



Bachat ka Doosra Naam

Quarterly Report

March 31, 2013
(Unaudited)



Funds Under Management
of
Arif Habib Investments Limited

**PAKISTAN
INTERNATIONAL ELEMENT
ISLAMIC ASSET ALLOCATION FUND**

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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 & Remuneration Committee	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, ACA	
Chief Financial Officer	Mr. Umair Ahmed, ACA	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Deutsche Bank Limited Meezan Bank Limited Habib Metropolitan Bank Limited Standard Chartered Bank (Pakistan) 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 OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 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 nine months ended March 31st 2013.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, Mar'13 YoY CPI inflation of 6.57% was lowest since Aug'07, with 9M FY13 average CPI at 7.98%. CPI inflation may dip further in April and remain in the lower range for the next few months. However, with the base effect neutralizing CPI would start rising again expectedly towards the later part of the year. On the other hand, external current account had witnessed significant pressures during the past few months and changed its course during Feb'13 by posting a CA Deficit of US\$ 596 million - taking the 8M FY13 CAB to a deficit of US\$ 700 million. FX reserves continued to remain under pressure amid weaker financial account flows and heavy debt repayments including that of IMF during Mar'13- touching US\$ 12.37 billion mark, as of Mar' 22 2013. On the fiscal front, the government's reliance on domestic sources for fiscal funding has continued with YTD borrowing from banking system stood at an alarming level of PKR 937 billion by Mar'22 2013. With stressing its concerns on the external and fiscal accounts, the State Bank of Pakistan took comfort from declining inflationary trend and lowered its policy discount rate cumulatively by 250 bps to 9.5% during the period under review.

The short term money market rates remained in the higher range during most part of the period owing to relatively tight liquidity position in the system with few exceptions where the market witnessed floors also. SBP continued to inject sizeable amount through Open Market Operations to provide needed liquidity in the market. 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 246 bps to 9.51%, while longer tenure 10 year PKRV adjusted downwards by 139 bps to 11.89% during the period under review.

EQUITIES MARKET OVERVIEW

Positive start of stock market at the beginning of FY13 proved to be a sustainable bullish trend which is still prevailing in the market on the back of positive sentiments generated by timely dissolution of assembly and smooth transition of power to the interim set up. KSE 100 index made new historical high of 18185.19 and posted an outstanding return of 30.7% during the period. Improvement in market activity was also observed and average daily volume turnover remained around 170m shares. Foreign investment continued to flow in the market at a regular pace and resulted in a net inflow of around \$227.7m during 9 months.

Major interest during the period remained in Construction & Materials, Consumer, Oil and Gas 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 cumulative 250 bps by the SBP during the period. Fertilizer manufactures also came in strong demand on the resolution of gas supply issue in later part of the period. Strong corporate results as well as healthy payouts by key companies served to keep the positive momentum intact in the market despite of major concerns on macroeconomic imbalances.

FUND PERFORMANCE

During the period under review, the fund delivered a return of 18.8% as against its benchmark return of 29.7%. Fund's equity allocation was changed several times during the period in response to varying market dynamics. The fund increased its exposure significantly in Oil & Gas, Electricity and Construction & Material sectors while reducing its exposure towards Pharma & Bio Tech sector during the period.

On the fixed income side, the fund slightly increased its allocation towards GoP Ijarah Sukuk to around 29.8% while exposure towards corporate Sukuk, on the other hand, declined to around 0.4%.

The Net Asset of the Fund as at March 31, 2013 stood at Rs.174.16 million as compared to Rs. 294.06 million as at June 30 2012 registering a decrease of 40.77%

The Net Asset Value (NAV) per unit as at March 31, 2013 was Rs. 47.24 as compared to opening NAV of Rs. 39.75 per unit as at June 30, 2012 registering an increase of Rs. 7.49 per unit.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

FUTURE OUTLOOK

Going forward despite continued lower range of CPI inflation, further rate cut seems a distant possibility given deteriorating fiscal and external accounts, significant IMF repayments ahead and alarming monetary growth - while the potential return to the IMF may result in a cycle of monetary tightening by end of 2Q CY13. Government bond market, which remained active for last few months on the back of soft inflation numbers and expected monetary easing, has started to become relatively less active, especially on the longer end, with the anticipation of no rate cut and possible rate hikes in the next 2-4 months. In this backdrop, the activities are expected to be concentrated at short-end Treasury Bills going forward.

On equity front severe pressure on external account, reversal of monetary expansion cycle resulting in interest rate hike and reduction in subsidies going forward would be challenging and high volatility might be observed in the stock market. However in short run attractive valuations, positive earnings outlook of major companies, liquidity inflows on both local and foreign fronts are expected to keep the market going while positive sentiments generated by smooth transfer of power to the new elected Government is expected to provide the much needed support. Prudence requires us to be cautious and extra vigilant to the unfolding macro situation while keep responding to strong fundamentals based stimuli.

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

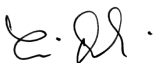
Chief Executive Officer

Dated: April 24, 2013

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UN-AUDITED)
AS AT MARCH 31, 2013

		(Unaudited) 31 March 2013	(Audited) 30 June 2012
	Note	(Rupees in '000)	
Assets			
Balances with banks		16,606	56,479
Investments	6	150,292	245,906
Receivable against sale of investments		2,505	-
Receivable against sale of units		218	1,584
Dividend and profit receivable		3,976	1,590
Advances and deposits		3,208	3,198
Total Assets		176,805	308,757
Liabilities			
Payable against redemption of units		2	-
Payable against purchase of investments		-	11,826
Payable to Arif Habib Investments Limited - Management Company		380	528
Payable to Central Depository Company of Pakistan Limited - Trustee		59	57
Accrued expenses and other liabilities		2,001	1,993
Payable to Securities and Exchange Commission of Pakistan		201	290
Total Liabilities		2,643	14,694
Contingency	9		
Net Assets		174,162	294,063
Unit holders' funds		174,162	294,063
(Number of Units)			
Number of units in issue		3,686,671	7,397,111
(Rupees)			
Net asset value per unit		47.24	39.75

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.


 Chief Executive Officer

For Arif Habib Investment Limited
 (Management Company)


 Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Nine months period ended March 31		Quarter ended March 31	
Note	2013	2012	2013	2012
	Rupees in '000			
Income				
Capital gain / (loss) on sale of investments - net	30,042	(7,337)	11,311	70
Dividend income	13,439	15,031	2,925	5,331
Income from government securities	6,586	2,266	1,780	659
Income from investment in sukuk bonds	-	386	-	(103)
Profit on bank deposits	111	214	69	8
Net unrealised appreciation / (diminution) in value of investments at 'fair value through profit or loss'	10,778	33,569	(4,748)	52,148
	60,956	44,129	11,337	58,113
Expenses				
Remuneration of Arif Habib Investments Limited - Management Company	4,133	4,446	1,191	1,396
Sindh sales tax on management fee	581	628	169	197
Remuneration of Central Depository Company of Pakistan Limited - Trustee	525	526	172	174
Annual fee - Securities and Exchange Commission of Pakistan	201	216	58	67
Securities transaction cost	931	1,037	247	367
Bank charges	227	175	82	59
Printing and related cost	180	476	-	104
Fees and subscription	136	137	45	46
Legal and professional charges	37	38	12	13
Auditors' remuneration	372	429	129	145
Donation expense	236	-	59	-
Provision against non performing exposures	3,343	-	-	-
Total expenses	10,902	8,108	2,164	2,568
	50,054	36,021	9,173	55,545
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(22,467)	1,093	(17,262)	383
Net income / (loss) for the period before taxation	27,587	37,114	(8,089)	55,928
Taxation	8	-	-	-
Net income / (loss) for the period after taxation	27,587	37,114	(8,089)	55,928
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	27,587	37,114	(8,089)	55,928

Earnings per unit

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The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited
(Management Company)



Chief Executive Officer



Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

	Nine months period ended March 31		Quarter ended March 31	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Accumulated loss brought forward	(75,607)	(48,594)	(26,956)	(109,476)
Net income / (loss) for the period	27,587	37,114	(8,089)	55,928
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	38,032	6,064	25,057	5,051
<i>Distributions to the unit holders of the Fund:</i>				
<i>Final Distribution:</i>				
Final distribution at the rate of Rs. 5.58 per unit for the year ended 30 June 2011				
- Cash distribution	-	(11,200)	-	-
- Issue of 836,103 bonus units	-	(31,881)	-	-
	-	(43,081)	-	-
Accumulated loss carried forward	<u>(9,988)</u>	<u>(48,497)</u>	<u>(9,988)</u>	<u>(48,497)</u>

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

	Nine months period ended March 31		Quarter ended March 31	
	2013	2012	2013	2012
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	294,063	337,213	279,336	272,054
Issue of 207,469 units (2012: 371,322 units) and 81,287 units (2012: 42,762 units) for the nine months and quarter period ended respectively	9,356	14,237	3,756	1,728
Issue of NIL bonus units (2012: 836,103 units)	-	31,881	-	-
Redemption of 3,917,909 units (2012: 1,718,737 units) and 2,524,213 units (2012: 468,673 units) for the nine months and quarter period ended respectively	(179,311)	(64,527)	(118,103)	(17,583)
	(169,955)	(18,409)	(114,347)	(15,855)
Net element of loss / (income) and capital losses / (gains) in prices of units sold less those in units redeemed				
- amount representing accrued loss / (income) and realised capital (gains) / losses - transferred to the Income Statement	22,467	(1,093)	17,262	(383)
- amount representing loss / (income) that forms part of unit holders' fund - transferred to Distribution Statement	(38,032)	(6,064)	(25,057)	(5,051)
	(15,565)	(7,157)	(7,795)	(5,434)
Net element of income/(loss) and capital gains/ (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	38,032	6,064	25,057	5,051
Net income for the period (excluding net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss' and capital gain / (loss) on sale of investments)	(13,233)	10,882	(14,652)	3,710
Capital gain / (loss) on sale of investments	30,042	(7,337)	11,311	70
Net unrealised appreciation / (diminution) in value of investments 'at fair value through profit or loss' - net	10,778	33,569	(4,748)	52,148
	27,587	37,114	(8,089)	55,928
Distributions to the unit holders of the Fund:				
Final distribution at the rate of Rs. 5.58 per unit for the year ended 30 June 2011				
- Cash distribution	-	(11,200)	-	-
- Issue of 836,103 bonus units	-	(31,881)	-	-
	-	(43,081)	-	-
Net assets as at the end of the period	174,162	311,744	174,162	311,744

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited
(Management Company)


Chief Executive Officer


Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

	Nine months period ended 31 March		Quarter ended 31 March	
	2013	2012	2013	2012
	(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss) for the period	27,587	37,114	(8,089)	55,928
Adjustments for non-cash and other items:				
Net unrealised (appreciation)/ diminution in value of investments classified as 'at fair value through profit or loss'	(10,778)	(33,569)	4,748	(52,148)
Amount of additional units issued to class 'C' & 'D' unit holders against the amount of rebate in management fee	504	505	137	161
Net element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed	22,467	(1,093)	17,262	(383)
	39,780	2,957	14,058	3,558
(Increase) / decrease in assets				
Receivable against sale of investments	(2,505)	-	(627)	11,296
Investments	106,392	46,818	107,929	37,756
Receivable against sale of units	-	2,114	-	25
Dividend and profit receivable	(2,386)	(4,345)	(2,877)	(5,744)
Advances and deposits	(10)	(20)	20	20
	101,491	44,567	104,445	43,353
(Decrease) / increase in liabilities				
Payable against redemption of units	-	(878)	-	-
Payable against purchase of investments	(11,826)	-	-	-
Payable to Arif Habib Investments Limited - Management Company	(148)	(27)	(79)	27
Payable to Central Depository Company of Pakistan Limited - Trustee	2	1	-	-
Accrued expenses and other liabilities	8	446	(108)	271
Payable to Securities and Exchange Commission of Pakistan	(89)	(157)	58	67
	(12,053)	(615)	(129)	365
Net cash generated from operating activities	129,218	46,909	118,374	47,276
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	10,218	-	4,512	-
Payment on redemption of units	(179,309)	(50,795)	(117,736)	(16,016)
Dividend paid	-	(11,200)	-	-
Net cash used in financing activities	(169,091)	(61,995)	(113,224)	(16,016)
Net (decrease) / increase in cash and cash equivalents	(39,873)	(15,086)	5,150	31,260
Cash and cash equivalents at beginning of the period	56,479	49,430	11,456	3,084
Cash and cash equivalents at end of the period	16,606	34,344	16,606	34,344

The annexed notes 1 to 12 form an integral part of this condensed interim financial information.

For Arif Habib Investment Limited
(Management Company)



Chief Executive Officer



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

1 LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan International Element Islamic Asset Allocation Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited ("the Management Company", "AHIL") as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 December 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules, 2003). The 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, in conformity with Circular 7 of 2009 dated March 6, 2009 issued by the SECP.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB-Asset Management Company and Arif Habib Investments Limited (AHIL), the two companies have merged as of 27 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 10 June 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of the State Bank of Pakistan's approval it is a subsidiary of MCB Bank Limited. However, subsequent to the Bank of Pakistan's approval it is a subsidiary of MCB Bank Limited. However, subsequent to the completion of the merger the SECP issued an order postponing the effective date of the merger to 30 July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHIL/348/2011 dated 27 June 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 Sindh High Court. The Honourable Sindh High Court has held 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 Net Asset Value (NAV) remain unaffected.

All the activities of the Fund are undertaken in accordance with the Islamic Shariah rules and principles. The Management Company has appointed a Shariah Supervisory Council whose advice is followed to ensure that activities of the Fund are in compliance with Shariah.

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.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned management quality rating of AM2' to the Management Company and 3-star short term and 3-star long term rating to the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information has been prepared in accordance with the requirement of the International Accounting Standard (IAS) 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 NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations). In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

2.1.2 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 2012.

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

2.1.4 The Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the fund.

2.1.5 The comparatives in the statement of assets and liabilities presented in this condensed interim financial information as at 31 March 2013 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2012, where as the comparative in condensed interim income statement, condensed interim distribution, condensed interim statement of moment in unit holders' fund, statement and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 31 March 2012.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2012.

3.2 Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund except where changes affected presentation and disclosures in this condensed interim financial information.

4. ESTIMATES AND JUDGEMENTS

4.1 The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

4.2 In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 30 June 2012.

5. FINANCIAL RISK MANAGEMENT

The Fund's risk management objectives and policies are consistent with those objectives and policies which were disclosed in the financial statements of the Fund as at and for the year ended 30 June 2012.

6 INVESTMENTS

		(Unaudited) 31 March 2013	(Audited) 30 June 2012
		(Rupees in '000)	
<i>Fixed income and other debt securities</i>			
<i>'At fair value through profit or loss' - held for trading</i>			
Quoted equity securities	6.1	90,482	158,864
<i>Fixed income and other debt securities</i>			
Sukuk certificates - unlisted	6.2	1,157	4,500
Government securities	6.4	58,653	82,542
		<u>150,292</u>	<u>245,906</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

6.1 Quoted Equity Securities - 'at fair value through profit or loss'

Name of the investee company	Number of shares					Balance as at 31 March 2013			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company	
	As at 1 July 2012	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at 31 March 2013	Carrying value	Market value	Appreciation/ (Diminution)	As a percentage of total investments	As a percentage of net assets		
------(Rupees in '000)-----												
Shares of listed companies - Fully paid ordinary shares of Rs 10 each unless stated otherwise												
Oil and Gas												
Attock Petroleum Limited	-	52,300	-	44,900	7,400	3,658	3,611	(47)	2.40	2.07	0.01	
National Refinery Limited	-	26,000	-	26,000	-	-	-	-	-	-	-	
Oil and Gas Development Company Limited	20,000	150,000	-	170,000	-	-	-	-	-	-	-	
Pakistan Oilfields Limited	68,511	19,000	-	52,400	35,111	13,244	15,927	2,683	10.60	9.15	0.01	
Pakistan Petroleum Limited	147,700	18,000	28,425	140,500	53,625	8,351	9,396	1,045	6.25	5.39	0.00	
Pakistan State Oil Company Limited	-	47,000	6,100	46,500	6,600	1,182	1,341	159	0.89	0.77	0.00	
Shell Pakistan Limited	-	4,000	-	-	4,000	560	576	16	0.38	0.33	-	
						<u>26,994</u>	<u>30,851</u>	<u>3,857</u>				
Chemicals												
Clariant Pakistan Limited	-	44,400	-	41,400	3,000	780	677	(103)	0.45	0.39	0.01	
Fauji Fertilizer Bin Qasim Company Limited	-	50,000	-	50,000	-	-	-	-	-	-	-	
Fauji Fertilizer Company Limited	111,199	338,400	-	448,699	900	103	99	(4)	0.07	0.06	0.00	
I.C.I Pakistan Limited	-	71,500	-	71,500	-	-	-	-	-	-	-	
Sitara Chemical Industries Limited	-	400	-	-	400	66	75	10	0.05	0.04	0.00	
						<u>949</u>	<u>852</u>	<u>(98)</u>				
General Industrials												
Thal Limited	-	26,000	-	26,000	-	-	-	-	-	-	-	
Tri-Pack Films Limited	29,350	-	-	29,350	-	-	-	-	-	-	-	
						<u>-</u>	<u>-</u>	<u>-</u>				
Engineering												
Millat Tractors Limited	30,753	9,500	5	40,253	5	-	3	3	0.00	0.00	0.00	
						<u>-</u>	<u>3</u>	<u>3</u>				
Food Producers												
Unilever Pakistan Limited (Par value Rs. 50 each)	-	820	-	820	-	-	-	-	-	-	-	
						<u>-</u>	<u>-</u>	<u>-</u>				
Personal Goods												
Nishat Mills Limited	-	200,000	-	147,000	53,000	3,142	4,467	1,325	2.97	2.57	0.02	
						<u>3,142</u>	<u>4,467</u>	<u>1,325</u>				
Pharma and Bio Tech												
Abbot Laboratories Pak Limited	101,000	-	-	101,000	-	-	-	-	-	-	-	
Ferozsons Laboratories Limited	-	9,000	-	9,000	-	-	-	-	-	-	-	
GlaxoSmithKline Pakistan limited	119,000	21,827	-	140,827	-	-	-	-	-	-	-	
						<u>-</u>	<u>-</u>	<u>-</u>				
Electricity												
The Hub Power Company Limited	490,244	199,000	-	448,000	241,244	10,339	12,125	1,786	8.07	6.96	0.02	
						<u>10,339</u>	<u>12,125</u>	<u>1,786</u>				
Construction and Materials (Cement)												
Attock Cement Limited	115,505	10,000	3,600	129,000	105	7	12	4	0.01	0.01	0.00	
Cherat Cement Limited	-	245,000	-	30,000	215,000	10,376	11,111	735	7.39	6.38	0.22	
D.G. Khan Cement Company Limited	-	301,500	-	243,000	58,500	2,882	4,052	1,170	2.70	2.33	0.01	
Fecto Cement Limited	-	141,500	-	64,500	77,000	2,764	2,730	(35)	1.82	1.57	0.15	
Kohat Cement Limited	-	150,500	-	124,000	26,500	1,689	2,066	378	1.37	1.19	0.02	
Lucky Cement Limited	120,775	131,900	-	209,100	43,575	5,574	7,303	1,729	4.86	4.19	0.01	
						<u>23,292</u>	<u>27,274</u>	<u>3,982</u>				
Telecommunication												
Pakistan Telecommunication Company Limited	-	150,000	-	150,000	-	-	-	-	-	-	-	
Commercial Banks												
Meezan Bank Limited	204,552	563,500	56,655	253,000	571,707	15,104	14,911	(193)	9.92	8.56	0.06	
						<u>15,104</u>	<u>14,911</u>	<u>(193)</u>				
Total as at 31 March 2013						<u>79,821</u>	<u>90,482</u>	<u>10,662</u>				
Total as at 30 June 2012						<u>148,539</u>	<u>158,864</u>	<u>10,325</u>				

6.1.1 Investments includes shares with market value of Rs. 20,387 million (June 30 2012: 19,646) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities & Exchange Commission of Pakistan.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

6.2 Sukuk Certificates -unlisted - at fair value through profit or loss-'held for trading'

Certificate have a face value of Rs. 5,000 each unless stated otherwise

Name of the investee company	Profit rate %	Number of certificates				Balance as at 31 March 2013			Market value as percentage of net assets	Market value as percentage of total investment	Outstanding principle value as a percentage of issued debt capital
		As at 1 July 2012	Purchases during the period	Sales during the period	As at 31 March 2013	Carrying value	Market value	Appreciation/ (diminution)			
----- (Rupees in '000) -----											
Pak Elektron Limited (28 September 2007)	13.70%	3,000	-	-	3,000	5,812	1,157	(4,655)	0.66	0.77	1.25

6.3 Securities listed below have been classified as non-performing in accordance with SECP Circular 1 of 2009 and the Fund's provisioning policy for non-performing exposure. Accordingly, the carrying values stated above have been arrived at after taking into account provisions as under:

Name of the investee company	31 March 2013		
	Outstanding balance	Provision held	Net carrying value
------(Rupees in '000)-----			
Pak Elektron Limited (6.3.1) (28 September 2007)	6,683	5,526	1,157

6.3.1 Owing to continuous default on repayment of coupon by the issuer, the Fund has classified the said investment as non performing debt securities. During the period, the Fund has recognised futher provision amounting to Rs. 3.343 million (Rs. 5.526 million in aggregate) against outstanding principal in accordance with provisioning circular issued by the SECP and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. The Fund has suspended further accrual of markup there against.

6.4	Name of the Investments	Profit rate %	Face value				Balance as at 31 March 2013			Market value as a percentage of net assets	Market value as a percentage of total investments
			As at 1 July 2012	Purchases during the period	Sales during the period	As at 31 March 2013	Carrying value	Market value	Appreciation/ (diminution)		
	(Rupees in '000)										
	Government of Pakistan Ijarah Sukuk	11.79%	82,500	1,000	25,000	58,500	58,537	58,653	116	33.17	39.03
Total as at 31 March 2013						58,537	58,653	116			

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

In accordance with clause (v) of the investment criteria laid down for 'Shariah Compliant Islamic Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of A- and above). However, as at 31 March 2013, the Fund is non-compliant with the above mentioned requirement in respect of the following investments:

Name of non-compliant investment	Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		------(Rupees in '000)-----			%	%
Investment in debt securities	Pak Elektron Limited-Sukuk	6,683	5,526	1,157	0.664	0.654

8 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 Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than unrealized capital gains to the unit holders. The management intends to distribute at least 90% of the income earned by the Fund by the year end 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. Accordingly, no provision for taxation has been made in this condensed interim financial information.

9 CONTINGENCY

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 an adjudication.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013

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 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.

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

However, as per our legal counsel the stay granted to Collective Investment Schemes (CIS) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected SHC judgment and hence no provision has been recognised by the Management Company in this condensed interim financial information. The aggregate unrecognised amount of WWF as at 31 March 2013 amounted to Rs. 3.841 million including Rs. 0.552 for the current period.. (NAV per unit Re. 1.04).

10 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of cumulative weighted average number of outstanding units for calculating earnings per unit is not practicable.

11. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties 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.

The transactions with related parties / connected persons are in the normal course of business and carried out on agreed terms at contracted rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

**11.1 Details of the transactions with
connected persons are as follows:**

	Nine months period ended 31 March		Quarter ended 31 March	
	2013	2012	2013	2012
	Rupees in '000'			
Arif Habib Investments Limited - Management Company				
Management fee for the period	<u>4,133</u>	<u>4,446</u>	<u>1,191</u>	<u>1,396</u>
Sindh sales tax on management fee	<u>581</u>	<u>628</u>	<u>169</u>	<u>197</u>
Arif Habib Limited - Brokerage House				
Brokerage for the period	<u>47</u>	<u>27</u>	<u>11</u>	<u>-</u>
Next Capital Limited				
Brokerage for the period *	<u>28</u>	<u>-</u>	<u>6</u>	<u>-</u>
Nishat Mills Limited				
Dividend income	<u>438</u>	<u>-</u>	<u>-</u>	<u>-</u>
D.G Khan Cement Company Limited				
Dividend income	<u>248</u>	<u>-</u>	<u>-</u>	<u>-</u>
Central Depository Company of Pakistan Limited - Trustee				
Remuneration for the period	<u>525</u>	<u>526</u>	<u>172</u>	<u>174</u>
CDS Charges	<u>16</u>	<u>18</u>	<u>7</u>	<u>6</u>
The Bank of Punjab				
Cash dividend paid	<u>-</u>	<u>11,200</u>	<u>-</u>	<u>-</u>
Issue of 8,749 units (2012: 10,408 units) and 2,193 units (2012: 3,543) for the nine months and quarter respectively	<u>386</u>	<u>397</u>	<u>101</u>	<u>260</u>
Redemption of 2,018,523 units (2012: 303,667) and 2,008,749 units (2012: 297,438) for the nine months and quarter respectively	<u>94,547</u>	<u>11,244</u>	<u>94,125</u>	<u>11,005</u>
Directors and executives of the Management Company				
Issue of 35,480 units (2012: 15,588 units) and 15,026 units (2012: 2,029) for the nine months and quarter respectively	<u>1,598</u>	<u>594</u>	<u>687</u>	<u>83</u>
Redemption of 35,317 units (2012: 10,501 units) and 9,749 units (2012: 768) for the nine months and quarter respectively	<u>1,589</u>	<u>390</u>	<u>447</u>	<u>30</u>
Bonus units issued NIL (2012: 658) and Nil bonus units (2012: Nil) for the nine months and quarter respectively	<u>-</u>	<u>25</u>	<u>-</u>	<u>-</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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2013**

11.2 Amounts outstanding as at period / year end	(Unaudited) 31 March 2013 (Rupees in '000)	(Audited) 30 June 2012
Arif Habib Investments Limited - Management Company		
Management fee payable	<u>380</u>	<u>493</u>
Arif Habib Limited - Brokerage House		
Brokerage payable	<u>-</u>	<u>6</u>
D.G Khan Cement Company Limited		
58,500 shares held (30 June 2012: NIL shares)	<u>4,052</u>	
Nishat Mills Limited		
53,000 shares held (30 June 2012: NIL)	<u>4,467</u>	<u>-</u>
Summit Bank Limited		
Balance at the end of the period / year	<u>-</u>	<u>55,246</u>
Profit receivable	<u>-</u>	<u>23</u>
MCB Bank Limited		
Balance at the end of the period / year	<u>-</u>	<u>10</u>
Bank of Punjab		
Units held - Nil (June 30, 2012: 2,009,775 units)	<u>-</u>	<u>79,890</u>
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	<u>200</u>	<u>200</u>
Remuneration payable	<u>59</u>	<u>57</u>
Directors and executives of the Management Company		
Units held - 9,200 units (June 30, 2012: 9,039 units)	<u>435</u>	<u>359</u>

12 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information has been authorised for issue in the meeting of the Board of Directors of the Management Company held on April 24, 2013.



Chief Executive Officer

For Arif Habib Investment Limited
(Management Company)



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

Arif Habib Investments Limited

8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

UAN: (+92-21) 11-11-622-24 (11-11-MCB-AH), 111-468378 (111-INVEST), Peshawar 091-5852961,
Bachat Center: 0800-622-24 (0800-MCB-AH), Fax: (+92-21)32276898, 32276908, URL: www.mcbah.com