

Quarterly Report
September 30, 2016
(Unaudited)



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

Rated: **AM2++** by PACRA

**PAKISTAN INTERNATIONAL ELEMENT
ISLAMIC ASSET 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 Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Muhammad Asif Mehdi	
Company Secretary	Mr. Abdul Basit	
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 Bank Limited Habib Metropolitan Bank Limited United Bank Limited Dubai Islamic Bank Limited Meezan Bank Limited Deutsche Bank AG Askari Bank Limited Bank Al-Habib Limited Bank Islami Pakistan 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 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 ++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2016

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 quarter ended September 30th, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

The fiscal year kicked off on a positive note with most of major macroeconomic indicators showing signs of stabilization. Inflation as measured by CPI averaged at 3.9% for 1QFY17 compared to 3.5% witnessed during the preceding quarter. Government decision to maintain petroleum prices helped to contain the inflation in low single digits. Alongside, government's renewed focus towards agricultural sector also assisted in controlling food inflation.

Monetary Policy Committee ("MPC") in its first meeting of the current fiscal year maintained a status quo stance, keeping the discount rate at 5.75%. The MPC highlighted encouraging macroeconomic environment supported by record high foreign exchange reserves behind its decision. However, it raised certain red flags on widening of current account deficit owing to declining exports and rising imports.

Current account ("CA") balance witnessed a deficit of USD 1,316 million in the 2MFY17 compared to USD 686 million witnessed during the same period of last year, on the back of rising imports and falling exports. Alongside, remittances came under pressure as they fell by 5.4% YoY to USD 4.7 billion during the 1QFY17. The slowdown in remittances was inevitable owing to a weak global GDP growth along with poor economic dynamics of gulf economies where most of the Pakistani expatriates are employed. Nevertheless, the hit on current account did not affect foreign exchange reserves as strong financial inflows especially CPEC led inflows, managed to offset the impact of weakening current account. Foreign Exchange Reserves increased by USD 500 million during the quarter, to USD 23.6 billion.

PIB yields during the quarter inched up by ~30 bps for 3 year, 5 year and 10 year bonds. Inflation beat the market expectations during most of the months causing the yield curve to shift upwards. Furthermore, the bearish sentiment was also backed by SBP in its MPS, which highlighted its concerns on external account as exports dwindled, while remittances witnessed a slowdown.

EQUITIES MARKET OVERVIEW

The start of the new fiscal year was promising, as the local bourse continued to cherish the inclusion of Pakistan in the MSCI Emerging Market Index. The benchmark as measured by KSE-100 Index gained 7.3% during 1QFY17. While, the Indo-Pak border tension triggered some volatility in the market; overall, the Pakistan Stock Exchange continued its positive momentum, ending at all time high of 40,541 points at the end of September 2016.

Mutual funds and NBFC's were the major buyers during the quarter, buying USD 76 million and 36 million worth of equities respectively. While, foreigners remained net sellers of USD 38 million during the quarter, the selling was specifically limited to certain scrips. Liquidity in the market improved, with average trading volumes going up by 37%, increasing to 310 million shares compared to 226 million shares witnessed during the preceding quarter. A broad based rally in third tier stocks contributed significantly towards this strong volume increase during the end of quarter.

Auto Sector lead the charts during the quarter, gaining a massive 45% as strong demand outlook emanating from renewed interest in auto financing created exuberance. The launch of a new model by Honda also continued to capture investor attention as expectations of robust demand materialized. Alongside, some of the auto manufacturers raised their prices to pass on the earlier impact of yen's appreciation. Oil & Gas Marketing Companies also rallied by 22% during the period, as petroleum sales continued to beat market expectations. The sale of petroleum products broke all the records during the quarter, after they witnessed an increase of 20.6% YoY.

The index heavy weight Commercial Banks also managed to outperform the benchmark by posting a gain of 10%. Foreigners' interest was tilted towards Commercial Banks, after their inclusion in the Emerging Market Index. The performance of cement sector matched the benchmark as local dispatches kept posting growth in double digits. However, the price performance of the sector during the later part of the quarter was partly subdued, owing to skepticism on a wave of expansion announced by a large number of cement companies. Furthermore, potential acquisition of a local cement manufacturer by a Chinese player was viewed negatively by the investors.

On the flip side, Oil & Gas exploration sector underperformed the benchmark, posting a nominal gain of 3%. Underperformance came in after average international crude oil prices retreated by 2% during the quarter to USD 47/BBL. Fertilizer sector also underperformed due to rising urea inventories. ECC's approval for reduction in NFML's imported fertilizer prices also kept the investors interest at bay in the fertilizer sector. Alongside, lower than expected dividend by Engro Corp turned to be a major mood dampener for the sector.

REPORT OF THE DIRECTORS OF MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2016

FUND PERFORMANCE

During the period under review, the fund delivered a return of 7.18% as against its benchmark return of 4.27%.

On the equities front, the overall allocation was 65.5% at the end of the period under review. The fund increased its exposure in Oil & Gas Exploration, while reducing its exposure towards Cement, Fertilizers and Chemicals during the period.

On the fixed income side, there was no exposure towards Sukuk as it stood at 0.0% of the portfolio at the end of the period under review.

The Net Assets of the Fund as at September 30, 2016 stood at Rs.1014 million as compared to Rs. 821million as at June 30, 2016 registering an increase of 23.5%.

The Net Asset Value (NAV) per unit as at September 30, 2016 was Rs.68.08 as compared to opening NAV of Rs.63.52 per unit as at June 30, 2016 registering an increase of Rs.4.56 per unit.

FUTURE OUTLOOK

With a more stabilized economy now on board, the government has unveiled an ambitious plan to revive the growth of the country. For the current fiscal year, the government is envisaging an ambitious growth target of 5.7% compared to 4.7% witnessed during the preceding year. The prospects of improvement in Pakistan's economy look increasingly promising on the back of improved power situation, rising business confidence, and initiation of projects under the USD 46 billion CPEC program.

The average Consumer Price Index is expected to remain below 5% for the year. Stability in oil prices & exchange rate would allow inflation over the next few quarters to remain well anchored in the range of 4.0%-5.0% thus a stable monetary policy environment looks likely.

As of recent, current account has remained vulnerable owing to weak exports and a slowdown in remittances. While this has been offset by strong financial inflows recently, further deterioration in external account can pose threat to the currency and could result in more than expected PKR depreciation, which we consider the only major risk to economy at this juncture of time.

The macro stability along with China Pakistan Economic Corridor is expected to provide impetus to the construction and power space. Furthermore, expansionary cycle along with stable interest rate environment is expected to provide better global positioning compared with other emerging market economies. Construction sector is expected to remain the proxy for infrastructure led economic growth.

Long term stability in oil prices is expected to provide impetus to exploration & production sector driven by exploration growth. Banks are expected to gain limelight once life after PIB maturity becomes clear and focus is on the attractive Price to Book ratios. The up gradation into the emerging markets index would remain a major impetus for KSE-100 index and could lead to re-rating of market towards higher multiples.

On the fixed income front, market is expected to remain cautious on back of uptick in inflation trajectory and cross border tensions. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

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,



Muhammad Saqib Saleem
Chief Executive Officer
October 21, 2016

ڈائریکٹر رپورٹ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2016ء کو اختتام پذیر ہونے والی مدت کے لئے پاکستان انٹرنیشنل ایلیمنٹ اسلامک Asset مینجمنٹ فونڈ کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا جائزہ

مالی سال کا آغاز خوش آئند تھا اور کلاں معیشت کی نشاندہی کرنے والے اہم عوامل استحکام کی علامات ظاہر کر رہے تھے۔ CPI کی پیمائش کردہ افراط زر کا اوسط مالی سال 2017ء کی پہلی سہ ماہی میں 3.9% تھا، جبکہ گزشتہ سہ ماہی میں 3.5% تھا۔ پیٹرولیم کی قیمتوں کو مستحکم رکھنے کے حکومتی فیصلے سے بھی افراط زر کے اعداد و شمار پست رکھنے میں معاونت حاصل ہوئی۔ مزید برآں، زراعت کے شعبے کی طرف حکومت کی تازہ توجہ کی بدولت اشیائے خورد و نوش کے افراط زر کو قابو میں رکھنے میں مدد ملی۔

مانیٹری پالیسی کمیٹی (MPC) نے رواں مالی سال کے پہلے اجلاس میں ڈسکاؤنٹ کی شرح کو 5.75% کی سطح پر قائم رکھ کر اپنا سابقہ موقف برقرار رکھا۔ MPC نے کلاں معاشیات کے حوصلہ افزا ماحول اور غیر ملکی زرمبادلہ کے ذخائر کی اب تک کی بلند ترین سطح کو اپنے فیصلے کے خصوصی اسباب قرار دیا، تاہم برآمدات میں کمی اور درآمدات میں اضافے کو خطرے کی گھنٹی قرار دیا۔

کرنٹ اکاؤنٹ (CA) میں مالی سال 2017ء کے (2M) میں 1,316 ملین ڈالر خسارہ ہوا، جبکہ گزشتہ سال اسی مدت کے دوران 686 ملین ڈالر خسارہ ہوا تھا، اور اس کی وجہ درآمدات میں اضافہ اور برآمدات میں کمی ہے۔ مزید برآں، ترسیلات زر پر دباؤ پڑا؛ مالی سال 2017ء کی پہلی سہ ماہی کے دوران ترسیلات زر میں 5.4% YoY کمی ہوئی اور یہ 4.7 بلین ڈالر کی سطح پر آگئیں۔ عالمی سطح پر مجموعی ملکی پیداوار (GDP) کی نجیف ترقی اور خلیجی معاشیات، جہاں بیرون ملک مقیم پاکستانیوں کی اکثریت برسرِ روزگار ہے، کے ناتواں محرکات کی وجہ سے ترسیلات زر میں یہ سُست روی ناگزیر تھی۔ لیکن کرنٹ اکاؤنٹ پر اس ضرب سے غیر ملکی زرمبادلہ کے ذخائر متاثر نہیں ہوئے کیونکہ مضبوط مالیاتی آمدیات، بالخصوص CPEC پر مبنی مالیات، کی بدولت کمزور ہوتے ہوئے کرنٹ اکاؤنٹ کے اثر کو زائل کر دیا۔ غیر ملکی زرمبادلہ کے ذخائر دوران سہ ماہی 500 ملین ڈالر اضافے کے ساتھ 23.6 بلین ڈالر کی سطح تک پہنچ گئے۔

پاکستان انویسٹمنٹ بانڈز (PIB) کے 3 سالہ، 5 سالہ اور 10 سالہ بانڈز کی آمدنی میں دوران سہ ماہی 30 bps اضافہ ہوا۔ افراط زر کے سبب اکثر مہینوں کے دوران مارکیٹ کی توقعات پوری نہیں ہو سکیں، چنانچہ ختم پیداوار اور پر کی طرف حرکت کر گیا۔ مزید برآں، اسٹیٹ بینک آف پاکستان نے بھی اس غیر ہموار صورتحال کی توثیق کی اور اپنے MPS میں برآمدات میں کمی اور ترسیلات زر میں سُستی کے باعث خارجی اکاؤنٹ پر خدشات کا اظہار کیا۔

ایکویٹی مارکیٹ کا جائزہ

سال کا آغاز اُمید افزا تھا کیونکہ MSCI امریکن مارکیٹ انڈیکس میں پاکستان کی شمولیت کی بدولت مقامی اسٹاک مارکیٹ کو ہونے والے فوائد کا سلسلہ جاری رہا۔ KSE-100 کا پیمائش کردہ معیار میں مالی سال 2017ء کی پہلی سہ ماہی کے دوران 7.3% اضافہ ہوا۔ اگرچہ پاک بھارت سرحد پر کشیدگی کے باعث مارکیٹ میں تھوڑا بہت عدم استحکام پیدا ہوا لیکن مجموعی طور پر پاکستان اسٹاک ایکسچینج کی مثبت رفتار جاری رہی جو ستمبر 2016ء کے

ڈائریکٹر رپورٹ

اختتام پر اب تک کے بلند ترین 40,541 پوائنٹس پر ختم ہوئی۔

دورانِ سہ ماہی Mutual فنڈ ز اور NBFCs اہم ترین خریدار تھے جنہوں نے بالترتیب 76 ملین ڈالر اور 36 ملین ڈالر مالیت کی ایکویٹیز خریدیں۔ اگرچہ دورانِ سہ ماہی 38 ملین ڈالر کی فروخت کے ساتھ بدستور غیر ملکیوں کے ہاتھوں ہونے والی فروخت کا پلڑا بھاری رہا، لیکن یہ فروخت کچھ خاص scrips تک محدود تھی۔ اوسط تجارتی حجم میں 37% اضافے کی بدولت مارکیٹ میں قابلیتِ نقد میں بہتری ہوئی، چنانچہ 310 ملین حصص کی خرید و فروخت ہوئی جبکہ گزشتہ سہ ماہی کے دوران 226 ملین حصص کی خرید و فروخت ہوئی تھی۔ دورانِ اختتام سہ ماہی حجم میں اس بھر پور اضافے میں تیسرے درجے کے اسٹاکس میں وسیع پیمانے پر اضافے کا اہم کردار ہے۔

دورانِ سہ ماہی آٹو سکٹر 45% ترقی کر کے سب سے آگے رہا کیونکہ آٹو فنانسنگ میں انٹریسٹ کی تازہ شرحوں نے ایک نئی روح پھونک دی۔ ہنڈا نے ایک نیا ماڈل متعارف کرایا جس کی بدولت پختہ مانگ کی توقعات پوری ہوئیں اور سرمایہ کاروں کی توجہ بدستور قائم رہی۔ ساتھ ہی ساتھ کچھ آٹو مینوفیکچررز نے yen کی قدر میں اضافے کے سابقہ اثر کو زائل کرنے کے لئے اپنی قیمتوں میں اضافہ کر دیا۔ آئل اینڈ گیس مارکیٹنگ کمپنیز نے بھی دورانِ مدت 22% ترقی کی کیونکہ پٹرولیم کی فروخت مارکیٹ کی توقعات سے کہیں زیادہ ہوئیں۔ پٹرولیم مصنوعات کی فروخت میں دورانِ سہ ماہی 20.6% YoY اضافہ ہوا جس نے تمام ریکارڈ توڑ دیئے۔

بھاری انڈیکس والے کمرشل بینکوں نے 10% ترقی کی، چنانچہ وہ بھی مقررہ معیار سے بہتر کارکردگی کا مظاہرہ کرنے میں کامیاب ہوئے۔ امریکن مارکیٹ انڈیکس میں کمرشل بینکوں کی شمولیت کے بعد غیر ملکیوں کی دلچسپی کمرشل بینکوں کی طرف مائل رہی۔ سیمنٹ کے شعبے کی کارکردگی مقررہ معیار کے مطابق تھی کیونکہ مقامی ترسیلات کی ترقی کے اعداد و شمار مسلسل بلند رہے۔ تاہم سیمنٹ کمپنیز کی بڑی تعداد کی اعلان کردہ توسیع کی لہر پر شکوک و شبہات کے باعث سہ ماہی کے اواخر کے دوران اس شعبے کی کارکردگی باعتبار قیمت پست رہی۔ مزید برآں، ایک چینی ادارے کے ایک مقامی سیمنٹ مینوفیکچرر کے متوقع حصول کو سرمایہ کاروں نے منفی نظر سے دیکھا۔

دوسری جانب آئل اینڈ گیس ایکسلوریشن کے شعبے نے صرف 3% ترقی کر کے مقررہ معیار سے کم کارکردگی کا مظاہرہ کیا۔ اس ناقص کارکردگی کا آغاز اُس وقت ہوا جب خام تیل کی اوسط قیمتیں 2% کم ہو کر 47/BBL ڈالر ہو گئیں۔ کھاد کے شعبے نے بھی مقررہ معیار سے کم کارکردگی کا مظاہرہ کیا جس کی وجہ یورپ کے تجارتی ذخائر میں اضافہ ہے۔ ECC کی طرف سے NFML کی درآمد شدہ کھاد کی قیمتوں میں کمی کی منظوری کے باعث بھی کھاد کے شعبے میں سرمایہ کاروں کی دلچسپی کم رہی۔ مزید برآں، اینگر و کارپوریشن کا متوقع سے کم ڈیویڈنڈ بھی کھاد کے شعبے کی حوصلہ شکنی کا بڑا سبب بنا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 7.18% منافع حاصل کیا، بالمقابل مقررہ معیار 4.27% کے۔ زیر جائزہ مدت کے اختتام پر ایکویٹیز کے میدان میں مجموعی اختصاص 65.5% تھا۔ فنڈ نے دورانِ مدت آئل اینڈ گیس ایکسلوریشن میں اپنی شمولیت میں اضافہ کیا، جبکہ سیمنٹ، کھاد اور کیمیکلز میں اپنی شمولیت کو کم کیا۔

ڈائریکٹرز رپورٹ

مقررہ آمدنی کی جہت میں سنگل میں کوئی شمولیت نہیں تھی، چنانچہ زیر جائزہ مدت کے اختتام پر سنگل میں شمولیت پورٹ فولیو کا 0.0% تھی۔

30 ستمبر 2016ء کو فنڈ کے net اثاثے 1,014 ملین روپے تھے، جبکہ 30 جون 2016ء کو 821 ملین روپے تھے، یعنی 23.5% اضافہ ہوا۔

30 ستمبر 2016ء کو Net Asset Value (NAV) فی یونٹ 68.08 روپے تھی، جبکہ 30 جون 2016ء کو 63.52 روپے فی یونٹ تھی، یعنی 4.56 روپے فی یونٹ اضافہ ہوا۔

مستقبل کی صورتحال

معیشت کی صورتحال پہلے کے مقابلے میں مستحکم ہونے پر حکومت نے ملکی ترقی کے احیاء کا پُر جوش منصوبہ ظاہر کیا ہے۔ رواں مالی سال کے لئے حکومت نے 5.7% ترقی کا ہدف مقرر کیا ہے جبکہ گزشتہ برس یہ ہدف 4.7% تھا۔ پاکستانی معیشت میں بہتری کے امکانات بہت اُمید افزا نظر آتے ہیں جس کی بناءً بجلی کی بہتر صورتحال، کاروباری اعتماد میں اضافہ اور 46 بلین ڈالر کے CPEC پروگرام کے تحت پراجیکٹس کا آغاز ہے۔

کنزیومر پرائس انڈیکس کے اوسط کے اس سال 5% سے کم رہنے کا امکان ہے۔ تیل کی قیمتوں اور زرمبادلہ کی شرح میں استحکام کی بدولت افراط زر کو اگلی چندہ ماہیوں میں 4.0% سے 5.0% کے درمیان قابو میں رکھنے میں مدد ملے گی۔ چنانچہ مانیٹری پالیسی کے لئے ایک مستحکم ماحول کی اُمید کی جاسکتی ہے۔

فی الوقت کرنٹ اکاؤنٹ کو نجیف برآمدات اور سست ترسیلات زر کے باعث خطرہ لاحق ہے، جو اگرچہ حالی ہی میں مضبوط مالی آمدات سے زائل ہو گیا ہے، لیکن اگر خارجی اکاؤنٹ میں مزید کمزوری ہوئی تو کرنی کو خطرہ لاحق ہو سکتا ہے اور اس کے نتیجے میں پاکستانی روپے کی قدر میں متوقع سے زیادہ کمی آئے گی، اور اسے ہم وقت کے اس موڑ پر معیشت کو لاحق واحد بڑا خطرہ سمجھتے ہیں۔

مجموعی استحکام اور اس کے ساتھ ساتھ چین پاکستان معاشی راہداری متوقع طور پر تعمیر اور بجلی کے شعبے میں تیزی لائیں گے۔ علاوہ ازیں، توسیعی چکر اور اس کے ساتھ ساتھ انٹریسٹ کی شرح کے مستحکم ماحول سے دیگر ابھرتی ہوئی مارکیٹ کی معیشتوں کے مقابلے میں عالمی سطح پر بہتر درجہ بندی متوقع ہے۔ تعمیر کا شعبہ متوقع طور پر انفراسٹرکچر پر مبنی معاشی ترقی کے متبادل بنا رہے گا۔

تیل کی قیمتوں میں طویل المیعاد استحکام متوقع طور پر ایکسپلوریشن اور پیداوار کے شعبے کو ایکسپلوریشن میں ترقی کے ذریعے تحریک فراہم کرے گا۔ بینک متوقع طور پر پاکستان انویسٹمنٹ بانڈز (PIBs) کی maturity واضح ہونے کے بعد منظر عام پر آئیں گے، اور پُرکشش Price to Book ratios پر سب کی توجہ مرکوز ہے۔ ابھرتی ہوئی مارکیٹس میں پاکستان کی دوبارہ درجہ بندی سے غیر ملکی آمدات کے لئے KSE-100 انڈیکس میں تیزی آسکتی ہے اور مارکیٹ کی شرح کے دوبارہ تعین اور اس میں اضافے کی راہ ہموار ہوگی۔

مقررہ آمدنی کے میدان میں مارکیٹ متوقع طور پر افراط زر میں اضافے اور سرحدوں پر کشیدگی کے باعث محتاط رہے گی۔ معاشی میدان میں، خاص طور پر ادائیگیوں کے توازن کے حوالے سے، واضح صورتحال سے مقررہ آمدنی کی مارکیٹوں میں مزید شرکت کی طرف راہنمائی حاصل ہوگی۔

ڈائریکٹرز رپورٹ

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز

محمد ثاقب سلیم

محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

21 اکتوبر 2016ء

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED) AS AT SEPTEMBER 30, 2016

		(Unaudited) September 30, 2016	(Audited) June 30, 2016
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks		322,574	133,896
Investments	5	699,267	696,680
Receivable against sale of investments		32,533	7,540
Dividend and profit receivable		9,999	2,320
Advances and deposits		2,953	3,205
Total Assets		<u>1,067,326</u>	<u>843,641</u>
LIABILITIES			
Payable to Management Company		2,314	2,347
Payable to Central Depository Company of Pakistan Limited - Trustee		186	160
Payable to Securities and Exchange Commission of Pakistan - annual fee		225	781
Accrued expenses and other liabilities	6	50,691	19,844
Total Liabilities		<u>53,416</u>	<u>23,132</u>
NET ASSETS		<u>1,013,910</u>	<u>820,509</u>
Unit holders' fund (as per statement attached)		<u>1,013,910</u>	<u>820,509</u>
Contingencies and commitments	7		
NUMBER OF UNITS IN ISSUE			
		<u>14,893,157</u>	<u>12,916,673</u>
NET ASSETS VALUE PER UNIT			
		<u>68.08</u>	<u>63.52</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial Information.



Chief Executive Officer

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



Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2016

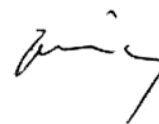
		Three months ended September 30,	
		2016	2015
Note		(Rupees in '000) -----	
INCOME			
	Capital gain / (loss) on sale of investments - net	29,427	(1,013)
	Dividend income	9,182	6,305
	Income from investment in sukuk certificates	-	162
	Other income	3,476	2,678
	Unrealised (diminution) on revaluation 'of investments classified as 'held-for-trading' - net	5.1 (125)	(4,108)
	Reversal of provision against debt securities	5.2 -	1,071
	Total income	41,960	5,095
EXPENSES			
	Remuneration of Management Company	4,636	4,208
	Sales tax and Federal Excise Duty on remuneration of Management Company	602	1,374
8	Expenses allocated by Management Company and related sales tax	268	-
	Remuneration of Central Depository Company of Pakistan Limited - Trustee	490	488
9	Sales tax on trustee fee	45	-
	Annual fee - Securities and Exchange Commission of Pakistan	225	204
	Brokerage, settlement and bank charges	693	300
	Printing and related cost	55	55
	Fees and subscription	111	62
	Shariah advisory fee	230	-
	Auditors' remuneration	144	171
	Donation	207	132
	Total expenses	7,706	6,994
		34,254	(1,899)
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed:			
	arising from capital gain and unrealised gain	780	17
	arising from other loss / income	(56)	708
	Provision for Workers' Welfare Fund	-	-
	Net income / (loss) for the period before taxation	34,978	(1,174)
	Taxation	10 -	-
	Net income / (loss) for the period after taxation	34,978	(1,174)
	Earnings per unit	11	

The annexed notes from 1 to 14 form an integral part of these condensed interim financial Information.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**

	Three months ended September 30,	
	2016	2015
	----- (Rupees in '000) -----	
Net income / (loss) for the period after taxation	34,978	(1,174)
Other comprehensive income:		
Net unrealised appreciation / (diminution) on remeasurement of investments classified as 'available-for-sale'	26,929	(58,752)
Total comprehensive income / (loss) for the period	61,907	(59,926)

The annexed notes from 1 to 14 form an integral part of these condensed interim financial Information.



Chief Executive Officer

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



Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016

Three months ended September 30,	
2016	2015
----- (Rupees in '000) -----	

Undistributed income brought forward	121,184	114,309
Net Income / (loss) for the period	34,978	(1,174)
Net element of income and capital gains included in prices of units issued less those in units redeemed	32,670	16,157
Undistributed income carried forward	188,832	129,292

The annexed notes from 1 to 14 form an integral part of these condensed interim financial Information.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2016**


	Three months ended September 30,	
	2016	2015
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	820,509	803,601
Issue of 3,464,538 units (2015: 3,404,244 units)	226,876	204,610
Redemption of 1,488,054 units (2015: 1,896,525 units)	(94,658)	(112,344)
	132,218	92,266
Net element of (loss) / income and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing loss / (income) and realised capital losses / (gains) - transferred to the income statement from realised / unrealised capital gain from other income	(780) 56	(17) (708)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to Distribution Statement	(32,670)	(16,157)
	(33,394)	(16,882)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to Distribution Statement	32,670	16,157
Net income / (loss) for the period (excluding net unrealised (diminution) on revaluation of investments classified as 'held-for-trading' and capital gain / (loss) on sale of investments)	5,676	3,947
Capital gain / (loss) on sale of investments	29,427	(1,013)
Unrealised (diminution) on revaluation of investments classified as 'held-for-trading' - net	(125)	(4,108)
	34,978	(1,174)
Unrealised appreciation / (diminution) on revaluation of investments classified as 'available-for-sale' - net	26,929	(58,752)
Net assets at the end of the period	1,013,910	835,216

The annexed notes from 1 to 14 form an integral part of these condensed interim financial information.



Chief Executive Officer

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



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE QUARTER ENDED SEPTEMBER 30, 2016


	Three months ended September 30,	
	2016	2015
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income / (loss) for the period before taxation	34,978	(1,174)
Adjustments for non-cash and other items:		
Unrealised diminution on revaluation of investments classified as 'held-for-trading' - net	125	4,108
Net element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed:		
from realised / unrealised capital gain	(780)	(17)
from other income	56	(708)
	<u>34,379</u>	<u>2,209</u>
(Increase) / decrease in assets		
Receivable against sale of investments	(24,993)	18,540
Investments - net	24,217	(82,430)
Dividend and profit receivable	(7,679)	(5,056)
Advances and deposits	252	97
	<u>(8,203)</u>	<u>(68,849)</u>
(Decrease) / increase in liabilities		
Payable to Management Company	(33)	183
Payable to Central Depository Company of	26	21
Payable to Securities and Exchange Commission of Pakistan - annual fee	(556)	(280)
Accrued expenses and other liabilities	30,847	(8,951)
	<u>30,284</u>	<u>(9,027)</u>
Net cash generated / (used in) from operating activities	<u>56,460</u>	<u>(75,667)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	226,876	204,610
Payment on redemption of units	(94,658)	(112,344)
Net cash generated from financing activities	<u>132,218</u>	<u>92,266</u>
Net increase in cash and cash equivalents	<u>188,678</u>	<u>16,599</u>
Cash and cash equivalents at beginning of the period	133,896	242,427
Cash and cash equivalents at end of the period	<u>322,574</u>	<u>259,026</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial Information.



Chief Executive Officer

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



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR QUARTER ENDED SEPTEMBER 30, 2016

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 December 14, 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, 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 is listed on the Pakistan Stock Exchange Limited (formerly: Karachi, Lahore and Islamabad Stock Exchanges Limited). 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 March 06, 2009 issued by the SECP.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned management quality rating of AM2++ to the Management Company and 4-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 2016.

2.1.3 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2016 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2016, where as the comparative in condensed interim income statement, condensed interim distribution statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2015.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR QUARTER ENDED SEPTEMBER 30, 2016

2.1.4 The directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the Fund.

2.1.5 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.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

3.1 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 financial statements of the Fund for the year ended June 30, 2016.

3.2 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.

3.3 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 2016.

3.4 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 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 June 30, 2016.

	Note	(Unaudited) September 30, 2016 ----- (Rupees in '000) -----	(Audited) June 30, 2016 -----
5. INVESTMENTS			
'At fair value through profit or loss' - held-for-trading	5.1	874	999
- Equity securities - quoted		-	-
 'Available-for-sale'			
- Equity securities - quoted	5.2	698,394	695,681
		<u>699,267</u>	<u>696,680</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR QUARTER ENDED SEPTEMBER 30, 2016

5.1 Quoted Equity Securities - 'at fair value through profit or loss' - held-for-trading

Name of the investee company	Number of shares				As at September 30, 2016			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at July 01, 2016	Purchases / Right issue (R) during the period	Bonus issue during the period	Sales during the period	As at September 30, 2016	Carring Value	Market value	(Diminution)	As a percentage of total investments	
----- (Rupees in '000) -----										
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise										
FERTILIZER										
ENGRO CORPORATION LIMITED	3,000	-	-	-	3,000	999	874	(125)	0.12	0.09
						999	874	(125)		0.00
Total as at September 30, 2016						999	874	(125)		
Total as at June 30, 2016						890	999	109		

5.2 Quoted 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				As at September 30, 2016			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at July 01, 2016	Purchases / Right Issue(R) during the period	Bonus issue during the period	Sales during the period	As at September 30, 2016	Cost	Market value	(Diminution) / Appreciation	As a percentage of total investments	
(Rupees in '000)										
CEMENT										
CHERAT CEMENT	238,000	83,900	-	249,000	72,900	7,300	9,379	2,080	1.34	0.93
D.G. KHAN CEMENT	-	210,000	-	81,000	129,000	24,475	23,979	(497)	3.43	2.36
KOHAT CEMENT LIMITED	50,000	-	-	50,000	-	-	-	-	-	-
LUCKY CEMENT	85,000	-	-	56,900	28,100	15,705	19,031	3,326	2.72	1.88
MAPLE LEAF CEMENT FACTORY LIMITED	180,000	160,000	-	340,000	-	-	-	-	-	-
PIONEER CEMENT LIMITED	238,500	32,000	-	270,500	-	-	-	-	-	-
						47,480	52,389	4,908		
AUTOMOBILE ASSEMBLER										
HONDA ATLAS CARS(PAKISTAN) LIMITED	-	24,500	-	24,500	-	-	-	-	-	-
AUTOMOBILE PARTS & ACCESSORIES										
AGRIAUTO INDUSTRIES LIMITED	52,800	37,000	-	52,800	37,000	10,001	10,735	733	1.54	1.06
						10,001	10,735	733		
CABLE & ELECTRICAL GOODS										
PAK ELEKTRON	343,750	195,000	-	256,000	282,750	19,486	20,010	524	2.86	1.97
						19,486	20,010	524		

CHEMICALS										
ARCHROMA PAKISTAN LIMITED	16,000	-	-	-	-	16,000	7,285	9,456	2,170	1.35
ICI PAKISTAN	61,600	-	-	-	38,600	23,000	9,719	15,000	5,282	2.15
LINDE PAKISTAN	34,000	-	-	-	-	34,000	6,912	5,041	(1,872)	0.72
							23,916	29,496	5,580	0.50
ENGINEERING										
AMRELI STEELS LIMITED	335,000	-	-	-	50,000	285,000	14,746	20,318	5,572	2.91
CRESCENT STEEL & ALLIED PROD	-	57,000	-	-	57,000	-	-	-	-	-
INTERNATIONAL STEELS LTD	-	60,000	-	-	-	60,000	2,745	3,645	900	0.36
MUGHAL IRON & STEEL	-	125,000	-	-	-	125,000	10,243	10,689	446	1.53
							27,734	34,651	6,918	1.05
COMMERCIAL BANKS										
MEEZAN BANK LIMITED	-	250,000	-	-	-	250,000	12,812	13,753	941	1.97
							12,812	13,753	941	1.36
FERTILIZER										
DAWOOD HERCULES CORPORATION	179,000	-	-	-	79,000	100,000	12,420	13,296	876	1.90
ENGRO FERTILIZER LIMITED	291,000	509,000	-	-	-	800,000	53,717	49,328	(4,389)	7.05
ENGRO CORPORATION LIMITED	232,000	45,000	-	-	242,300	34,700	10,946	10,106	(840)	-
FATIMA FERTILIZER COMPANY	-	65,000	-	-	-	65,000	2,184	2,253	69	-
							79,267	74,983	(4,284)	-
FOOD & PERSONAL CARE PRODUCTS										
ENGRO FOODS LIMITED	700	-	-	-	-	700	114	102	(12)	0.01
							114	102	(12)	0.01
GLASS & CERAMICS										
TARIQ GLASS INDUSTRIES	343,500	-	-	-	-	343,500	20,276	32,897	12,621	4.70
							20,276	32,897	12,621	3.24
MISCELLANEOUS										
SHIFA INTERNATIONAL HOSPITALS	70,911	-	-	-	22,800.00	48,111	13,515	15,877	2,362	2.27
							13,515	15,877	2,362	1.57
OIL & GAS EXPLORATION COMPANIES										
MARI PETROLEUM COMPANY	30,800	5,000	-	-	-	35,800	26,574	34,172	7,598	4.89
OIL & GAS DEVELOPMENT CO LTD	213,900	437,000	-	-	229,000	421,900	60,107	59,585	(522)	8.52
PAKISTAN OILFIELDS LIMITED	97,000	25,000	-	-	-	122,000	40,586	48,960	8,374	7.00
PAKISTAN PETROLEUM LTD	-	182,500	-	-	-	182,500	29,870	29,297	573	4.27
							156,564	172,587	16,022	2.95
OIL AND GAS MARKETING COMPANIES										
HI-TECH LUBRICANTS	357,500	-	-	-	357,500	-	-	-	-	-
SHELL PAKISTAN	14,200	-	-	-	14,200	-	-	-	-	-
							-	-	-	-
PAPER AND BOARD										
PACKAGES LIMITED	19,000	-	-	-	19,000	-	-	-	-	-

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR QUARTER ENDED SEPTEMBER 30, 2016

Name of the investee company	Number of shares				As at September 30, 2016			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at July 01, 2016	Purchases / Right Issue(R) during the period	Bonus issue during the period	Sales during the period	As at September 30, 2016	Cost	Market value	As a percentage of total investments	As a percentage of net assets	
POWER GENERATION & DISTRIBUTION										
HUB POWER COMPANY LTD	233,744	330,000	-	-	563,744	65,211	67,181	1,971	9.61	6.63
K-ELECTRIC LTD	4,490,892	-	-	300,000	4,190,892	32,578	38,598	6,020	5.52	3.81
LALPIR POWER	865,000	-	-	562,500	302,500	10,096	6,706	(3,390)	0.96	0.66
PAKGEN POWER LIMITED	722,500	-	-	-	722,500	21,112	17,188	(3,924)	2.46	1.70
						128,997	129,674	677		
TECHNOLOGY & COMMUNICATIONS										
NETSOL TECHNOLOGIES	-	200,000	-	-	200,000	11,918	12,112	194	1.73	1.19
P.T.C.L "A"	-	725,000	-	-	725,000	12,438	13,253	815	1.90	1.31
						24,356	25,365	1,009		
TEXTILE COMPOSITE										
KOHINOOR TEXTILE MILLS LTD	81,000	168,500	-	-	249,500	19,821	21,208	1,387	3.03	2.09
NISHAT MILLS LTD	285,000	120,000	-	153,000	252,000	29,987	35,507	5,520	5.08	3.50
						49,808	56,714	6,907		
Total as at September 30, 2016						636,899	698,394	61,495		
Total as at June 30, 2016						646,235	695,681	49,446		

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

** These include shares with market value of Rs.34.51 million (June 30, 2016: Rs.61.36 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 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 QUARTER ENDED SEPTEMBER 30, 2016**

		(Unaudited) September 30, 2016	(Audited) June 30, 2016
	Note	----- (Rupees in '000) -----	
6. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	6.1	9,641	9,641
Federal Excise Duty and related taxes payable on management fee	6.2	5,910	5,910
Federal Excise Duty and related taxes payable on sales load		1,136	1,136
Charity / donation payable		517	310
Auditors' remuneration		508	423
Zakat payable		291	291
Withholding tax payable		991	101
Brokerage payable		1,263	1,591
Other payables		30,434	441
		50,691	19,844

6.1 Provision for Workers' Welfare Fund

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

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 08, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

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, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the decision of SHC, the Management Company, as a matter of abundant caution, has decided to retain the entire provision for WWF in these financial statements.

Furthermore, in the Finance Act, 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from July 01, 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs.9.641 million (2015: Rs.9.641 million) in these financial statements pertaining to period July 01, 2011 to June 30, 2015 and have not recognised any further provision there against. During the year ended June 30, 2016 the Fund charged Rs.Nil on account of WWF. Had the provision of WWF not been recorded in the books of account of the Fund, the net asset value per unit of the Fund would have been higher by Rs.0.65 per unit as at September 30, 2016.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR QUARTER ENDED SEPTEMBER 30, 2016

6.2 Federal excise duty on Remuneration of Management Company

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED was not justified.

On September 04, 2013, a constitutional petition was filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

Further, the Federal Government vide Finance Act, 2016 has excluded asset management companies and other non banking finance companies from charge of FED on their services.

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs.7.046 million.

7. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at September 30, 2016 & June 30, 2016.

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.

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 13% 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 is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. 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 capital gains to the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders. Accordingly, no provision has been made in this condensed interim financial statement.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR QUARTER ENDED SEPTEMBER 30, 2016**

11. 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.

12. TOTAL EXPENSE RATIO

"The Total Expense Ratio (TER) of the fund including government levies as on September 30, 2016 is 0.82%. Total expense for the period includes 0.09% representing Government levy.

13. 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:

	Three months ended September 30,	
	2016	2015
	'--- (Rupees in '000) ---	
Transactions during the period:		
MCB Arif Habib Savings and Investments Limited - Management Company		
Remuneration of management company including indirect taxes	5,238	5,582
Expenses allocated by Management Company and related sales tax	268	-
Shariah advisory fee	230	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	535	488
CDC Settlement charges	43	32
Group / Associated Companies		
MCB Bank Limited		
Bank charges	4	-
Arif Habib Limited *		
Brokerage expense	96	3
Next Capital Limited *		
Brokerage expense	91	-
Pakgen Power Limited		
Dividend income	723	-
Lalpir Power Limited		
Dividend income	303	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR QUARTER ENDED SEPTEMBER 30, 2016**

* 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.

	Quarter ended September 30,	
	2016	2015
	--- (Rupees in '000) ---	
Directors and Executives of the Management Company		
Issue of Nil units (2015: 30,034 units)	-	1,837
Redemption of 6,182 units (2015: 29,851 units)	414	1,830

	(Unaudited) September 30, 2016	(Audited) June 30, 2016
	----- (Rupees in '000) -----	

Amounts outstanding as at period / year end:

**MCB Arif Habib Savings and Investments
Limited - Management Company**

Remuneration payable	1,611	1,375
Sindh sales tax payable on management remuneration	209	192
Expense allocated by Management Company	83	70
Front-end load payable	227	352
Sindh sales tax payable on Front-end load	29	49
Shariah advisory fee payable	155	296

Central Depository Company of Pakistan Limited - Trustee

Remuneration and related sales tax payable	186	160
Security deposit	200	200

Group / Associated Companies

MCB Bank Limited

Balance with bank	8,043	24,112
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Arif Habib Limited *

Brokerage payable	96	173
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Next Capital Limited *

Brokerage payable	91	71
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Lalpir Power Limited

302,500 shares held (June 30, 2016: 865,000 shares)	6,706	18,771
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Pakgen Power Limited

722,500 shares held (June 30, 2016: 722,500 shares)	17,188	17,376
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Nishat Mills Limited

252,000 shares held (June 30, 2016: 285,000 shares)	35,507	30,752
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**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR QUARTER ENDED SEPTEMBER 30, 2016**

	(Unaudited) September 30, 2016 ----- (Rupees in '000) -----	(Audited) June 30, 2016 -----
Fatima Fertilizer Company 65,000 shares held (June 30, 2016: Nil shares)	2,253	-
D.G Khan Cement Company Limited - Employees Provident Fund Trust Units held 99,937 units (June 30, 2016: 99,937 units)	6,804	6,348
Directors and Executives of the Management Company Units held 45,461 units (June 30, 2016: 51,643 units)	3,095	2,524

14. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on October 21, 2016 by the Board of Directors of the Management Company.



Chief Executive Officer

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



Director

Please find us on



by typing: **MCB Arif Habib Savings**

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