



Bachat ka Doosra Naam

Quarterly Report
September 30, 2012
(Unaudited)



Funds Under Management
of
Arif Habib Investments Limited (A subsidiary of MCB Bank Limited)

**PAKISTAN
INTERNATIONAL ELEMENT
ISLAMIC ASSET ALLOCATION FUND**

CONTENTS

Fund's Information	236
Report of the Directors of the Management Company	237
Condensed Interim Statement of Assets and Liabilities	238
Condensed Interim Income Statement (Un-audited)	239
Condensed Interim Distribution Statement (Un-audited)	240
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	241
Condensed Interim Cash Flow Statement (Un-audited)	242
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	243

FUND'S INFORMATION

Management Company	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 Mr. Ali Munir	Chairman Member 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 & CFO of the Management Company	Mr. Muhammad Saqib Saleem	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Bank AL Habib Limited Summit Bank Limited (formerly :Arif Habib Bank Limited) Meezan Bank Limited Bank Alfalah Limited Al-Baraka Islamic Bank MCB Bank Limited Bank Islami Pakistan Limited Dubai Islamic Bank Limited Standard Chartered Bank Limited Deutsche Bank Limited Habib Metro 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	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT TO THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2012

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 2012.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, CPI inflation continued to maintain its downward trajectory amid lower food inflation and gas prices with 1Q FY13 CPI inflation averaging at 9.2%. Although current account balance remained comfortable during 2MFY13 with a sizeable surplus of US\$ 919 million courtesy release of coalition support fund proceeds by the US, weaker financial and capital account coupled with sizeable repayments (including IMF) continued to put pressure on the FX reserves, which eventually came down to below US\$ 14.5 billion. On the fiscal front, the government has continued to rely on domestic sources of funding with YTD GoP borrowing from banking system has risen to PKR 173 billion by Sep'28 2012. Taking comfort from benign CPI inflation and release of CSF payments by the US as well as the need to stimulate real economic engine & private investments in the country, the State Bank of Pakistan lowered its policy discount rate by 150 bps to 10.5% in its Aug'12 monetary policy statement.

In the money market, short term market rates remained largely on the higher side amid tight liquidity scenario in the system with few exceptions where the market witnessed floors also. The SBP has continued to inject significant amount of liquidity in the system through OMOs during the quarter. Given a downward trajectory in YoY CPI inflation coupled with SBP monetary easing stance, the yield curve has adjusted significantly downwards during the period. 1 year PKRV adjusted downwards by 198 bps to 10.0%, while longer tenure 10 year PKRV adjusted downwards by 182 bps to 11.5% during the quarter under review.

EQUITIES MARKET OVERVIEW

The KSE-100 index made an impressive start in FY13 and posted a return of 11.9% during 1Q FY13, outperforming most of the regional players. Although the market remained strong as far as returns are concerned, activity remained dull in terms of both volumes and turnover. Foreigners, however, made a strong return to the local market with a cumulative net inflow of US\$ 92 million during the period under review.

Major interest during the period remained in Construction & Materials, Consumer and Electricity Sectors where strong inherent bottom line growth, healthy payouts and favorable projected impact of fall in interest rates thrived investor interest. Highly levered companies were also remained in the limelight during the period amid aggressive policy rate cut of 150 bps by the SBP during the period. Strong corporate results as well as healthy payouts by key companies served to keep the positive momentum intact in the market.

FUND PERFORMANCE

During the period under review, the fund delivered a return of 9.8% as against its benchmark return of 13.9%. On the equities front, the overall allocation increased to 64.7% as at quarter-end. The fund increased its exposure significantly in Oil & Gas, Electricity and Construction and Material sectors by building exposure to OGDC, APL, HUBC and LUCK, while reducing its exposure towards Pharma & Bio Tech and Chemicals during the quarter.

On the fixed income side, the fund allocation towards GoP Ijarah Sukuk remained largely unchanged to around 27.2%. The exposure towards corporate Sukuk, on the other hand, declined to around 1%.

The Net Asset of the Fund as at September 30, 2012 stood at Rs. 307.526 million as compared to Rs 294.063 million as at June 30 2012 registering a an increase of 4.58%

The Net Asset Value (NAV) per unit as at September 30, 2012 was Rs. 43.67 as compared to opening NAV of Rs. 39.75 per unit as at June 30, 2012 registering an increase of Re. 3.92 per unit

FUTURE OUTLOOK

Taking comfort from lower CPI inflation trajectory, the Central bank has decided to lower its policy discount rate further by 50 bps to 10.0% in its Oct'12 monetary policy statement. Going forward, we believe that the sustainability of external account, in addition of lower inflation, would be a key factor in shaping up interest rate direction. The Government bond market, however, is likely to remain active going forward as single digit range of YoY CPI Inflation for at least next few months would keep market players' expectations of downward yield curve adjustment intact.

On the equities front, along with attractive valuations and earnings growth, anticipation of accommodative govt. policies before upcoming general elections has also contributed towards strong investors' confidence. A sustained momentum, however, would require continued support on this front along with an improved fiscal and external account management. We therefore prefer to remain vigilant of fading triggers on macro front and potential opportunities arising out of micro dynamics in stock and sector allocation.

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

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2012

		Unaudited September 30 2012	Audited June 30 2012
	Note	(Rupees in '000)	
Assets			
Bank balances		5,076	56,479
Receivable against sale of investments		4,084	-
Receivable against sale of units		584	1,584
Investments	4	288,523	245,906
Dividend and profit receivable		8,522	1,590
Advance, deposits, prepayments and other receivables		3,248	3,198
Total assets		310,037	308,757
Liabilities			
Payable to Management Company		507	528
Payable to Trustee		58	57
Payable to Securities and Exchange Commission of Pakistan		73	290
Payable against purchase of investments		-	11,826
Payable on redemption of units		-	-
Accrued expenses and other liabilities		1,873	1,993
Total liabilities		2,511	14,694
Net assets		307,526	294,063
Unit holders' funds		307,526	294,063
CONTINGENCY			
	6	(Number of units)	
Number of units in issue		7,042,392	7,397,111
(Rupees)			
Net asset value per unit		43.67	39.75

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



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



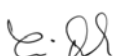
Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30 2012	September 30 2011
	(Rupees in '000)	
Income		
Capital gain / (loss) on sale of investments - net	9,827	(3,096)
Income from investment in GOP Ijara	2,621	1,106
Income from investment in Sukuk	2	256
Dividend income	4,967	3,121
Profit on bank deposits	11	195
Other income	-	(103)
	17,428	1,479
Unrealised appreciation on investments at fair through profit or loss - net	13,657	4,004
	31,085	5,483
Expenses		
Remuneration of Management Company	1,719	1,790
Remuneration of Trustee	176	177
Annual fee - Securities and Exchange Commission of Pakistan	73	77
Securities transaction cost	312	396
Settlement and bank charges	65	58
Fees and subscriptions	46	46
Auditors' remuneration	165	93
Printing & related cost	102	57
Professional charges	14	13
Total expenses	2,672	2,707
Net income from operating activities	28,413	2,776
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(859)	372
Net income for the period before taxation	27,554	3,148
Taxation	-	-
Net income for the period after taxation	27,554	3,148
OTHER COMPREHENSIVE INCOME		
Other comprehensive income for the year	-	-
Total comprehensive income for the period	27,554	3,148
Earning per Unit (EPU)	8	

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



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



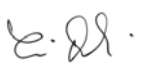
Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30 2012	September 30 2011
	(Rupees in '000)	
Undistributed loss brought forward	(75,607)	(48,594)
Final distribution:		
- Issue of 836,103 bonus units for the year ended 30 th June 2011 @ Rs 5.58 per unit, 04 July 2011 (2010: 1,322,943 bonus units)	-	(31,881)
- Cash distribution	-	(11,200)
Element of income and capital (losses) included in the prices of units issued less those in units redeemed - amount that forms part of the unit holder's fund	3,648	(7,167)
Net income for the period	27,554	3,148
	31,202	(47,100)
Undistributed loss carried forward	(44,405)	(95,694)

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



Chief Executive Officer

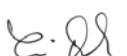
**For Arif Habib Investments Limited
(Management Company)**



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

	September 30 2012	September 30 2011
	(Rupees in '000)	
Net assets at the beginning of the period	294,063	337,213
Issue of 25,276 units (2011: 316,322 units)	1,071	12,053
Redemption of 379,995 units (2011: 574,552 units)	(16,021)	(21,535)
	(14,950)	(9,482)
Final distribution:		
- Issue of 836,103 bonus units for the year ended 30 th June 2011 @ Rs 5.58 per unit, 04th July 2010 (2010: 1,322,943 bonus units)	-	(31,881)
- Cash distribution	-	(11,200)
	-	(43,081)
Issue of 836,103 bonus units for the year ended 30 th June 2010 (2010: 1,322,943 units)	-	31,881
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	859	(372)
- amount representing (loss) / income that form part of unit holders' fund - transferred to distribution statement	(3,648)	7,167
	(2,789)	6,795
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income	3,648	(7,167)
Capital gain / (loss) on sale of investments - net	9,827	(3,096)
Net unrealised appreciation on investments	13,657	4,004
Other net income for the period	4,070	2,240
	27,554	3,148
Net assets at the end of the period	307,526	319,307



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2012

	September 30 2012	September 30 2011
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / income for the period	27,554	3,148
Adjustments		
Dividend income	(4,967)	(3,121)
Unrealised (appreciation) in the value of investments at fair value through profit or loss - net	(13,657)	(4,004)
Amount of additional units issued to class 'C' & 'D' unit holders	-	174
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed	859	(372)
Amortisation of preliminary expenses and floatation costs -	-	-
	9,789	(4,175)
Decrease / (increase) in assets		
Receivable against sale of investments	(4,084)	(319)
Receivable against sale of units	-	2,189
Investments	(28,960)	(18,465)
Profit receivable	(2,534)	957
Advances, deposits, prepayments and other receivables	(50)	(2,320)
	(35,628)	(17,958)
(Decrease) / increase in liabilities		
Payable to Management Company	(23)	(18)
Payable to Trustee	1	-
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(217)	(296)
Payable against purchase of Investments	(11,826)	-
Payable on redemption of units	-	(878)
Accrued expenses and other liabilities	(120)	415
	(12,185)	(777)
Dividend received	571	2,231
Net cash used in operating activities	(37,451)	(20,679)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	-	(11,200)
Net payments made against net redemption	(13,950)	(9,656)
	(51,403)	(41,535)
Net decrease in cash and cash equivalents during the period	56,479	49,430
Cash and cash equivalents at the beginning of the period	5,076	7,895
Cash and cash equivalents at the end of the period	5,076	7,895

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



Chief Executive Officer

For Arif Habib Investments Limited
(Management Company)



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

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 Arif Habib Investments Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 December 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). 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 Arif Habib Centre, 23, M.T. Khan Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB-AMC and AHI the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). AHI being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable SHC. The honourable SHC has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

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 normal' and '2 star long terms' 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

These un-audited condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, The requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended 30 June 2012.

The directors of the asset management company declare that these financial statements give a true and fair view of the Fund

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 2012

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

4 INVESTMENTS - 'AT FAIR VALUE THROUGH PROFIT OR LOSS'

At fair value through profit or loss

Listed Equity Securities
Unlisted Sukuk Bonds
Government Jirra Sukuk

Note	Unaudited 30 th September 2012	Audited 30 th June 2012
	(Rupees '000)	
4.1	200,649	158,864
4.2	3,536	4,500
4.3	84,338	82,542
	288,523	245,906

4.1 Listed Equity Securities

Name of the Investee Company	Number of shares –					Balance as at 30 September 2012			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of investee company
	As at 1st July 2012	Purchases during the period	Bonus / Right issue	Sales during the period	As at 30 September 2012	Cost	Market Value	(Diminution) / Appreciation			
SHARES OF LISTED COMPANIES - Full aid ordinar shares of Rs. 10 each unless stated otherwise											
Oil and Gas											
Pakistan Oilfields Limited	68,511	7,000	-	13,500	62,011	22,775	26,873	4,098	8.74	9.31	0.03
Pakistan Petroleum Limited	147,700	-	28,425	34,000	142,125	21,409	25,004	3,595	8.13	8.67	0.01
Pakistan State Oil Company	-	25,000	-	-	25,000	6,412	5,430	(982)	1.77	1.88	0.01
Attock Petroleum	-	43,500	-	8,000	35,500	17,497	18,593	1,096	6.05	6.44	0.05
Oil and Gas Development Co Ltd	20,000	130,000	-	32,100	117,900	20,211	21,149	938	6.88	7.33	0.00
National Refinery Limited	-	26,000	-	26,000	-	-	-	-	-	-	-
						88,303	97,049	8,745			
Chemicals											
Fauji Fertilizer Company Limited	111,199	65,000	-	176,199	-	-	-	-	-	-	-
ICI Pakistan Limited	-	71,500	-	18,000	53,500	8,965	8,771	(194)	2.85	3.04	0.06
						8,965	8,771	(194)			
General Industrials											
Tri-Pack Films Limited	29,350	-	-	-	29,350	6,163	5,415	(748)	1.76	1.88	0.10
						6,163	5,415	(748)			
Construction and Materials											
Lucky Cement Limited	120,775	96,900	-	9,000	208,675	25,566	27,783	2,217	9.03	9.63	0.06
Attock Cement Pakistan Limited	115,505	10,000	-	101,500	24,005	1,952	2,598	646	0.84	0.90	0.03
D.G Khan cement limited	-	195,000	-	85,000	110,000	4,768	5,533	765	1.80	1.92	0.06
Kohat Cement	-	10,000	-	-	10,000	580	583	3	0.19	0.20	0.01
						32,867	36,497	3,631			
Industrial Engineering											
Millat Tractors Limited	30,753	6,000	-	-	36,753	17,729	17,751	22	5.77	6.15	
						17,729	17,751	22			
Electricity											
Hub Power Company Limited	490,244	135,000	-	-	625,244	26,646	29,311	2,665	9.53	10.16	0.10
						26,646	29,311	2,665			
Pharma and Bio Tech											
Abbot Lab (Pakistan)	101,000	-	-	101,000	-	-	-	-	-	-	-
Ferozsons Laboratories Ltd	-	9,000	-	6,500	2,500	226	229	2	0.07	0.08	-
Glaxosmithkline	119,000	21,827	-	140,827	-	-	-	-	-	-	-
						226	229	2			
Banks											
Meezan Bank	204,552	-	-	-	204,552	5,916	5,625	(290)	1.83	1.95	
						5,916	5,625	(290)			
TOTAL - September 30, 2012											
						186,816	200,649	13,833			0.02
June 30, 2012											
						148,539	158,864	10,325			

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

4.2 Investment in unlisted sukuk bonds in Pakistan

Name of the Investee Company	As at 30 July 01, 2012	Number of certificates			Balance as at 30 September 2012			Market value as percentage of net assets	Market value as percentage of total investment	Outstanding principle value as a percentage of issued debt capital
		Purchases during the period	Sales during the period	As at 30 September 2012	Cost	Market value	Appreciation / (diminution)			

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

Unlisted Sukuk bonds of Rs 5,000 unless stated otherwise

Pak Elektron Limited (28 September 2007) (a)	3,000	-	-	3,000	4,500	3,536	(964)	1.15	1.44	1.25
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TOTAL - September 30, 2012

4,500 3,536 (964)

June 30, 2012

6,256 4,500 (1,756)

- (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.

4.2 Investment in GOP Ijara Pakistan

Name of the Investee Company	As at 30 July 01, 2012	Face Value			Balance as at 30 September 2012			Market value as percentage of net assets	Market value as percentage of total investment
		Purchases during the period	Sales during the period	As at 30 September 2012	Cost	Market value	Appreciation / (diminution)		

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

16-May-11	57,500	16,000		73,500	73,545	74,235	690	24.14	30.19
15-Nov-10	25,000		15,000	10,000	10,005	10,103	98	3.29	4.11

TOTAL - September 30, 2012

83,550 84,338 788

June 30, 2012

83,163 82,542 (621)

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
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Unlisted debt securities	Pak Elektron Limited	5,965	2,429	3,536	1.15%	1.14%
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At the time of purchase, the above mentioned securities were in compliance of the aforementioned circular (i.e the investment grade) and were subsequently downgraded to non-investment grade by MUFAP.

6 CONTINGENCY

CONTRIBUTION TO WORKER WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a 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 adjudication.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

Subsequently, 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 December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in 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 view of the afore mentioned developments and based on legal counsel, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honorable High Court of Sindh on the subject as referred above will be decided in favour of Mutual funds.

The aggregate unrecognized amount of WWF as at September 30, 2012 amounted to Rs.2.64 million. If the same were made the NAV of the fund would have been lower by Re. 0.37 per unit

7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

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 / OTHER RELATED PARTIES

9.1 Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the parent 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.

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

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

9.4 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:

	Unaudited	
	September 30	September 30
	2012	2011
	(Rupees in '000)	
9.5 Amount of transactions during the period		
Arif Habib Investments Limited - Management Company		
Remuneration for the period	1,719	1,790
Arif Habib Limited - Brokerage House		
Brokerage	7.3	24
Central Depository Company Limited - Trustee		
Remuneration for the period	176	177
CDS Charges	5	3
Directors and Officers		
2,220 units (2011: 10,293 units) issued during the period	90	390
Nil bonus units (2011: 5,621 units) issued during the period	-	214
1,235 units (2011: 27,378 units) redeemed during the period	54	1,045
The Bank of Punjab		
Dividend Paid	-	11,200
3,209 units (2011: 3618 units) issued during the period	136	137
9,774 units (2011: 6229 units) redeemed during the period	422	239

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2012**

9.2	Amounts outstanding as at the period / year end	Unaudited September 30 2012	Audited June 30 2012
		(Rupees '000)	
	Arif Habib Investments Limited - Management Company		
	Remuneration payable	507	493
	Front-end load payable	2	35
	Summit Bank Limited		
	Balance at the period / year end	4,021	55,246
	Profit Recievables	23	23
	Central Depository Company of Pakistan Limited - Trustee		
	Remuneration payable	58	57
	Security deposit (assets)	200	200
	Key management personnel		
	10,023 units held (2012: 9,039)	438	359
	The Bank of Punjab		
	2,003,210 Units held (2012: 2,009,811)	87,476	79,890
	MCB Bank Limited		
	Balance with bank	-	10
	D.G Khan Cement Company of Pakistan Limited Employees Provident Trust		
	73,403 Units held (2012: 73,403)	3,205	2,918
	Erynst and young Ford Rhodes Sidat Hyder		
	7,62,529 Units held (2012: 7,62,529)	33,298	30,311

10 DATE OF AUTHORISATION FOR ISSUE

These condensed financial statements were authorised for issue on October 25, 2012 by the Board of Directors of the Management Company.


11 GENERAL

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer

**For Arif Habib Investments Limited
(Management Company)**



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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