



Bachat ka Doosra Naam

Quarterly Report

March 31, 2014
(Unaudited)



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

**PAKISTAN
INTERNATIONAL ELEMENT
ISLAMIC ASSET ALLOCATION FUND**

CONTENTS

Fund's Information	230
Report of the Directors of the Management Company	231
Condensed Interim Statement of Assets and Liabilities	233
Condensed Interim Income Statement (Un-audited)	234
Condensed Interim Distribution Statement (Un-audited)	235
Condensed Interim Statement of Movement in Unit Holders' Funds (Un-audited)	236
Condensed Interim Cash Flow Statement (Un-audited)	237
Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	238

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman 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 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	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	Habib Metropolitan Bank Limited Standard Chartered Bank (Pakistan) Limited Meezan Bank Limited Deutsche Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2 Beaumont Road, Karachi - 75530	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

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 2014.

ECONOMY AND MONEY MARKET OVERVIEW

Despite implementation of fiscal reforms, inflation managed to remain in the single digit with CPI averaging around 8.64% during the first nine months of current fiscal year. The Current Account balance remained in pressure posting a deficit of \$2.02 billion during the 8MFY14 as opposed to deficit of USD \$0.83 billion reported in corresponding period last year. Last year's saving grace came in the form of proceeds under Coalition Support Funds (CSF) where the country received \$1.806bn in 1HFY13 as opposed to inflows of \$675 million received during the first nine months of the current fiscal year.

During the year, the country successfully managed to enter into a three-year \$6.6 billion loan program with IMF. Out of total financing of around \$2.2 billion scheduled for FY14 under IMF Extended Fund Facility (EFF), the country received three tranches of around \$540 million each during 9MFY14. While out of total \$3 billion repayments to IMF due in FY14, the government repaid around \$2.52 billion to IMF during 9MFY14.

The reserves remained under pressure given that the country was scheduled to repay \$4.524 billion to foreign donors during 9MFY14. However, generosity on the part of multilateral agencies and close allies helped improve reserve balance to \$9.86 billion as on 28-March-2014 from the nine-month low of \$7.59 billion touched on 7-February-2014. Not to mention, the country received \$1.5 billion from a friendly country in March 2014. Hence, the local currency managed to appreciate to Rs98 against dollar towards the end of the 3QFY14 after touching a record low of Rs108.6 against dollar on 5-December-2013.

Although the government had twice announced 50 bps hikes in the discount rate in the monetary policy held in September and November, decrease in inflationary pressures and improvement in foreign reserve balance during 3QFY14 point towards monetary easing down the line.

The Money Market was moderately short of liquidity during FY14 where on numerous occasions financial institutions utilized ceiling in order to manage liquidity efficiently. The yield curve adjusted significantly upwards during the ongoing fiscal year, with 6-month PKRV at around 10% as on 31- March 2014 as opposed to 8.92% as on 30-June- 2013.

PKRV for PIBs remained volatile during the year. Despite stable to declining interest rate outlook on account of increase in foreign reserves balance, which resulted in Rupee appreciation and appeased inflationary pressures, interest rate on PIB increased towards the end of the 3QFY14 on the back of the government's growing appetite to raise money through longer tenure papers. This can be gauged from the fact that the Government managed to raise a total of Rs 974bn through PIB auction in 3QFY14 as opposed to the target of Rs 180 billion.

M2 has expanded by 5.14% during the 9MFY14 (till 28th March) as opposed to expansion of 8.83% during the same period last year. At the same time, the net borrowing from the banking system increased by Rs 502.7 billion as opposed to Rs 856.5 billion raised during the same period last year.

EQUITIES MARKET OVERVIEW

Stock market started FY14 on a positive note on the back of smooth political transition. Though steep rupee depreciation had kept stock market under pressure during August and September, recovery in foreign reserve balance towards the end of 3QFY14 lifted the benchmark index to 27,159.91 by the end of March, 2014, marking a growth of 29.3% since the start of the current fiscal year.

A combination of improving economic indicators, strong inherent bottom line growth and healthy payouts helped keep the investors' interest alive in the stock market. The rally remained broad based, but interest largely remained in Textile, Construction & Materials, Oil & Gas, Pharmaceuticals and Power Sectors on the heels of success in getting GSP+ status, increase in margins of cement companies, increase in oil production and significant rupee depreciation during the 1HFY14.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2014

Foreigners remained net buyers during the period with a cumulative net inflow of \$ 22.8 million, while the average turnover stood at around 214 million shares during the 9MFY14 as opposed to 170 million shares during the same period last year.

FUND PERFORMANCE

During the period under review, the fund delivered a return of 14.58% as against its benchmark return of 20.40%. Fund's equity allocation was changed several times during the period in response to varying market dynamics. The fund maintained significant exposure towards Oil & Gas sector, increased exposure towards General Industries while exposure towards Electricity, Chemicals and Construction & Material sectors declined during the period.

On the fixed income side, the fund decreased its allocation towards GoP Ijarah Sukuk to 14.4% from 22% at the beginning of the period.

The Net Asset of the Fund as at March 31, 2014 stood at Rs.313.41 million as compared to Rs. 203.54 million as at June 30 2013 registering an increase of 53.98%

The Net Asset Value (NAV) per unit as at March 31, 2014 was Rs. 52.39 as compared to opening NAV of Rs. 51.04 per unit as at June 30, 2013 registering an increase of Rs. 1.35 per unit.

FUTURE OUTLOOK

The government expects reserve position to improve further towards the end of the ongoing fiscal year on the back of significant improvement in foreign direct investments and pledges made by multilateral agencies. The country is scheduled to pay more than \$1.2 billion to external official creditors in the last quarter, while the government is eyeing to raise foreign inflows through Euro bonds, 3G auction, and outstanding payments from Etisalat.

Earnings growth is expected to continue in E&P, Power and Cement sector, while the rupee appreciation bodes well for pharmaceutical and chemical companies. Rupee strengthening after a long slide has contributed towards a change in the outlook. The budgeted implications of a stronger rupee will unfold in the next few months. Going forward, fixed income funds are expected to strengthen on the back of widening gaps between short and mid-term yields.

ACKNOWLEDGMENT

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

For and on behalf of the board



Yasir Qadri

Chief Executive Officer

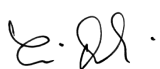
Karachi: April 21, 2014

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

AS AT 31 MARCH 2014

	(Unaudited) 31 March 2014 (Rupees in '000)	(Audited) 30 June 2013
Note		
Assets		
Balances with banks	93,738	30,227
Receivable against sale of investments	-	2,030
Receivable against sale of units	118	418
Investments	227,928	173,935
Dividend and profit receivable	2,996	1,018
Advances and deposits	3,215	3,198
Total Assets	327,995	210,826
Liabilities		
Payable to Management Company	955	532
Payable to Central Depository Company of Pakistan Limited - Trustee	54	59
Payable to Securities and Exchange Commission of Pakistan - Annual fee	174	246
Payable against Purchase of investment	6,315	-
Accrued expenses and other liabilities	7,081	6,449
Total Liabilities	14,579	7,286
Net Assets	313,416	203,540
Unit holders' fund	313,416	203,540
	(Number of Units)	
Number of units in issue	5,981,857	3,987,627
	(Rupees)	
Net assets value per unit	52.39	51.04

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

	Nine months ended 31 March		Quarter ended 31 March	
Note	2014	2013	2014	2013
	(Rupees in '000)			
Income				
Capital gain on sale of investments - net	3,691	30,042	1,018	11,311
Dividend income	7,341	13,439	1,979	2,925
Income from government securities	3,380	6,586	1,097	1,780
Income from investment in sukuk bonds	537	-	355	-
Profit on bank deposits	2,160	111	357	69
Net unrealised appreciation / (diminution) in value of investments at 'fair value through profit or loss'	21,948	10,778	10,017	(4,748)
	39,057	60,956	14,823	11,337
Expenses				
Remuneration of Management Company	3,646	4,133	1,274	1,191
Sales tax and Federal Excise Duty on remuneration of Management Company	1,234	581	432	169
Remuneration of Central Depository Company of Pakistan Limited - Trustee	520	525	173	172
Annual fee - Securities and Exchange Commission of Pakistan	174	201	61	58
Provision for Workers' Welfare Fund	814	-	379	-
Securities transaction cost	688	931	287	247
Settlement and Bank charges	219	227	74	82
Printing and related cost	18	180	18	-
Fees and subscription	147	136	47	45
Legal and professional charges	47	37	8	12
Auditors' remuneration	371	372	131	129
Donation expense	114	236	42	59
Provision against non performing exposures	-	3,343	-	-
Total expenses	7,992	10,902	2,926	2,164
	31,065	50,054	11,897	9,173
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	8,839	(22,467)	6,674	(17,262)
Net income for the period before taxation	39,904	27,587	18,571	(8,089)
Taxation	9	-	-	-
Net income for the period after taxation	39,904	27,587	18,571	(8,089)
Earnings per unit	10			

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


Chief Executive Officer

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


Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

	Nine months ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
	(Rupees in '000)			
Accumulated undistributed income / (losses) brought forward	4,346	(75,607)	107	(26,956)
Net income / loss for the period	39,904	27,587	18,571	(8,089)
Net element of (income) / loss and capital gains / (losses) included in prices of units issued less those in units redeemed	(8,535)	38,032	(4,167)	25,057

Distributions to the unit holders of the Fund

Final distribution:

Final distribution at the rate of Rs. 5.3174 per
unit for the year ended 30 June 2013
- Issue of 463,778 bonus units

(21,204)	-	-	-
(21,204)	-	-	-
14,511	(9,988)	14,511	(9,988)

Accumulated income / (losses) carried forward

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014**

	Nine months ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
Net assets at the beginning of the period	203,540	294,063	250,321	279,336
Issue of 3,250,572 units (2013: 207,469 units) and 1,737,929 units (2013: 81,287 units) for the nine months and quarter ended respectively	164,769	9,356	90,493	3,756
Issue of 463,778 bonus units for the year ended 30 June 2013	21,204	-	-	-
Redemption of 1,720,120 units (2013: 3,917,909 units) and 764,074 units (2013: 2,524,213 units) for the nine months and quarter ended respectively	(85,958)	(179,311)	(39,295)	(118,103)
	100,015	(169,955)	51,198	(114,347)
Net element of income / (loss) and capital gains / (losses) in prices of units sold less those in units redeemed				
- amount representing (income) / loss and realised capital losses / (gains) - transferred to the Income Statement	(8,839)	22,467	(6,674)	17,262
- amount representing loss / (income) that forms part of unit holders' fund - transferred to Distribution Statement	8,535	(38,032)	4,167	(25,057)
	(304)	(15,565)	(2,507)	(7,795)
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - transferred to Distribution Statement	(8,535)	38,032	(4,167)	25,057
Net income / (loss) 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)	14,265	(13,233)	7,536	(14,652)
Capital gain on sale of investments	3,691	30,042	1,018	11,311
Net unrealised appreciation / (diminution) in value of investments at fair value through profit or loss'	21,948	10,778	10,017	(4,748)
	39,904	27,587	18,571	(8,089)
Distributions to the unit holders of the Fund				
Final distribution at the rate of Rs. 5.3174 per unit for the year ended 30 June 2013				
- Issue of 463,778 bonus units	(21,204)	-	-	-
Net assets as at the end of the period	313,416	174,162	313,416	174,162

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.



Chief Executive Officer

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




Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

	Nine months ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	39,904	27,587	18,571	(8,089)
<i>Adjustments for non-cash and other items:</i>				
Net unrealised (appreciation) in value of investments classified as 'at fair value through profit or loss'	(21,948)	(10,778)	(10,017)	4,748
Provision for Workers' Welfare Fund	814	-	379	-
Amount of additional units issued to class 'C' & 'D' unit holders against the amount of rebate in management fee	78	504	25	137
Net element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed	(8,839)	22,467	(6,674)	17,262
	10,009	39,780	2,284	14,058
Decrease / (increase) in assets				
Receivable against sale of investments	2,030	(2,505)	-	(627)
Investments	(32,045)	106,392	(32,137)	107,929
Dividend and profit receivable	(1,978)	(2,386)	(614)	(2,877)
Advances and deposits	(17)	(10)	22	20
	(32,010)	101,491	(32,729)	104,445
Increase / (decrease) in liabilities				
Payable against purchase of investments	-	(11,826)	-	-
Payable to Management Company	345	(148)	348	(79)
Payable to Central Depository Company of Pakistan	(5)	2	-	-
Payable to Securities and Exchange Commission of Pakistan - Annual Fee	(72)	(89)	61	58
Payable against Purchase of investment	6,315	-	6,315	-
Accrued expenses and other liabilities	(182)	8	288	(108)
	6,401	(12,053)	7,012	(129)
Net cash generated from operating activities	(15,600)	129,218	(23,433)	118,374
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	165,069	10,218	90,493	4,512
Payment on redemption of units	(85,958)	(179,309)	(39,295)	(117,736)
Net cash generated from / (used in) financing activities	79,111	(169,091)	51,198	(113,224)
Net increase / (decrease) in cash and cash equivalents	63,511	(39,873)	27,765	5,150
Cash and cash equivalents at beginning of the period	30,227	56,479	65,973	11,456
Cash and cash equivalents at end of the period	93,738	16,606	93,738	16,606

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.


 Chief Executive Officer

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


 Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

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 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.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

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 Fund has been categorised as "Shariah compliant Asset Allocation" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated 6 March 2009 issued by the SECP.

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.

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 BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information has been prepared in accordance with the requirements 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 2013.

2.1.4 The comparatives in the condensed interim statement of assets and liabilities presented in this condensed interim financial information as at 31 March 2014 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2013, where as the comparative in condensed interim income statement, condensed interim distribution, condensed interim statement of movement 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 2013.

2.1.5 Functional and presentation currency

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 THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

3. SIGNIFICANT ACCOUNTING POLICIES

- 3.1** The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are same as those applied in the preparation of the financial statements of the Fund for the year ended 30 June 2013. At present the Fund has no item to be reported in other comprehensive income; hence net income for the period equals to total comprehensive income for the period.
- 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.

4. ESTIMATES AND JUDGMENTS

- 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 2013.

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 2013.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

6 INVESTMENTS

'At fair value through profit or loss' - held for trading
Quoted equity securities

Fixed income and other debt securities

Sukuk certificates - unlisted

Government securities

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 2014			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at 1 July 2013	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at 31 March 2014	Carrying value	Market value	As a percentage of net assets	
							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	-	40,300	4,160	27,960	16,500	8,394	8,925	531	0.02
National Refinery Ltd	-	58,000	-	-	58,000	12,829	13,272	443	0.07
Oil and Gas Development Company Limited	50,000	18,000	-	67,500	500	115	121	6	0.00
Pakistan Oilfields Limited	30,111	34,800	-	30,100	34,811	18,150	18,943	793	0.01
Pakistan Petroleum Limited (Note 6.1.1)	85,225	40,600	19,165	57,900	87,090	16,687	19,487	2,800	0.00
Pakistan State Oil Company Limited	21,600	49,600	-	21,800	49,400	17,958	21,079	3,121	0.02
Shell Pakistan Limited	4,000	-	-	4,000	-	-	-	-	-
						74,133	81,827	7,694	
Chemicals									
Fauji Fertilizer Company Limited	-	110,000	-	65,000	45,000	5,147	4,988	(159)	0.00
Sitara Chemical Industries Limited	400	-	-	400	-	-	-	-	-
Fauji Fertilizer Bin Qasim Company Limited	149,000	-	-	149,000	-	-	-	-	-
						5,147	4,988	(159)	
General Industrials									
Thal Limited	-	34,000	-	-	34,000	5,660	5,771	111	0.08
Packages Limited	-	25,000	-	-	25,000	6,702	8,593	1,891	0.03
						12,362	14,364	2,002	

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

Name of the investee company	Number of shares			Balance as at 31 March 2014				Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at 1 July 2013	Purchases during the period	Bonus / Right issue during the period	Sales during the period	As at 31 March 2014	Carrying value	Market value	As a percentage of total investments	As a percentage of net assets	
	(Rupees in '000)									
Engineering										
Millat Tractors Limited	5	-	-	-	5	3	2	(1)	0.00	0.00
						3	2	(1)		
AutoMobile and Parts										
Pak Suzuki Motor Company Limited	18,000	-	-	18,000	-	-	-	-	-	-
						-	-	-		
Household Goods										
Tariq Glass Industries	-	179,000	-	179,000	-	-	-	-	-	-
						-	-	-		
Personal Goods										
Bata Pakistan	-	100	-	-	100	275	274	(1)		
Kohinoor Textile Mills	-	39,000	-	-	39,000	1,037	1,000	(37)		
Nishat Mills Limited	59,500	90,100	-	149,500	100	14	12	(2)	0.01	0.00
						1,326	1,286	(40)		
Food Producers										
Engro Foods Limited	-	66,500	-	66,500	-	-	-	-		-
Habib Sugar Mills	-	75,000	-	75,000	-	-	-	-		-
						-	-	-		
Pharma and Bio Tech										
Abbot Lab (Pakistan)	-	15,000	-	-	15,000	6,315	6,286	(29)		0.02
Ferozsons Laboratories Limited	-	13,500	-	-	13,500	1,735	2,622	887	1.15	0.84
						8,050	8,908	858		
Electricity										
The Hub Power Company Limited (Note 6.1.1)	224,244	245,000	-	438,500	30,744	1,960	1,635	(325)	0.72	0.52
Kot Addu Power Company	-	337,000	-	227,000	110,000	6,490	6,543	53	2.87	2.09
Pakgen Power Limited	-	240,000	-	240,000	-	-	-	-	-	-
						8,450	8,178	(272)		
Construction and Materials (Cement)										
Attock Cement Limited	105	-	15	-	120	14	17	3	0.01	0.01
D.G. Khan Cement Company Limited	78,500	129,500	-	128,500	79,500	6,327	7,316	989	3.21	2.33
Lucky Cement Limited	41,575	28,000	-	41,575	28,000	8,690	8,875	185	3.89	2.83
Kohat Cement Limited	93,500	60,500	25,800	77,500	102,300	8,299	11,971	3,672	5.25	3.82
Fecto Cement Limited	77,000	-	-	40,500	36,500	1,752	1,916	164	0.84	0.61
Maple Leaf Cement	-	565,000	-	129,000	436,000	10,706	12,831	2,125	5.63	4.09
Fauji Cement Company Limited	-	75,000	-	-	75,000	1,026	1,282	256	0.56	0.41
Cherat Cement Company Limited	153,000	16,000	4,300	126,000	47,300	2,557	3,511	954	1.54	1.12
						39,371	47,719	8,348		

6.1.1 Investments includes shares with market value of Rs. 13,428 million (30 June 2013: 36,356 million) 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 and Exchange Commission of Pakistan.

6.2 Sukuk Certificates 6,042

1,465	6,042
4,577	-
6,042	6,042
-	-

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

6.2.1 Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non performing debt securities. The Fund had recognised full provision against outstanding principal in accordance with provisioning circular issued by the Securities and Exchange Commission of Pakistan (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 mark there against.

6.3 Government securities - 'at fair value through profit or loss'

Issue Date	Profit rate %	Face value			Balance as at 31 March 2014		Market value as a percentage of net assets	Market value as a percentage of total investments
		As at 1 July 2013	Purchases during the period	Sales during the period	As at 31 March 2014	Carrying value		
(Rupees in '000)								
3 year (Tenor)								
15 November 2010	9.4291	365,000	-	365,000	-	-	-	-
16 May 2011	9.4291	100,000	370,000	-	47,117	47,240	15.07	0.21
Total as at 31 March 2014					47,117	47,240		
Total as at 30 June 2013					46,527	46,578		

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

In accordance with clause (ii) 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. However, as at 31 March 2014, 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)	(Rupees in '000)
Investment in debt securities	Pak Elektron Limited-Sukuk	6,042	6,042	-	-	-

7.1 At the time of purchase, the above security was in compliance of the circular (i.e. investment grade) and was subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupons due on respective dates.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	(Unaudited) 31 March 2014	(Audited) 30 June 2013
	(Rupees in '000)	
Federal exercise duty payable	8.1	36
Provision for Worker's Welfare Fund	8.2	4,408
Charity / donation payable	114	744
Auditors' remuneration	213	325
Zakat payable	285	253
Legal and Professional charges	182	150
Brokerage payable	137	45
Capital gain tax payable	46	40
Other payables	217	448
	7,082	6,449

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

8.1 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 High Court of Sindh (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment. The SHC in its short order of 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 condensed interim financial information aggregating to Rs. 0.666 million as at March 31, 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. 0.11 per unit as at 31 March 2014.

8.2 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) / 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 Honourable 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.

Subsequent to the year ended June 30, 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 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 financial statements aggregating to Rs. 5.222 million as at March 31, 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 Rs. 0.87 per unit.

9. TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to 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 unrealised capital gains / loss to the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current period as the management company intends to distribute at least 90 percent of the Fund's accounting income for the year ending 30 June 2014 as reduced by capital gains (whether realised or unrealised) to its unit holders.

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

Related parties / connected persons of the Fund include the Management Company, its related entities, Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other Funds managed by the Management Company and Directors, Key Management Personnel and Officers of the Management Company, and Unit Holders having more than 10% holding in the Fund.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of NBFC Regulations, 2008 and the Trust Deed respectively.

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

	Nine months period ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
	----- (Rupees in '000)-----			
MCB-Arif Habib Savings & Investments Limited (Formerly: Arif Habib Investments Limited)				
Remuneration (including indirect taxes)	<u>4,880</u>	<u>4,714</u>	<u>1,706</u>	<u>1,360</u>
Arif Habib Limited - Brokerage House Brokerage for the period	<u>38</u>	<u>47</u>	<u>25</u>	<u>11</u>
Nishat Mills Limited Dividend income	<u>-</u>	<u>438</u>	<u>-</u>	<u>-</u>
D.G Khan Cement Company Limited Dividend income	<u>293</u>	<u>248</u>	<u>293</u>	<u>-</u>
Central Depository Company of Pakistan Limited - Trustee Remuneration	<u>520</u>	<u>525</u>	<u>173</u>	<u>172</u>
CDS Charges	<u>16</u>	<u>16</u>	<u>4</u>	<u>7</u>
Other Related Parties:				
The Bank of Punjab Issue of Nil units (2013: 8,749 units) and Nil units (2013: 2,193) for the nine months ended	<u>-</u>	<u>386</u>	<u>-</u>	<u>101</u>
Redemption of Nil units (2013: 2,018,523) Nil (2013: 2,008,749) for the nine months ended	<u>-</u>	<u>94,547</u>	<u>-</u>	<u>94,125</u>
Mandate Under Discretionary Portfolio Services				
Issue of 927,077 units (2013: Nil units) and 549,063 units (2013: Nil) for the nine months and quarter ended	<u>47,300</u>	<u>-</u>	<u>28,800</u>	<u>-</u>
Redemption of 369,089 units (2013: Nil units) and Nil 369,089units (2013: Nil) for the nine months and quarter ended	<u>19,000</u>	<u>-</u>	<u>19,000</u>	<u>-</u>
Directors Executives Of The Management Company Issue of 83,836 units (2013: 35,480 units) and 46,342 units (2013: 15,026) for the nine months ended	<u>4,215</u>	<u>1,598</u>	<u>2,413</u>	<u>687</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

	Nine months period ended 31 March		Quarter ended 31 March	
	2014	2013	2014	2013
Redemption of 74,957 units (2013: 35,317 units) and 12,085 units (2013: 9,749) for the nine months ended	<u>3,765</u>	<u>1,589</u>	<u>1,626</u>	<u>447</u>
Bonus units issued 2,647 (2013: Nil) and Nil bonus units (2013: Nil) for the nine months ended	<u>121</u>	<u>-</u>	<u>-</u>	<u>-</u>
Directors Executives and of the Management Company				
Issue of 83,836 units (2013: 35,480 units) and units (2013: 15,026) for the nine months ended	<u>51,515</u>	<u>1,598</u>	<u>600</u>	<u>687</u>
Redemption of 74,957 units (2013: 35,317 units) and 12,085 units (2013: 9,749) for the nine months ended	<u>22,765</u>	<u>1,589</u>	<u>592</u>	<u>447</u>
Bonus units issued 2,647 (2013: Nil) and Nil bonus units (2013: Nil) for the nine months ended	<u>121</u>	<u>-</u>	<u>-</u>	<u>-</u>
D.G Khan Cement Company Limited Employees Provident Fund Trust				
Issue of 8,537 bonus units (2013: Nil units) and Nil units (2013: Nil) for the nine months ended	<u>390</u>	<u>-</u>	<u>-</u>	<u>-</u>
Adamjee Life Assurance Company Limited (Amaanat Fund)				
Issue of 2,618 bonus units (2013: Nil units) and Nil units (2013: Nil) for the nine months ended	<u>120</u>	<u>-</u>	<u>-</u>	<u>-</u>
Issue of 285,932 units (2013: Nil units) and Nil units (2013: Nil) for the nine months ended	<u>15,000</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Redemption of 25,128 bonus units (2013: Nil units) and Nil units (2013: Nil) for the nine months ended	<u>1,233</u>	<u>-</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 THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2014

11.2 Amounts outstanding as at period / year end :

(Unaudited) 31 March 2014	(Audited) 30 June 2013
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(Rupees in '000)

MCB-Arif Habib Savings & Investments Limited

(Formerly: Arif Habib Investments Limited)

Management fee payable	466	330
Sindh sales tax payable on management fee	106	53
Sales load payable	383	149

Arif Habib Limited - Brokerage House

Brokerage payable	21	3
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D.G Khan Cement Company Limited

79,500 shares held (30 June 2013: 78,500 shares)	7,316	6,570
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D.G Khan Cement Company Limited Employees

Provident Fund Trust

81,940 units held (30 June 2013: 73,403 shares)	4,293	3,747
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Nishat Mills Limited

100 shares held (30 June 2013: 59,500 shares)	12	5,605
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Central Depository Company of Pakistan Limited - Trustee

Security deposit	200	200
Remuneration payable	54	59

Mandate Under Discretionary Portfolio Services

Units held 557,988 units (30 June 2013: Nil units)	29,235	-
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Directors and executives of the Management Company

Units held 34,288 units (30 June 2013: 22,762 units)	1,796	1,157
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Adamjee Life Assurance Company Limited (Amaanat Fund)

Units held 285,932 units (30 June 2013: 22,510 units)	14,981	1,228
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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 21, 2014.

13. GENERAL

Corresponding figures have been rearranged and reclassified wherever necessary, for the purposes of comparison and better presentation. No significant changes to corresponding figures have been made during the period.



Chief Executive Officer

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



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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