

Half Year Report
December 31, 2015
(Unaudited)



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

Vision

To become synonymous with Savings.

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

MCB PAKISTAN ISLAMIC STOCK FUND
(FORMERLY: PAKISTAN STRATEGIC ALLOCATION FUND)

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Mohammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
Audit Committee	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
Company Secretary & Acting Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Asif Mehdi	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Habib Bank Limited United Bank Limited Dubai Islamic Bank Limited Standard Chartered Bank (Pakistan) Limited Summit Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box. 15541, Karachi, Sindh-75530, Pakistan	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 + Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Islamic Stock Fund** (Formerly: Pakistan Strategic Allocation Fund) accounts review for the first half ended December 31st, 2015.

EQUITIES MARKET OVERVIEW

The local equity market measured by KSE-100 Index retreated 4.6% during 1HFY15 as it could not bear the brunt of the rout in commodities and global equities. Even a cut in discount rate could not trigger a boost in investor's confidence, as continuous foreign selling forced the local investors to remain cautious. Foreigners sold US\$ 240 million of equities during the period which were primarily absorbed by Companies (US\$ 64.7 million), NBFCs (US\$ 63.4 million) and Individuals (US\$ 52.0 million).

Oil & Gas and Commercial Banks, with a major weight in the index, remained laggards during the period. The market cap of Oil & Gas sector plunged by 26% during the period after the collapse of crude oil, with regional benchmark Arab Light, falling by 49%. Similarly, Commercial banks lost 5% during the period after the central bank reduced the discount rate by 50 bps while the outlook for inflation continues to remain benign.

On the flip side, Pharmaceuticals and Construction & Material remained top performers. Pharmaceuticals gained 20% during the period, after Drug Regulatory Authority of Pakistan ("DRAP") approved the pricing formula for the sector. Alongside, bumper results posted by the pharmaceutical companies boosted investor's sentiment in the sector. Construction and Materials sector also managed to garner investor attention as local dispatches witnessed double digit growth. Moreover, the outlook for infrastructure plays remains robust as flows from China Pakistan Economic Corridor ("CPEC") materialize. The weak performance of commodity prices has hit the major sectors at the bourse as the effect is not limited to Oil. Spillover of weak inflation on banks may continue to keep the sector performance in check.

FUND PERFORMANCE

During the period, PSFA delivered a return of -6.72% as compared to KSE100 index return of -2.91%. Overall equity exposure of the fund stood at 81.3% at the end of the period as compared to 34.9% at June 30, 2015. This low equity exposure figure reflects sell-off of non-shariah compliant stocks and conversion to Islamic stock fund. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the period, the fund realigned its sector exposure by decreasing allocation in cash and other assets and increasing exposure in cements and other equities.

The Net Assets of the Fund as at December 31, 2015 stood at Rs. 781 million as compared to Rs. 666 million as at June 30, 2015 registering an increase of 17.27%.

The Net Asset Value (NAV) per unit as at December 31, 2015 was Rs. 9.58 as compared to opening NAV of Rs. 10.27 per unit as at June 30, 2015 registering a decrease of Rs. 0.69 per unit.

FUTURE OUTLOOK

Crude Oil Prices have created space on fiscal account with lower subsidies and debt servicing burden however major reforms for resolution of circular debt are yet missing which in turn is leaving the chronic issue unresolved. On the other hand, the weak economic outlook of GCC region and Saudi Arabia opens up a potential risk to flow of remittances which contribute more than 60% to the total. Weak exports and potentially weak remittances can be a significant threat to overall stable economic environment and more importantly the exchange rate. Despite real positive interest rates and weak inflationary outlook, we think the emerging risks to current account shall weigh on any considerations for significant monetary easing.

The short term macro stability is expected to provide favorable environment for economic activities to pick up. The average Consumer Price Index is expected to remain around 3% for the year with the second half of fiscal year inflation expected to average around 4%. We expect the inflation to gradually pick up but it is expected to remain well anchored next year assuming oil prices remain at lower levels.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

Budgeted target for economic growth appear achievable while fiscal deficit may marginally exceed due to challenges in revenue collection despite significant reduction in subsidies.

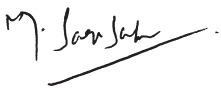
The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with \$46 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower oil prices (oil centric import bill), lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The \$46 billion program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The index heavy sectors are expected to gain lime light in second half of the calendar year with the bottoming out of crude oil prices and interest rate easing cycle. However, the volatility in global markets lead by slow down in Chinese economy and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our stance of no fundamental weakness in the market with the market premium over the risk free rate increasingly attractive due to recent underperformance.

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,



Saqib Saleem
Acting Chief Executive Officer

February 04, 2016

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN ISLAMIC STOCK FUND (FORMERLY PAKISTAN STRATEGIC ALLOCATION FUND)

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Islamic Stock Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2015 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 18, 2016



AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
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P.O. Box 15541, Karachi 75530
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AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of MCB Pakistan Islamic Stock Fund (formerly: Pakistan Strategic Allocation Fund) (the Fund) as at 31 December 2015, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund, and notes to the accounts for the half year then ended (here-in-after referred to as "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner: Shabbir Yunus

Date: 04 February 2016

Karachi

A member firm of Ernst & Young Global Limited


CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2015

		(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks		134,220	433,252
Investments	5	669,574	250,274
Receivable against sale of investments		15,109	29,706
Dividend and profit receivable		933	1,209
Security deposits, advances and other receivables		3,290	3,084
Total assets		823,126	717,525
LIABILITIES			
Payable to Management Company		2,168	2,983
Payable to Central Depository Company of Pakistan Limited - Trustee and related sales tax		145	64
Payable to Securities and Exchange Commission of Pakistan - annual fee		360	352
Unclaimed dividend		12,400	12,400
Payable against purchase of equity securities		-	11,198
Accrued expenses and other liabilities	6	27,216	24,636
Total liabilities		42,289	51,633
NET ASSETS		780,837	665,892
Unit holders' fund (as per statement attached)		780,837	665,892
Contingencies and commitments	7		
NUMBER OF UNITS IN ISSUE			
		81,507,341	64,830,781
NET ASSETS VALUE PER UNIT			
		9.58	10.27

The annexed notes from 1 to 15 form an integral part to these condensed interim financial statements.

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


Director


Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)

FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

		Half year ended		Quarter ended	
		December 31,	December 31,	December 31,	December 31,
		2015	2014	2015	2014
Note		----- (Rupees in '000) -----			
INCOME					
		(9,985)	31,810	(8,898)	24,422
		17,097	6,738	5,576	3,732
		-	293	-	-
		3,472	3,845	1,349	1,792

The annexed notes from 1 to 15 form an integral part to these condensed interim financial statements.

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


Director


Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.


**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	Half year ended December 31,		Quarter ended December 31,	
	2015	2014	2015	2014
	----- (Rupees in '000) -----			
Net (loss) / income for the period after taxation	(20,955)	31,918	(13,313)	22,132
Other comprehensive income:				
Items to be reclassified to income statement in subsequent periods:				
Net unrealised (diminution) / appreciation on remeasurement of investments classified as 'available-for-sale' at the end of the period	(26,416)	51	(26,416)	51
Less: net unrealised (appreciation) / diminution in value of investment at the beginning of the period	(9,407)	(3)	48,881	(21)
Impairment loss on re-measurement of investments classified as 'available-for-sale'	2,972	-	2,972	-
Total comprehensive (loss) / income for the period	(53,806)	31,966	12,124	22,162

The annexed notes from 1 to 15 form an integral part to these condensed interim financial statements.

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


Director


Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
Undistributed income / (loss) brought forward	10,285	(13,245)	(52,622)	(3,171)
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income	1,985	1,250	(1,038)	980
Total comprehensive (loss) / income for the period	(53,806)	31,966	12,124	22,162
Undistributed (loss) / income carried forward	(41,536)	19,971	(41,536)	19,971

The annexed notes from 1 to 15 form an integral part to these condensed interim financial statements.

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



Director



Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015


	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
Net assets at beginning of the period	665,892	357,941	724,791	365,631
Issue of 24,644,219 units (2014: 6,710,627 units) and 21,239,975 units (2014: 6,679,079 units) for the half year and quarter ended respectively	245,902	66,962	81,322	35,414
Redemption of 7,992,539 units (2014: 3,328,088 units) and 6,096,014 units (2014: 621,824 units) for the half year and quarter ended respectively	(78,064)	(98,241)	(38,165)	(64,046)
	167,838	(31,279)	43,157	(28,632)
	833,730	326,662	767,948	336,999
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed				
- amount representing loss / (gain) and capital losses / (gains) transferred to income statement: from realised / unrealised capital gain from other Income	1,381 (468)	1,910 243	1,272 (507)	1,351 269
- amount representing unrealised capital gains / (losses) transferred to the distribution statement	(1,985) (1,072)	(1,250) 903	(1,038) (273)	(980) 640
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	1,985	1,250	1,038	980
Net income for the period transferred from the distribution statement:				
Net (loss) / gain on sale of investments	(9,985)	31,810	(8,898)	24,422
Unrealised diminution on revaluation of investments classified as 'held-for-trading' - net	(14,686)	(664)	(962)	(1,958)
Other net (loss) / income for the period	(29,135)	820	21,984	(302)
	(53,806)	31,966	12,124	22,162
Net assets at end of the period	780,837	360,781	780,837	360,781
	----- (Rupees) -----			
Net assets value per unit	9.58	10.59	9.58	10.59

The annexed notes from 1 to 15 form an integral part to these condensed interim financial statements.

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



Director



Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.


CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Rupees in '000)			
CASH FLOW FROM OPERATING ACTIVITIES				
Net (loss) / income for the period before taxation	(20,955)	31,918	(13,313)	22,132
Adjustments for non - cash and other items				
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:				
from realised / unrealised capital gain	1,381	1,910	1,272	1,351
from other income	(468)	243	(507)	269
Unrealised diminution on revaluation of investments classified as 'held-for-trading' - net	14,686	664	962	1,958
Dividend income	(17,097)	(6,738)	(5,576)	(3,732)
Impairment loss on 'available-for-sale' investment	2,972	-	2,972	-
	(19,481)	27,997	(14,190)	21,978
(Decrease) / increase in assets				
Investments - net	(469,809)	(38,072)	(8,596)	(27,841)
Receivable against sale of investments	14,597	8,341	(15,109)	10,503
Profit receivable	22	(393)	23	(121)
Security deposits, advances and other receivables	(206)	(134)	(206)	15,161
	(455,396)	(30,258)	(23,888)	(2,298)
(Decrease) / increase in liabilities				
Payable to Management Company	(815)	36	(1,613)	(36)
Payable to Central Depository Company of Pakistan Limited - Trustee and related sales tax	81	3	6	-
Payable to Securities and Exchange Commission of Pakistan - annual fee	8	(154)	183	88
Payable against purchase of equity securities	(11,198)	-	-	-
Accrued expenses and other liabilities	2,580	(959)	7,424	(1,967)
	(9,344)	(1,074)	6,000	(1,915)
	(484,221)	(3,335)	(32,078)	17,765
Dividend received	17,351	6,879	16,457	5,854
Net cash (used in) / generated from operating activities	(466,870)	3,544	(15,621)	23,619
CASH FLOW FROM FINANCING ACTIVITIES				
Receipts from issuance of units	245,902	66,962	81,322	35,414
Payments on redemption of units	(78,064)	(98,241)	(38,165)	(64,046)
Net cash generated from / (used in) financing activities	167,838	(31,279)	43,157	(28,632)
Net (decrease) / increase in cash and cash equivalents during the period	(299,032)	(27,735)	27,536	(5,013)
Cash and cash equivalents at the beginning of period	433,252	99,647	106,684	76,925
Cash and cash equivalents at the end of period	134,220	71,912	134,220	71,912

The annexed notes from 1 to 15 form an integral part to these condensed interim financial statements.

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


Director


Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Islamic Stock Fund (Formerly: Pakistan Strategic Allocation Fund) (the Fund) was established under a Trust Deed dated, May 26, 2004, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee.
- 1.2 Formation of the Fund as a closed-end fund was authorized by Securities and Exchange Commission of Pakistan (SECP) on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. On July 01, 2015 the Fund was converted into Shariah Compliant equity scheme.
- 1.3 The registered office of the Management Company is currently situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan. With effect from February 08, 2016 the registered office of the Management Company will be changed to 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4 The Fund is categorised as "Shariah Compliant Equity Scheme" and is listed on the Pakistan Stock Exchange Limited (Formerly: Karachi Stock Exchange (Guarantee) Limited). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned Asset Manager rating of 'AM2+' dated April 07, 2015 to the Management Company and fund performance ranking of 4-star short term and 3-star long term to the Fund dated August 13, 2015.

2. STATEMENT OF COMPLIANCE

- 2.1 These condensed interim financial statements for the half year ended December 31, 2015 have been prepared in accordance with the requirements of International Accounting Standard 34: 'Interim Financial Reporting', the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and directives issued by SECP. In case where requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP will prevail.
- 2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2015.
- 2.3 "These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. Figures for the quarters ended December 31, 2015 and December 31, 2014 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors."
- 2.4 These are presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees.

3. ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, basis of accounting estimates applied and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2015, except as described in note 3.1 below:

- 3.1 The Fund has adopted the following revised standards, amendments and interpretation of IFRSs which became effective for the current period:

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

The adoption of the above did not have any effect on the condensed interim financial statements.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Fund believes that such improvements to the standards do not have any impact on the Fund's financial statements for the period.

- 3.2** The element of income arising on issuance and redemption of units is bifurcated into portion attributable to capital gain / losses (realised and unrealised) and other income appearing in book of accounts of the Fund.

4. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund as at and for the year ended June 30, 2015.

		(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	Note	----- (Rupees in '000) -----	
5. INVESTMENTS			
'At fair value through profit or loss - held-for-trading'			
Listed equity securities	5.1	46,497	66,630
'Available-for-sale'			
Listed equity securities	5.2	<u>623,077</u> <u>669,574</u>	183,644 <u>250,274</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

5.1 Listed equity securities at 'fair value through profit or loss - held-for-trading'

Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise

Name of the Investee Company	As at July 01, 2015	Purchases / Right issue(R) during the period	Bonus issue during the period	Sales during the period	As at December 31, 2015	Balance as at December 31, 2015			Market value as percentage of net assets	Market value as percentage of total investments	Paid up value of shares as percentage of total paid up capital of the investee company
						Cost	Market value	(Diminution) / appreciation			
(Rupees in '000)											
(Number of shares)											
%											
Oil and gas											
Attock Petroleum Limited	13,797	-	-	-	13,797	7,826	6,969	(857)	0.89	1.04	0.00
Pakistan State Oil Company Limited	43	-	-	-	43	17	14	(3)	0.00	0.00	0.00
Pakistan Oilfields Limited *	41,403	-	-	-	41,403	16,719	11,097	(5,622)	1.42	1.66	0.00
Pakistan Petroleum Limited *	158,157	-	-	-	158,157	25,979	19,265	(6,714)	2.47	2.88	0.00
						50,541	37,345	(13,196)	4.78	5.58	
Refinery											
National Refinery Limited	100	-	-	100	-	-	-	-	0.00	0.00	0.00
						-	-	-	0.00	0.00	
Fertilizer											
Fatima Fertilizer Company Limited - related party	58	-	-	-	58	2	3	1	0.00	0.00	0.00
Engro Fertilizer Limited	550	-	-	-	550	49	46	(3)	0.01	0.01	0.00
						51	49	(2)	0.01	0.01	
Construction and materials (Cement)											
Cherat Cement Company Limited	1	-	-	-	1	-	-	-	0.00	0.00	0.00
Kohat Cement Company Limited	188	-	-	-	188	38	45	7	0.01	0.01	0.00
Lucky Cement Company Limited	5,419	-	-	-	5,419	2,816	2,683	(133)	0.34	0.40	0.00
Maple Leaf Cement Factory Limited	100	-	-	-	100	8	7	(1)	0.00	0.00	0.00
Attock Cement Limited	28,100	-	-	28,100	-	-	-	-	0.00	0.00	0.00
						2,862	2,735	(127)	0.35	0.41	
General industrials											
Packages Limited	1,050	-	-	-	1,050	624	611	(13)	0.08	0.09	0.00
						624	611	(13)	0.08	0.09	
Food producers											
Engro Foods Limited	100	-	-	-	100	15	15	-	0.00	0.00	0.00
						15	15	-	0.00	0.00	
Balance c/f.						54,093	40,755	(13,338)			

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

Name of the Investee Company	As at July 01, 2015	Purchases during the period	Bonus / rights issue	Sales during the period	As at December 31, 2015	Balance as at December 31, 2015			Market value as percentage of total investments %	Paid up value of shares as percentage of total paid up capital of the investee company
						(Rupees in '000)				
						Cost	Market value	(Diminution) / Appreciation		
Fixed line telecommunication										
Pakistan Telecommunication Company Limited	817	-	-	-	817	17	13	(4)	0.00	0.00
						17	13	(4)	0.00	0.00
Electricity										
Hub Power Company Limited	32	-	-	-	32	3	3	-	0.00	0.00
Pakgen Power Limited - related party	5,000				5,000	150	147	(3)	0.00	0.00
						153	150	(3)	0.00	0.00
Commercial banks										
Faysal Bank Limited	1,560	-	-	1,560	-	-	-	-	0.00	0.00
						-	-	-	0.00	0.00
Automobile and parts										
Pak Suzuki Motor Company Limited	100	-	-	100	-	-	-	-	0.00	0.00
Indus Motor Company Limited	50				50	62	51	(11)	-	0.00
						62	51	(11)	0.00	0.00
Engineering										
Millat Tractors Limited	10,000	-	-	-	10,000	6,858	5,528	(1,330)	0.71	0.83
						6,858	5,528	(1,330)	0.71	0.83
December 31, 2015						61,183	46,497	(14,686)		
June 30, 2015						75,795	66,630	(9,165)		

* The shares of Pakistan Oilfields Limited and Pakistan Petroleum Limited include shares with a market value of Rs.10,720 and Rs.7,917 thousand (June 30, 2015: Rs.Nil and Rs.10,677 thousand) respectively that have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

5.2 Listed equity securities 'available-for-sale'

Shares of listed companies - fully paid ordinary
shares of Rs.10 each unless stated otherwise

Name of the Investee Company	Number of shares					Balance as at 31 December 2015			Market value as % of net assets	Market value as % of total investments	Paid up value of shares as percentage of total paid up capital of the investee company
	As at July 01, 2015	Purchases / Right issue(R) during the period	Bonus issue during the period	Sales during the period	As at December 31, 2015	Cost	Market Value	(Diminution) / Appreciation			
----- (Rupees in '000) -----											
Automobile assembler											
Honda Atlas Cars (Pakistan) Limited	-	75,000	-	-	75,000	19,872	17,921	(1,951)	-	2.68	0.00
Indus Motor Company Limited	8,500	700	-	-	9,200	11,929	9,307	(2,622)	-	1.39	0.00
					84,200	31,801	27,228	(4,573)			
Refinery											
National Refinery Limited	48,200	25,000	-	73,200	-	-	-	-	-	-	0.00
					-	-	-	-			
Automobile parts and accessories											
Thal Limited*	-	60,300	-	-	60,300	18,274	15,276	(2,998)	-	2.28	0.00
					60,300	18,274	15,276	(2,998)			
Cable and electrical goods											
Pak Elektron Limited	147,000	315,000	-	312,000	150,000	11,270	9,381	(1,889)	-	1.40	0.00
					150,000	11,270	9,381	(1,889)			
Construction and materials (cement)											
Cherat Cement Company Limited	-	250,000	-	-	250,000	22,051	22,545	494	-	3.37	0.00
Fauji Cement Company Limited	400	840,000	-	312,000	528,400	19,476	19,456	(20)	-	2.91	0.00
Kohat Cement Limited	-	71,200	-	-	71,200	15,249	17,151	1,902	-	2.56	0.00
Lucky Cement Limited	28,600	58,900	-	-	87,500	44,402	43,316	(1,086)	-	6.47	0.00
Maple Leaf Cement Factory Limited	-	1,035,000	-	535,000	500,000	36,342	37,290	948	-	5.57	0.00
					1,437,100	137,520	139,758	2,238			
Chemicals											
ICI Pakistan Limited	-	60,000	-	-	60,000	28,839	29,041	202	-	4.34	0.00
Dawood Hercules Corporation Limited	-	165,000	-	165,000	-	-	-	-	-	-	-
					60,000	28,839	29,041	202			
Engineering											
Amreli Steels Limited	-	130,674	-	-	130,674	8,082	7,850	(232)	-	1.17	0.00
Mughal Iron and Steel industries Limited	-	190,000	-	-	190,000	13,967	13,243	(724)	-	1.98	0.00
					320,674	22,049	21,093	(956)			
Fertilizer											
Engro Corporation Limited	80,900	128,000	-	162,000	46,900	13,959	13,103	(856)	-	1.96	0.00
Engro Fertilizer Limited	223,000	374,000	-	77,550	519,450	48,667	43,701	(4,966)	-	6.53	0.00
Fauji Fertilizer Bin Qasim Limited	-	749,000	-	749,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	99,600	252,600	-	352,200	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited- related party	48,000	550,000	-	323,058	274,942	13,335	12,298	(1,037)	-	1.84	0.00
					841,292	75,961	69,102	(6,859)			
Foods and personal care											
Engro Foods Limited	-	187,000	-	64,600	122,400	19,880	17,943	(1,937)	-	2.68	0.00
					122,400	19,880	17,943	(1,937)			
Glass and ceramics											
Tariq Glass Industries Limited	184,000	206,500	-	-	390,500	26,006	27,276	1,270	-	4.07	0.01
					390,500	26,006	27,276	1,270			
Miscellaneous											
Shifa International Hospitals Limited	-	58,000	-	-	58,000	16,436	17,806	1,370	-	2.66	0.00
Shifa International Hospitals Limited (R)	-	4,620	-	-	4,620	-	252	252	-	0.04	0.00
					58,000	16,436	18,058	1,622			
Oil and gas development companies											
Attock Petroleum Limited	-	25,000	-	5,600	19,400	11,355	9,799	(1,556)	-	1.46	0.00
Pakistan Oilfields Limited	24,000	136,100	-	124,000	36,100	11,691	9,676	(2,015)	-	1.45	0.00
Hascol Petroleum Limited	-	241,800	-	151,800	90,000	8,984	12,983	3,999	-	1.94	0.00
Pakistan Petroleum Limited	40300	23,000	-	5,000	58,300	9,312	7,102	(2,210)	-	1.06	0.00
Pakistan State Oil Company Limited ***	48,500	42,000	-	-	90,500	31,113	29,482	(1,631)	-	4.40	0.00
Oil and Gas Development Company Limited	-	50,000	-	-	50,000	8,839	5,867	(2,972)	-	0.88	0.00
					344,300	81,294	74,909	(6,385)			
Paper and board											
Packages Limited	23,150	56,300	-	500	78,950	45,965	45,956	(9)	-	6.86	0.00
					78,950	45,965	45,956	(9)			
Power generation and distribution											
Hub Power Company Limited	11,500	474,500	-	-	486,000	49,141	49,864	723	-	7.45	0.00
K-Electric Limited**	-	4,850,500	-	-	4,850,500	39,778	36,088	(3,690)	-	5.39	0.00
Lalpir Power Limited- related party	-	759,000	-	-	759,000	24,572	22,573	(1,999)	-	3.37	0.00
Pakgen Power Limited- related party	379,500	222,500	-	-	602,000	18,462	17,717	(745)	-	2.65	0.00
					6,697,500	131,953	126,242	(5,711)			
Technology and communication											
P.T.C.L. "A" (Pakistan Telecommunication Company Limited)	110,000	-	-	-	110,000	2,245	1,814	(431)	-	0.27	0.00
					110,000	2,245	1,814	(431)			
December 31, 2015						649,493	623,077	(26,416)			
June 30, 2015						174,237	183,644	9,407			

* These have a face value of Rs.5 per share

** These have a face value of Rs.3.5 per share

*** These include shares with a market value aggregating to Rs.9,773 thousand (June 30, 2015: Rs.Nil) which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

		(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	Note	----- (Rupees in '000) -----	
5.3 Unrealised diminution in value of investments at 'fair value through profit or loss held-for-trading' - net			
Market value of investments	5.1	46,497	66,630
Less: Cost of investments	5.1	<u>(61,183)</u>	<u>(75,795)</u>
		<u>(14,686)</u>	<u>(9,165)</u>
6. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	6.1	15,754	15,754
Federal Excise Duty and related taxes payable on management fee	6.2	4,094	2,710
Federal Excise Duty and related taxes payable on sales load		172	95
Auditors' remuneration		251	341
Brokerage		661	486
Withholding tax payable		70	4,919
Advance against issuance of units		5,500	-
Donation		585	-
Others		129	331
		<u>27,216</u>	<u>24,636</u>

6.1 Provision for Workers' Welfare Fund

There is no change in the status of the petition pending with the Honourable Sindh High Court (SHC) as reported in note 9.1 to the annual financial statements of the Fund for the year ended June 30, 2015.

The Fund maintained a provision for WWF as on December 31, 2015 amounting to Rs.15.754 million (June 30, 2015: Rs.15.754 million). Had the provision not been made, the net assets value per unit of the Fund would have been higher by Re.0.19 (1.98%) (June 30, 2015: Re.0.24 (2.37%)) per unit.

6.2 Federal Excise Duty on Remuneration of Management Company

There is no change in the status of petition with SHC as reported in note 9.3 to the annual financial statements of the Fund for the year ended June 30, 2015.

The Fund maintained a provision for FED as on December 31, 2015 amounting to Rs.4.094 million (June 30, 2015: Rs.2.710 million). Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re.0.050 per unit as at December 31, 2015 (June 30, 2015: Re.0.042 per unit).

7. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2015.

8. EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY AND RELATED SALES TAX

The SECP via SRO 1160 dated November 25, 2015 amended clause 60 of NBFC Regulations, 2008. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

9. SINDH SALES TAX ON REMUNERATION OF TRUSTEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 14% on such services is also chargeable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill, 2010 amended upto 2015.

10. 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 in cash amongst the unit holders. The Management Company intends to distribute not less than 90% of its annual accounting income in cash, if any, to comply with the above clause at year end. Accordingly, no tax provision has been made in these condensed interim financial statements for the half year ended December 31, 2015.

11. EARNINGS PER UNIT

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

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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:

12.1 Details of transactions with connected persons are as follows:

	Un-audited			
	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	(Rupees in '000)			
MCB Arif Habib Savings and Investments Limited - Management Company				
Remuneration of management company including indirect taxes	10,019	4,940	5,078	2,461
Expenses allocated by management company and related sales tax	82	-	-	-
Payment of conversion cost	1,520	-	-	-
Shariah advisory fee	68	-	68	-
Central Depository Company of Pakistan Limited- Trustee				
Remuneration of Trustee	865	370	492	184
CDC charges for conversion - including taxes	63	50	25	29
Group / Associated Companies				
Arif Habib Limited *				
Brokerage expense	196	110	55	19

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	----- Un-audited -----			
	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
Summit Capital (Pvt) Limited *				
Brokerage expense	18	-	18	-
Next Capital Limited *				
Brokerage expense	49	78	3	74
MCB Bank Limited				
Mark up income during the period	-	3,202	-	1,456
Bank charges	8	13	3	8
Dividend income	-	371	-	185
Lalpir Power Limited				
Dividend income	759	-	759	-
Pakgen Power Limited				
Dividend income	607	-	607	-
Nishat Mills Limited				
Dividend income	-	167	-	167
D.G Khan Cement Company Limited				
Dividend income	-	489	-	489
Mandate under discretionary portfolio services				
Issue of 149,850 units (2014: 1,250,991 units) and Nil units (2014: 1,250,991) for the half year and quarter ended respectively	1,500	12,741	1,500	12,741
Redemption of 1,749,271 units (2014: 1,250,991 units) and 1,506,553 units (2014: 1,250,991) for the half year and quarter ended respectively	17,581	13,123	15,081	13,123
Directors and executives of the Management Company				
Issuance of 74,675 units (2014: 33,988 units)	774	350	-	350
Redemption of 79,740 units (2014: 33,988 units)	833	350	-	350

* 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 STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	----- (Rupees in '000) -----	
12.2 Amount outstanding as at period / year end		
MCB Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable	1,274	643
Sales tax payable on management remuneration	178	96
Conversion cost payable	563	2,083
Expense allocated by management company and related sales tax payable	82	-
Sales load payable including related taxes	3	61
Legal and professional charges	-	100
Shariah advisory fee payable	68	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	127	64
Sales tax on remuneration	18	-
Security deposit	300	300
Group / Associated Companies		
Arif Habib Limited *		
Brokerage payable	55	37
Next Capital Limited *		
Brokerage payable	3	48
Summit Bank Limited		
Balances with bank	5,109	5,109
MCB Bank Limited		
Balances with bank	5,379	418,849
Accrued mark-up	-	343
Adamjee Life Assurance Company Limited (IMF)		
24,414,063 units held as at December 31, 2015 (June 30, 2015: 24,414,063)	233,887	250,732
Nishat Mills Limited		
993,889 units held as at December 31, 2015 (June 30, 2015: 993,889)	9,521	10,207
D.G. Khan Cement Company Limited - Employees Provident Fund Trust		
402,955 units held as at December 31, 2015 (June 30, 2015: 402,955)	3,860	4,138
Pakgen Power Limited		
5,000 shares held as at December 31, 2015 (June 30, 2015: 5,000) - 'held-for-trading'	150	-
602,000 shares held as at December 31, 2015 (June 30, 2015: 379,500) - 'available-for-sale'	18,462	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	----- (Rupees in '000) -----	
Fatima Fertilizer Company Limited		
274,942 shares held as at December 31, 2015 (June 30, 2015: 48,000) - 'available-for-sale'	13,334	1,875
58 shares held as at December 31, 2015 (June 30, 2015: 58) - 'held-for-trading'	2	2
Lalpir Power Limited		
759,000 shares held as at December 31, 2015 (June 30, 2015: Nil) - 'available-for-sale'	13,335	-
Directors and executives of the Management Company		
10,058 units held as at December 31, 2015 (June 30, 2015: 15,124)	96	155
Mandate under Discretionary Portfolio Services		
2,093,485 units held as at December 31, 2015 (June 30, 2015: 3,692,906)	20,056	37,926

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	----- As at December 31, 2015 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
Held-for-trading	46,497	-	-	46,497
Available-for-sale	623,077	-	-	623,077
	<u>669,574</u>	<u>-</u>	<u>-</u>	<u>669,574</u>

	----- As at June 30, 2015 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
ASSETS				
Held-for-trading	66,630	-	-	66,630
Available-for-sale	183,644	-	-	183,644
	<u>250,274</u>	<u>-</u>	<u>-</u>	<u>250,274</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

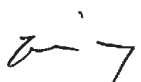
14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 04, 2016 by the Board of Directors of the Management Company.

15. GENERAL

Certain prior year's / period's figures have been reclassified for the purpose of comparison. However, there were no material reclassifications to report.

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



Director



Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited

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