20,075)	22,193

CASH FLOW FROM FINANCING ACTIVITIES

Cash received from units sold	31,548	4,995
Cash paid on units redeemed	(34,195)	(8,221)
Net cash used in financing activities	(2,647)	(3,226)
Net (decrease)/increase in cash and cash equivalent	(22,722)	18,967
Cash and cash equivalent at beginning of the period	99,647	21,834
Cash and cash equivalent at end of the period	76,925	40,801

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

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



Chief Executive Officer



Director

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Strategic Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investment Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004.

Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.

Formation of the Fund as a closed-end fund was authorized by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

"The Fund is categorised as ""equity scheme"" and is listed on the Karachi Stock Exchange. 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 primarily invests in listed equity securities. It also invest in cash instruments and treasury bills not exceeding 90 days maturities.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2' dated April 10, 2014 to the Management Company and 1-Star Short term and 2-Star Long Term to the Fund dated December 18, 2013.

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 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 2014.

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 financial information are unaudited. The Directors of the asset management company declare that this condensed.

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 2014 have been extracted from the audited financial statements of the Fund for the year ended

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

30 June 2014, 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 2013.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the period ended June 30, 2014.

			Un-Audited September 2014	Audited June 2014
			(Rupees in '000)	
4 INVESTMENTS	<i>Note</i>			
At fair value through profit or loss				
Listed equity securities	4.1		288,625	277,100
			288,625	277,100
Available for Sale				
Listed equity securities	4.2		225	207
			288,850	277,307
			288,850	277,307

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

4.1 Listed equity securities 'at fair value through profit or loss'

Name of the Investee Company	Number of shares				Balance as at Sept. 30, 2014				Market value as % of total investments	Market value as % of net assets	Appreciation / (Diminution)	Paid up value of shares as % of total paid up capital of the investee company
	As at July 1, 2014	Purchases during the period	Bonus/Right issue	Sales during the period	As at Sept 30, 2014	Carrying Value	Market Value	Appreciation / (Diminution)				
SHARES OF LISTED COMPANIES - Fully paid ordinary shares of Rs. 10 each unless stated otherwise												
-----Rupees in '000'-----												
OIL AND GAS												
Attock Petroleum Limited	1,880	14,717	-	1,700	14,897	8,301	8,084	(217)	2.21	2.80	0.97	
National Refinery Limited	7,000	2,800	-	-	9,800	2,046	1,902	(144)	0.52	0.66	0.24	
Oil and Gas Development Company Limited	108,976	-	-	15,900	93,076	24,319	22,995	(1,324)	6.29	7.96	0.05	
Pakistan Oilfields Limited	23,403	1,650	-	2,300	22,753	12,930	12,092	(838)	3.31	4.19	0.51	
Pakistan Petroleum Limited	82,557	9,400	-	700	91,257	20,395	20,629	234	5.64	7.14	0.10	
Pakistan State Oil Company Limited	61,993	23,250	-	40,000	45,243	17,358	16,308	(1,050)	4.46	5.65	0.66	
					85,349	82,009	(3,339)					
CHEMICALS												
Engro Fertilizer Limited	13,750	56,000	-	19,500	50,250	2,728	2,694	(34)	0.74	0.93	0.05	
Engro Corporation Limited	76,300	1,100	-	-	77,400	12,517	12,782	265	3.50	4.43	0.06	
Fatima Fertilizer Company	388,200	113,900	-	388,200	113,900	3,038	3,236	198	0.89	1.12	0.03	
Fauji Fertilizer Bin Qasim Ltd	79,400	-	-	42,046	37,354	1,486	1,502	16	0.41	0.52	0.01	
Fauji Fertilizer Company Ltd	21,300	153,200	-	6,500	168,000	19,046	19,058	12	5.21	6.60	-	
					38,815	39,272	457					
CONSTRUCTION AND MATERIALS												
Cherat Cement	93,830	85,400	-	93,830	85,400	4,482	4,473	(9)	1.22	1.55	0.47	
D.G. Khan Cement	69,100	70,500	-	-	139,600	12,183	11,126	(1,057)	3.04	3.85	0.25	
Fauji Cement Co. Ltd	-	319,000	-	-	319,000	6,000	6,217	217	1.70	2.15	0.48	
Kohat Cement Ltd	23,188	16,500	-	23,400	16,288	1,814	1,969	155	0.54	0.68	0.06	
Lucky Cement	3,019	45,600	-	7,100	41,519	16,538	16,674	136	4.56	5.77	0.32	
Maple Leaf Cement Factory Ltd	647,500	136,000	-	192,000	591,500	17,018	16,083	(935)	4.40	5.57	-	
					58,035	56,542	(791)					
AUTOMOBILES AND PARTS												
Pak Suzuki Motor Co	400	10,900	-	1,300	10,000	2,432	2,843	411	0.78	0.98	-	
						2,432	2,843	411				
ENGINEERING												
Millat Tractors Limited	-	10,000	-	-	10,000	5,400	5,532	132	1.51	1.92	-	
						5,400	5,532	132				
GENERAL INDUSTRIALS												
Packages Limited	9,200	500	-	9,200	500	236	307	71	0.02	0.03	0.00	
						236	307	71				
FOOD PRODUCERS												
Engro Foods Limited	72,800	73,900	-	145,800	900	87	91	4	0.02	0.03	0.00	
						87	91	4				
PERSONAL GOODS												
Nishat Mills Limited	8,800	44,000	-	1,100	51,700	4,407	5,105	698	1.40	1.77	0.15	
						4,407	5,105	698				
FIXED LINE TELECOMMUNICATION												
Pak Telecommunication Company Limited	117	71,500	-	-	71,617	1,685	1,669	(16)	0.46	0.58	0.00	
						1,685	1,669	(16)				

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

Name of the Investee Company	Number of shares							Balance as at Sept 30, 2014			
	As at July 1, 2014	Purchases during the period	Bonus/Right issue	Sales during the period	As at Sept 30, 2014	Carrying Value	Market Value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments	Paid up value of shares as % of total paid up capital of the investee company
-----Rupees in '000'-----											
ELECTRICITY											
Hub Power Company Limited	548,871	-	-	548,239	632	37	40	3	0.01	0.01	0.00
Kot Addu Power Company Limited	302,000	4,000	-	205,693	100,307	5,921	6,449	528	1.76	2.23	0.07
Nishat Power Limited	91,100	49,000	-	140,017	83	3	3	-	0.00	0.00	0.00
Pakgen Power Limited	-	-	-	-	-	-	-	-	-	-	-
						5,961	6,492	672			
BANKS											
Allied Bank Limited	-	5,300	-	-	5,300	589	599	10	0.16	0.21	0.01
Bank Al Falah Limited	414,585	151,000	-	6,000	559,585	15,172	15,881	709	4.34	5.50	0.12
Bank Al Habib Limited	45,150	172,000	-	36	217,114	9,592	9,829	237	2.69	3.40	0.10
Habib Bank Limited	-	200	-	-	200	39	42	3	0.01	0.01	0.00
Meb Bank Limited	36,130	19,500	-	2,600	53,030	15,663	14,985	(678)	4.10	5.19	0.15
Meezan Bank Limited	-	-	-	-	-	-	-	-	-	-	-
National Bank Of Pakistan Limited	33,705	226,900	-	9,899	250,706	14,036	15,168	1,132	4.15	5.25	0.12
United Bank Limited	138,118	-	-	18,400	119,718	20,180	22,548	2,368	-	-	-
						75,271	79,051	3,781			
NON LIFE INSURANCE											
Pakistan Reinsurance Company Limited	248,100	135,000	-	-	383,100	9,652	9,712	60	2.66	3.36	0.32
						9,652	9,712	60			
Total as at September 30, 2014						287,330	288,625	2,140			
Total as at June 30, 2014						267,239	277,100	9,861			

4.1.1 Investments as at 30 September 2014 include shares with market value of Rs. 28.195 million (2014: Rs. 17.62 million) 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.

4.2 Listed equity securities at 'Available for Sale'

Name of the Investee Company	Number of shares							Balance as at Sept 30, 2014			
	As at July 1, 2014	Purchases during the period	Bonus/Right issue	Sales during the period	As at Sept 30, 2014	Carrying Value	Market Value	Appreciation / (Diminution)	Market value as % of net assets	Market value as % of total investments	Paid up value of shares as % of total paid up capital of the investee company
ELECTRICITY											
Kot Addu Power Company Limited	3,500	-	-	-	3,500	204	225	21	0	0.08	0.00
						204	225	21			
Total as at June 30, 2014						205	207	2			

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

		Unaudited September 30, 2014	Audited June 30, 2014
(Rupees in '000)			
5 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for workers' welfare fund	5.1	14,650	14,451
Federal excise duty payable on management fee	5.2	1,689	1,347
Auditors' remuneration		396	338
Brokerage		168	182
Conversion cost payable		2,083	3,603
Others		413	1,576
		19,399	21,497

5.1 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) I mutual funds whose income exceeds Rs.0.5 million in a tax year have been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honorable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

However in 2013, the Larger Bench of the SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

As the matter relating to levy of WWF on CISs is currently pending in the SHC, the Management Company has decided to retain and continue with the provision for WWF in its books of account and these financial statement which aggregate to Rs. 14.65 million as at September 30, 2014. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re. 0.40 per unit.

5.2 FEDERAL EXCISE DUTY ON REMUNERATION OF MANAGEMENT COMPANY

The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies .In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment . The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this financial information aggregating to Rs. 1.689 million as at 30 September 2014. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re. 0.05 per unit as at 30 September 2014.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

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.

7 EARNINGS 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.

8 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 and other associated undertaking

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

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

8.1 Transactions during the period with connected persons / related parties

	Un-Audited September 30	
	2014	2013
	(Rupees in '000)	
MCB - Arif Habib Savings & Investments Limited		
Remuneration of management company including indirect taxes	2,479	2,249
Central Depository Company of Pakistan Limited - Trustee		
Remuneration for the period	186	176
CDC charges	21	63
Arif Habib Limited - Brokerage house		
Brokerage Expense	101	-
MCB Bank Limited		
Profit on bank deposit accounts	1,746	-
Bank Charges	5	1
Dividend Income	186	
Dewan Salman Fibre Limited		
Issue of bonus Nil units (2013: 558,012 units)	-	5,201
Directors and executives of the Management Company		
Redemption of Nil units (2013 : Nil units)	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Un-Audited	Audited
	September 30,	June 30,
	2014	2014
	(Rupees in '000)	
8.2 Balance outstanding as at the period end		
MCB - Arif Habib Savings & Investments Limited		
Remuneration payable	618	585
Sale tax payable on management fee	93	94
Sale Load payable	78	38
Conversion cost payable	2,083	3,603
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	62	58
Security deposits	300	300
Summit Bank Limited		
Balances with bank	5,109	5,109
MCB Bank Limited		
Balances with Bank	34,829	85,935
Accrued mark-up	398	165
53,030 share held as at Sep 30, 2014 (Jne 30, 2014 :36,130)	14,985	10,888
Dividend Receivable	186	
Dewan Salman Fibre Limited		
3,964,520 units held as at Sep 30, 2014 (June 30, 2014 : 3,964,520)	39,288	38,242
Nishat Mills Limited		
899,392 units held as at Sep 30, 2014 (June 30, 2014 : 899,392)	8,913	8,676
51,700 shares held as at Sep 30, 2014 (June 30, 2014 : 8,800)	5,105	985
Nishat Power Limited		
83 shares held as at Sep 30, 2014 (June 30, 2014 :91,100)	3	3,241
Fatima Fertilizer Company		
113,900 shares held as at Sep 30, 2014 (June 30, 2014 : 388,200)	3,236	11,258
D.G khan Cement Limited		
139,600 shares held as at Sep 30, 2014 (June 30, 2014 : 69,100)	11,126	6,078

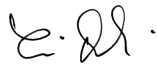
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	Un-Audited September 30, 2014	Audited June 30, 2014
	(Rupees in '000)	
Directors and executives of the Management Company		
13,686 units held as at Sep 30, 2014 (June 30, 2014 : 13,686)	137	132

9 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorised for issue on October 20, 2014 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

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