



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT | 2017

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



ALHAMRA ISLAMIC ACTIVE ALLOCATION FUND

TABLE OF CONTENTS

1.	Fund's Information	625
2.	Report of the Directors of the Management Company	626
3.	Report of the Fund Manager	636
4.	Trustee Report to the Unit Holders	638
5.	Report of the Shariah Advisory Board	639
6.	Statement of Compliance with the Code of Corporate Governance	640
7.	Review Report to the Unit Holders on the Statement of Compliance with the Best Practices of the Code of Corporate Governance	642
8.	Independent Auditor's Report to the Unit Holders	643
9.	Statement of Assets and Liabilities	644
10.	Income Statement	645
11.	Statement of Other Comprehensive Income	646
12.	Distribution Statement	647
13.	Statement of Movement in Unit Holder's Fund	648
14.	Cash Flow Statement	649
15.	Notes to and Forming Part of the Financial Statements	650
16.	Pattern of Holding as per Requirement of Code of Corporate Governance	668
17.	Pattern of Units Holding by Size	670
18.	Performance Table	671

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Mohammad 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 Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr. Abdul Basit	
Trustee	MCB Financial Services Limited 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan. Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
Bankers	MCB Bank Limited Duabi Islamic Bank Pakistan Limited Bank Islami Pakistan Limited Askari Bank Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Alhamra Islamic Active Allocation Plan –I and Plan II** accounts review for the year ended June 30, 2017 (launched on December 29, 2016 and June 16, 2017 respectively).

ECONOMY AND MONEY MARKET OVERVIEW

Pakistan's economy achieved its decade high growth of 5.28% in FY17 which though missed the target of 5.7% but still reflects progressive movement from stabilization phase to growth trajectory. Agriculture sector remained the main stay, posting a growth of 3.50% compared to a modest of 0.26% a year back. This was well supported by Services with 6% YoY growth. On the industrial front, large scale manufacturing sector recorded growth of 5.7% for 11MFY17 with major contribution coming from consumer, construction and power segment. Auto sector recorded double digits growth as demand continued to grow and new models were introduced by local OEMs. CPEC related and other infrastructure investment continued to provide boom to construction related industries including steel and cement.

On the external front, a 17.7% rise in imports and 1.4% drop in exports widened the trade deficit to USD 26.9 billion in FY17 compared to USD 19.3 billion a year back. Major contribution in imports came from Petroleum products, which posted an increase of 21% to USD 10.6 billion, followed by Food (15% YoY rise) and Machinery (10% YoY rise). Increase in oil prices, LNG imports to fill the natural gas deficit, fast growing demand of consumer products and capital goods import for various projects guided the import bill to USD 48.5 billion in FY17.

Remittance marginally declined during FY17 to USD 19.30 billion, ~3.08% lower than last year, where major reasons can be attributed to employment situation in Middle East and slower than expected global recovery.

The above two factors (declining remittance and rising CA deficit) have started to put pressure on FX reserves, wiping out ~USD 1.72 billion since July 1, 2016 to end the year at USD 21.368 billion.

Despite a 19% YoY increase in average Arab Light prices, CPI remained subdued, posting a 4.15% YoY rise in FY17. This was mainly on account of benign growth in Food, transportation and house rent.

The government managed to contain the fiscal deficit at 4.2%, moderately higher than the set target of 3.8%. Total expenditure and total revenue both advanced by 12%YoY while fiscal balance hiked by 11%YoY. The government has set a fiscal deficit target of 4.1% in FY18.

Along with CA deficit, another point of concern is rising fiscal deficit and public and private debt to finance these increasing gaps. Pakistan's total debt stood at ~PKR 23.95 trillion (till March, 2017) reflecting an increase of ~PKR 2.33 trillion over a year.

State Bank of Pakistan in its latest monetary policy review for next two months maintained the policy rate at 5.75% for the seventh consecutive time. The policy committee remains positive based on future expected inflows due to CPEC and other projects which have kept the rupee relatively stable during the year. Ongoing political uncertainty also temporarily reflected in currency markets where on a single day, a temporary relaxation from SBP turned into a sharp depreciation of near 4% which however recovered in the following days as Finance Minister clarified and expressed the firm resolve to fight any speculative movement.

BOP deficits have caused Net Foreign Asset of the banking system to shrink from PKR 1.0 trillion at the end of FY16 to PKR 601 billion only at the end of FY17. M2 growth remains elevated (+13.7% Y/Y) owing to the government running large budget deficits, which has also led to Net Domestic Asset of the banking system to grow by 18.3% YoY. The government relied on SBP for funding with borrowings of PKR 908 billion leaving local banks with substantial liquidity. In second half of FY17, Yield Curve has remained flat; whereas liquidity was adequately managed by SBP.

Shariah Instruments market remained thinly supplied as State Bank of Pakistan conducted a sole Ijara Sukuk auction in FY17 based on fixed rate rental arrangement offering yields of 5.24% and borrowing PKR 71 billion against the maturing Ijara Sukuk of PKR 50 billion evidencing a scarcity of avenues for Islamic investments.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

EQUITIES MARKET OVERVIEW

Despite taking significant battering in the last one and a half month of FY17, index managed to post a gain of 23.24%. The index declined by 11.94% from its high of 52,876 points witnessed in May, 2017 by end of June, 2017. Increased concerns regarding JIT proceedings and disappointing net foreign flows post MSCI up gradation led to negative returns. Foreigners remained net sellers, liquidating a massive USD 652 million worth of equities with majority of the selling absorbed by mutual funds (USD 575 million). Average volumes increased by ~64% to 340 million shares and value traded increased by ~58 % to PKR 15 billion.

Among the best performers, Steel sector lead the charts, outperforming the benchmark index by a massive ~198% as strong infrastructural activities under the CPEC regime, along with government's favorable policies in terms of imposition of regulatory and anti-dumping duties on various steel products provided strong investor's interest in the sector. Furthermore, the share prices started incorporating capacity enhancement projects. Phenomenal return of ~98% made the Auto Sector, second best performer in the market. The outperformance came in due to stream of new model launches, impressive sales volumes and announcement of taxi scheme in the budget. Oil and Gas sector witnessed an astounding growth driven by two factors; one of which is a volumetric growth of ~10% in OMCs while the second is announcement of capital projects worth PKR 110 billion by SNGP which are to be completed by 2018.

On the flip side, Fertilizers remained among the weak performers by losing ~11% as rising inventories coupled with discounts on urea prices took a toll on the sector. Furthermore, depressing international fertilizer prices abraded the pricing power of local manufacturers and dampened the potential export margins. Similarly, underperformance of cement sector by ~7% against the benchmark was also witnessed during the period under review, as international coal prices surged by ~30% YoY reaching a peak of \$100 in November, 2016. Furthermore, Cherat Cement's expansion in the North region challenged the dynamics of pricing arrangement, as a result of which cement prices were reduced by 4-5% in the region keeping the stock prices under pressure.

FUND PERFORMANCE

Alhamra Islamic Active Allocation Plan – I

The Fund was launched on December 29, 2016. During the period, the fund posted a return of 0.81% against -1.35% for the benchmark.

The fund was 54.3% invested in Alhamra Islamic Stock Fund and 38.8% invested in Alhamra Islamic Income Fund as at 30th June, 2017.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 1,584 million. The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 100.0163.

Alhamra Islamic Active Allocation Plan – II

The fund was launched on June 16, 2017. During the period, the fund posted a return of 0.19% against 0.10% for the benchmark.

The fund was 28.2% invested in Alhamra Islamic Stock Fund and 56.8% invested in Alhamra Islamic Income Fund as at 30th June, 2017.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 87.97 million. The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 100.0057.

FUTURE OUTLOOK

The windfall gains that emerged in past couple of years had been a byproduct of subdued oil prices, which painted a rosy picture on external account, CPI, discount rate and even fiscal account in terms of less burden in terms of subsidies. Though international commodity outlook still appear bearish but rising current account deficit is posing a challenging scenario going ahead.

The trade imbalance of USD 27 billion in FY17 could deteriorate further with machinery imports under CPEC and several local capital projects are expected to lead the import bill. Exports on the other hand, are expected to remain under pressure given muted response of government towards the rebates under the textile package and government's resilience to support Pakistani rupee through foreign exchange reserves. With widening trade deficit and little help from remittances, we expect

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

next year current account deficit to reach near USD 15 billion (~4% of GDP) still far from what we have seen in our last balance of payment crisis, which dragged CAD to ~USD 14 billion (8% of GDP) back in 2008. However widening CAD coupled with interest repayment may create a financing need of USD 18-19bn in FY18, which points towards strong possibility of PKR depreciation.

The Consumer Price Index (CPI) is expected to remain well anchored in FY18. We expect inflation to average around 4.5% in FY18. Currency devaluation and commodity prices though pose risk to estimates, low CPI reading next year is expected to prevent need for near term significant monetary tightening.

Low interest rate environment coupled with support from CPEC related projects, government's GDP target of 6% does not look too lofty, if external account shock and political destabilization does not derail the growth.

The equity market is set to take its cue from the outcome of Panama issue. With almost 13% fall from its peak, the market appears to have incorporated the risk of change in the PM house, however disintegration of PML(N) in aftermath of court judgment and disqualification of Finance Minister could further dent the short term market sentiments, as it would hint a hung parliament in the next election.

Themes of currency depreciation, interest rate rise and economic growth are expected to set the investment tone in the coming fiscal year. Sectors positively linked with currency weakness are expected to garner lime light namely, Commercial Banks, Exploration & Production and Power sector. Select growth plays in Power, Steel, Construction and Consumer space are also expected to add positive contributions to market performance.

We expect fundamentals to reign in over the political noise in the coming months given our market is trading at PER of 9x (a ~30% discount to the Emerging Markets), creating room for re-rating. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. The KSE-100 Index currently trades at an equity risk premium of ~3% and provides a dividend yield of ~5.5%.

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With three (3) independent Directors on the Board, as governing body of the Management Company the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management. The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.

**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- k. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
- l. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- m. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2017:

1. Meeting of the Audit Committee.

During the year, six (6) meetings of the Audit Committee were held. The attendance of each participant is as follows:

S. No.	Name of Persons	Number of meetings held	Number of meetings		
			Attendance required	Attended	Leave granted
1	Mr. Haroun Rashid	6	6	3	3
2	Mr. Samad A. Habib	6	4	3	1
3	Mr. Ahmed Jahangir	6	6	6	-
4	Mr. Nasim Beg	6	6	6	-
5	Mirza Qamar Beg	6	2	2	-

2. Meeting of the Human Resource and Remuneration Committee.

During the year, four (4) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

S. No.	Name of Persons	Number of meetings	Number of meetings		
			Attendance required	Attended	Leave granted
1	Dr. Syed Salman Shah	4	4	4	-
2	Mr. Nasim Beg	4	4	4	-
3	Mr. Ahmed Jahangir	4	4	4	-
4	Mr. Haroun Rashid	4	4	3	1
5	Mr. Muhammad Saqib Saleem	4	4	4	-

- n. Nil units were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

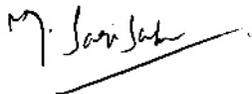
External Auditors

The fund's external auditors, A.F.FERGUSON & CO., have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2018. The audit committee of the Board has recommended reappointment of A.F.FERGUSON & CO, as auditors of the fund for the year ending June 30, 2018.

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
Karachi: August 4, 2017



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

ہیومن ریسورس اینڈ ریویژن کمپنی کی میٹنگ دوران سال ہیومن ریسورس اینڈ ریویژن کمپنی کی چار (04) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد		منعقدہ میٹنگز کی تعداد		نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	4	4	4	1. جناب سید سلمان شاہ
-	4	4	4	2. جناب نسیم بیگ
-	4	4	4	3. جناب احمد جہانگیر
1	3	4	4	4. جناب ہارون رشید
-	4	4	4	5. جناب محمد ثاقب سلیم

دوران سال منجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شوہر / کی بیوی اور نابالغ بچوں نے فنڈ کے نوٹس کی کوئی Issuance / Redemption نہیں کی۔

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز 'اے ایف فرگوسن اینڈ کمپنی' نے 30 جون 2018ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے کے لئے رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2018ء کو ختم ہونے والے سال کے لئے 'اے ایف فرگوسن اینڈ کمپنی' کی فنڈ کے آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ

ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

04 اگست 2017ء

ڈائریکٹرز رپورٹ

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے کوشاں ہے۔ بورڈ میں تین (3) خود مختار ڈائریکٹرز ہیں، اور مینجمنٹ کمپنی کی گورننگ باڈی کے طور پر بورڈ عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جو ابہدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق میں متعین کردہ بہترین طریقوں سے متعلق شقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو با تفصیل واضح کیا گیا ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی نکات واضح کیے جا رہے ہیں:

مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔ فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔

مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔

مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non-Bankنگ فننس کمپنیز (اسٹیشنڈ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Bankنگ فننس اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور نافذ ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔ کمپنی کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔

لسٹنگ قوانین میں تفصیلاً بیان کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔

کارپوریٹ گورننس کے ضابطہء اخلاق کے مطابق مطلوبہ کلیدی مالیاتی اعداد و شمار کا خلاصہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔

پراویڈڈ فنڈ میں سرمایہ کاروں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ مینجمنٹ کمپنی کی ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

تمام ڈائریکٹرز ڈائریکٹرز بینک پروگرام کورس مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔

این بی ایف سی کے قواعد و ضوابط اور کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2017ء کو ختم ہونے والے سال کے دوران ہونے والی کمپنی میٹنگز کی تفصیلات درج ذیل ہیں:

آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی چھ (06) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد		منعقدہ میٹنگز کی تعداد		نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	حاضری	
3	3	6	6	1. جناب ہارون رشید
1	3	4	6	2. جناب صمد اے حبیب
-	6	6	6	3. جناب احمد جہانگیر
-	6	6	6	4. جناب نسیم بیگ
-	2	2	6	5. مرزا قمر بیگ

الحمراء اسلامک ایکٹو ایلوکیشن پلان-II

فنڈ 16 جون 2017ء کو قائم کیا گیا۔ زیر جائزہ مدت کے دوران فنڈ نے 0.19 فیصد منافع حاصل کیا جبکہ مقررہ معیار 0.10 فیصد تھا۔
30 جون 2017ء کو فنڈ کی سرمایہ کاری 28.2 فیصد الحمراء اسلامک اسٹاک فنڈ میں اور 56.8 فیصد الحمراء اسلامک انکم فنڈ میں تھی۔
30 جون 2017ء کو فنڈ کے net اثاثہ جات 87.97 ملین روپے تھے۔ 30 جون 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 100.0057 روپے تھی۔

مستقبل کا منظر

گزشتہ چند برسوں میں حاصل ہونے والے خطیر منافع جات تیل کی قیمتوں میں کمی کے ثمرات ہیں جس کی بدولت خارجی اکاؤنٹ، CPI، ڈسکاؤنٹ کی شرح اور حتیٰ کہ مالیاتی اکاؤنٹ کی بھی صورتحال سبسڈیز کے بوجھ میں کمی کے اعتبار سے بہتر ہوئی۔ بین الاقوامی اشیاء کا مستقبل ابھی تک ناہموار نظر آتا ہے اور کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے کے باعث مستقبل کی راہیں مشکلات سے پر نظر آ رہی ہیں۔

مالی سال 2017ء میں 27 بلین ڈالر کا تجارتی خسارہ CPEC کے تحت مشینری کی درآمدات کے باعث مزید بڑھ سکتا ہے اور متعدد مقامی کمپنیل منصوبے درآمدات کے بل پر غالب ہوں گے۔ دوسری جانب ٹیکسٹائل سیکٹور کی قیمتوں میں کمی کے حوالے سے حکومت کی خاموشی اور زر مبادلہ کے ذخائر کے ذریعے پاکستانی روپے کی معاونت کرنے کے لئے حکومتی چیک کے باعث برآمدات متوقع طور پر دباؤ میں رہیں گی۔ بڑھتے ہوئے تجارتی خسارے اور ترسیلات زر کی کمزور صورتحال کی بنیاد پر ہم اگلے سال کرنٹ اکاؤنٹ کے خسارے کو 15 بلین ڈالر (مجموعی ملکی پیداوار کا 4 فیصد) تک پہنچتا دیکھ رہے ہیں، جو 2008ء میں ادا نیگیوں کے توازن کے بحران میں پیدا ہونے والے حالات سے اب بھی بہت دور ہے، جب کرنٹ اکاؤنٹ کا خسارہ 14 بلین ڈالر (مجموعی ملکی پیداوار کا 8 فیصد) تک پہنچ گیا تھا۔ تاہم بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے کے ساتھ ساتھ انٹریسٹ کی ادائیگی کے باعث مالی سال 2018ء میں 18-19 بلین ڈالر کی مالیت کی فراہمی کی ضرورت پیدا ہو سکتی ہے، جس کے باعث پاکستانی روپے کی قدر میں کمی کا واضح امکان ہے۔

کنزیومر پرائس انڈیکس (CPI) مالی سال 2018ء میں مناسب حد تک قابو میں رہے گا۔ ہمارے اندازے کے مطابق مالی سال 2018ء میں افراط زر کا اوسط 4.5 فیصد ہوگا۔ اگرچہ روپے کی قدر میں کمی اور اشیاء کی قیمتوں کے باعث تخمینوں کو خطرات لاحق ہیں، لیکن توقع ہے کہ اگلے سال CPI کی پست سطح کے سبب مدت قریب میں مالیاتی تنگی کی ضرورت نہیں پڑے گی۔

انٹریسٹ کی پست شرح کے ماحول کے ساتھ ساتھ CPEC سے منسلک منصوبوں کی بنیاد پر حکومت کا مجموعی ملکی پیداوار کا 6 فیصد ہدف زیادہ بلند نہیں معلوم ہوتا، اگر خارجی اکاؤنٹ کا جھکاؤ اور سیاسی عدم استحکام ترقی کی گاڑی کو پٹری سے اتار نہ دے۔

ایکویٹی مارکیٹ پانا ماسٹلے کے نتیجے کی بنیاد پر اپنا اگلا قدم طے کرنے کے لئے تیار ہے۔ مارکیٹ اپنے عروج سے تقریباً 13 فیصد زوال کے بعد بظاہر وزیر اعظم ہاؤس میں تبدیلی کے خطرے کے حوالے سے احتیاطی تدابیر اختیار کر چکی ہے، تاہم عدالتی فیصلے کے نتیجے میں پی ایم ایل (این) کا شیرازہ بکھرنے اور وزیر خزانہ کی نااہلیت سے مختصر المیعاد مارکیٹ کے حالات مزید بگڑ سکتے ہیں کیونکہ یہاں اگلے انتخابات میں معلق پارلیمنٹ کے امکانات کا اشارہ ہوگا۔

روپے کی قدر میں کمی، انٹریسٹ کی شرح میں اضافہ اور معاشی ترقی آئندہ مالی سال میں سرمایہ کاری کا رجحان طے کرنے والے عوامل ہوں گے۔ روپے کے ضعف سے مثبت طور پر منسلک شعبہ مثلاً کمرشل بینک، ایکسپلوریشن اینڈ پروڈکشن اور بجلی متوقع طور پر شدہ سرخیوں میں آجائیں گے۔ علاوہ ازیں، بجلی، اسٹیل، تعمیرات اور صارفی شعبوں میں ترقیاتی عمل متوقع طور پر مارکیٹ کی کارکردگی میں مثبت کردار ادا کرے گا۔

ہم امید کرتے ہیں کہ آنے والے مہینوں میں اصول سیاسی شور پر غالب ہوں گے، کیونکہ ہماری مارکیٹ 9x PER پر تجارت کر رہی ہے (جو ابھرتی ہوئی مارکیٹس کو 30 فیصد ڈسکاؤنٹ ہے) جس سے شرحوں کے دوبارہ تعین کے لئے حالات سازگار ہوں گے۔ علاوہ ازیں، انٹریسٹ کی پست شرحیں مقررہ آمدنی کے منافعوں کو پست رکھے ہوئے ہیں، جس سے ایکویٹی مارکیٹ کی طرف مزید لیکویڈٹی مائل ہو رہی ہے۔ KSE-100 انڈیکس میں فی الوقت ایکویٹی کے خطرات کے 3 فیصد پر پیمائش پر تجارت ہو رہی ہے اور 5.5 فیصد ڈیویڈنڈ فراہم ہوتا ہے۔

ڈائریکٹرز رپورٹ

(+13.7 فیصد Y/Y) اور بینکاری کے نظام کے Net مقامی اثاثہ جات میں 18.3 فیصد YoY ترقی ہوئی۔ حکومت نے مالیات کے لئے اسٹیٹ بینک آف پاکستان پر انحصار کرتے ہوئے 908 بلین روپے قرض حاصل کیا جس کے نتیجے میں مقامی بینکوں کو خاطر خواہ لکویڈٹی فراہم ہوئی۔ مالی سال 2017ء کی دوسری ششماہی میں پیداواری خم سیدھا رہا، جبکہ اسٹیٹ بینک آف پاکستان نے لکویڈٹی کا انتظام خاطر خواہ حد تک چلایا۔

مارکیٹ میں شریعہ انسٹرومنٹس کی رسد کمزور رہی کیونکہ اسٹیٹ بینک آف پاکستان نے مالی سال 2017ء میں مقررہ شرح پر ریٹیل کی ترتیب پر مبنی صرف ایک اجارہ سلگ نیلامی کا انعقاد کیا جس نے 5.24 فیصد منافع جات پیش کیے اور میچور ہونے والے 50 بلین روپے کے اجارہ سلگ کے بالمقابل 71 بلین روپے قرض حاصل کیے۔ چنانچہ اسلامی سرمایہ کاری کے مواقع کی قلت کی نشاندہی ہوئی۔

ایکویٹیز مارکیٹ کا جائزہ

مالی سال 2017ء کے آخری ڈیڑھ ماہ میں قابل ذکر کمی کے باوجود انڈیکس 23.24 فیصد ترقی کرنے میں کامیاب ہوا۔ انڈیکس مئی 2017ء میں اپنے عروج کی سطح 52,876 پوائنٹس سے جون 2017ء کے اختتام پر 11.94 فیصد کم ہو گیا۔ آئی ٹی کے معاملات کے حوالے سے بڑھتی ہوئی تشویش اور MSCI اپ گریڈیشن کے بعد net غیر ملکی آمدات کی مایوس کن صورتحال کے نتیجے میں منافع کی سطح گر گئی۔ Net فروخت کار بدستور غیر ملکی افراد رہے جنہوں نے 652 ملین ڈالر کی خطیر مالیت کی ایکویٹیز کو نقد میں تبدیل کیا اور فروخت کا اکثر حصہ میڈیچل فنڈز نے جذب کیا (575 ملین ڈالر)۔ اوسط حجم 64 فیصد زیادہ ہو کر 340 ملین حصص ہو گئے اور تجارت کردہ قدر 58 فیصد بڑھ کر 15 بلین روپے ہو گئی۔

بہترین کارکردگی کا مظاہرہ کرنے والوں میں اسٹیل کا شعبہ مقررہ معیار سے 198 فیصد زیادہ ترقی کر کے سب سے آگے رہا کیونکہ CPEC پروگرام کے تحت انفراسٹرکچر کے ضمن میں متحرک سرگرمیوں اور اسٹیل کی متعدد مصنوعات پر ریگولیٹری اور فضلات کے انتظام کی محصولات عائد کرنے کے حوالے سے حکومت کی موافق پالیسیوں کی بدولت اس شعبے میں سرمایہ کاروں کی بھرپور دلچسپی پیدا ہوئی۔ علاوہ ازیں، حصص کی قیمتوں میں استعداد میں اضافے کے منصوبوں کی عکاسی ہونے لگی۔ آٹو سیکٹر 98 فیصد ترقی کر کے مارکیٹ میں دوسرے نمبر پر بہترین کارکردگی کا حامل شعبہ رہا۔ اس شاندار کامیابی کے اسباب نئے ماڈل، فروخت کے بڑے حجم اور بجٹ میں ٹیکسی اسکیم کا اعلان ہیں۔ تیل اور گیس کے شعبے میں دو عوامل کیے باعث زبردست ترقی ہوئی: OMCs کے حجم میں 10 فیصد اضافہ اور SNGP کی جانب سے 110 بلین روپے مالیت کے کینٹیل منصوبوں کا اعلان، جو 2018ء میں مکمل ہوں گے۔

اس کے برعکس کھاد کے شعبے نے 11 فیصد کم ترقی کر کے کمزور کارکردگی کا مظاہرہ کیا کیونکہ انویسٹرز میں اضافے اور یوریا کی قیمتوں میں ڈسکاؤنٹس نے اس شعبے پر منفی اثرات مرتب کئے۔ علاوہ ازیں، کھاد کی بین الاقوامی قیمتوں میں کمی کے باعث مقامی مینوفیکچررز کی قیمت متعین کرنے کی طاقت اور متوقع برآمداتی آمدنی متاثر ہوئی۔ سینٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران مقررہ معیار سے 7 فیصد کم ترقی کی کیونکہ کونسلے کی بین الاقوامی قیمتیں 30 فیصد YoY اضافے کا شکار ہو کر نومبر 2016ء میں 100 ڈالر کی بلند ترین سطح تک پہنچ گئیں۔ علاوہ ازیں، چراٹ سینٹ کی شمالی خطے میں توسیع کے باعث قیمتوں کے تعین کے نظام کے لئے مشکلات پیدا ہوئیں جس کے نتیجے میں خطے میں سینٹ کی قیمتیں 4 سے 5 فیصد کم ہو گئیں اور اسٹاک کی قیمتیں دباؤ میں آ گئیں۔

فنڈ کی کارکردگی

الحرماء اسلامک ایکٹیو ایلوکیشن پلان - I

فنڈ 29 دسمبر 2016ء کو قائم کیا گیا۔ زیر جائزہ مدت کے دوران فنڈ نے 0.81 فیصد منافع حاصل کیا جبکہ مقررہ معیار -1.35 فیصد تھا۔ 30 جون 2017ء کو فنڈ کی سرمایہ کاری 54.3 فیصد الحرماء اسلامک اسٹاک فنڈ میں اور 38.8 فیصد الحرماء اسلامک انکم فنڈ میں تھی۔ 30 جون 2017ء کو فنڈ کے net اثاثہ جات 1,584 ملین روپے تھے۔ 30 جون 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 100.0163 روپے تھی۔

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے الحمر، اسلامک ایکٹو ایلیکشن پلان-I اینڈ پلان-II کے بالترتیب 29 دسمبر 2016ء اور 30 جون 2017ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

مالی سال 2017ء میں پاکستان کی معیشت نے 5.28 فیصد ترقی کی جو گزشتہ دس سالوں میں سب سے زیادہ ترقی ہے۔ اگرچہ 5.7 فیصد کا ہدف حاصل نہ ہو سکا لیکن اس کے باوجود استحکام کے مرحلے سے ترقی کی بلند شرح کی طرف سفر خوش آئند ہے۔ زرعی شعبہ سب سے آگے رہا جس نے ایک سال قبل 0.26 فیصد ترقی کی تھی جبکہ اس سال 3.5 فیصد ترقی کی۔ اس کی معاونت سروسز نے 6 فیصد YoY ترقی کے ساتھ کی۔ صنعتی رُخ پر بڑے پیمانے کے مینوفیکچرنگ شعبے نے 11MFY17 میں 5.7 فیصد ترقی کی، اور اس میں اہم ترین کردار صارفی، تعمیری اور توانائی کے شعبوں نے ادا کیا۔ گاڑیوں کے شعبے نے دو عدد پر مشتمل ترقی کی؛ اس شعبے میں مانگ بڑھتی رہی اور مقامی OEMs نے نئے ماڈل متعارف کرائے۔ CPEC سے منسلک اور دیگر انفراسٹرکچر کی سرمایہ کاری کی بدولت تعمیرات سے منسلک صنعتوں مثلاً اسٹیل اور سینٹ کوکوت فراہم ہونے کا عمل جاری رہا۔

خارجی رُخ پر درآمدات میں 17.7 فیصد اضافے اور برآمدات میں 1.4 فیصد کمی کے باعث تجارتی خسارہ وسیع ہو کر مالی سال 2017ء میں 26.9 بلین ڈالر ہو گیا جبکہ ایک سال قبل 19.3 بلین ڈالر تھا۔ درآمدات میں اہم ترین کردار پٹرولیم مصنوعات نے 10.6 بلین ڈالر یعنی 21 فیصد زیادہ ترقی کی صورت میں ادا کیا۔ دوسرے نمبر پر خوراک (15 فیصد YoY اضافہ) اور مشینری (10 فیصد YoY اضافہ) کے شعبے رہے۔ تیل کی قیمتوں میں اضافے، گیس کی کمی کو پورا کرنے کے لئے ایل این جی کی درآمدات، صارفی مصنوعات کی مانگ میں تیزی سے بڑھتے ہوئے اضافے، اور مختلف منصوبوں کے لئے کیپٹل اشیاء کی درآمد کے باعث مالی سال 2017ء میں درآمدات کا بل 48.5 بلین ڈالر تک پہنچ گیا۔

مالی سال 2017ء میں ترسیل زر گزشتہ سال کے مقابلے میں 3.08 فیصد کمی کا شکار ہو کر 19.3 بلین ڈالر ہو گئیں، اور اس کے اہم ترین اسباب مشرق وسطیٰ میں روزگار کی صورتحال اور عالمی سطح پر متوقع سے کم حصولیات ہیں۔

مندرجہ بالا دو اسباب (ترسیل زر میں کمی اور CA خسارے میں اضافے) کے نتیجے میں غیر زرمبادلہ کے ذخائر پر دباؤ بڑھ رہا ہے، جو زیر جائزہ سال کے اختتام پر 21.368 بلین ڈالر تھے، اور یہ یکم جولائی 2016ء سے تاحال 1.72 بلین ڈالر کمی ہے۔

عرب لائٹ کی اوسط قیمتوں میں 19 فیصد YoY اضافے کے باوجود CPI کی سطح پست رہی اور اس میں مالی سال 2017ء کے دوران 4.15 فیصد اضافہ ہوا، جس کی سب سے بڑی وجہ خوراک، نقل و حمل اور رہائشی کرائے کے شعبوں میں قابل ذکر ترقی ہے۔

حکومت مالیاتی خسارے کو 4.2 فیصد پر برقرار رکھ سکی جو متعین شدہ ہدف 3.8 فیصد سے تھوڑا زیادہ ہے۔ مجموعی اخراجات اور مجموعی آمدنی، دونوں میں 12 فیصد YoY اضافہ ہوا جبکہ مالیاتی توازن میں 11 فیصد YoY اضافہ ہوا۔ حکومت نے مالی سال 2018ء کے لئے مالیاتی خسارے کا ہدف 4.1 فیصد متعین کیا ہے۔ CA خسارے کے علاوہ ایک اور تشویشناک امر تجارتی خسارے میں اضافہ، اور اس بڑھتے ہوئے فرق کو پُر کرنے کے لئے مالیات فراہم کرنے کے لئے پبلک اور پرائیویٹ قرضہ جات میں اضافہ ہے۔ مارچ 2017ء تک پاکستان مجموعی طور پر 23.95 ٹریلین روپے کا قرض دار تھا، جو ایک سال کے دوران 2.33 ٹریلین روپے کا اضافہ ہے۔

اسٹیٹ بینک آف پاکستان نے اپنے تازہ ترین مالیاتی پالیسی کے جائزے برائے اگلے دو ماہ میں پالیسی کی شرح کو متواتر ساتویں مرتبہ 5.75 فیصد برقرار رکھا ہے۔ پالیسی کمیٹی کی بدستور مثبت خیالی کی بنیاد CPEC اور دیگر منصوبے ہیں جن کی بدولت دوران سال روپیہ نسبتاً مستحکم رہا اور ان کے ذریعے مستقبل میں آمدات متوقع ہیں۔ بازار زر میں موجودہ غیر یقینی سیاسی صورتحال کی بھی عکاسی ہوئی، جہاں اسٹیٹ بینک آف پاکستان کی فراہم کردہ ایک عارضی چھوٹ کے نتیجے میں ایک دن میں تقریباً 4 فیصد کمی ہوئی۔ تاہم بعد ازاں وزیر خزانہ کی پیش کردہ صفائی اور قیاسی کارروائیوں سے جنگ کے بھرپور عزم کے اظہار کے نتیجے میں صورتحال بحال ہو گئی۔

ادائیگیوں کے توازن کے خسارہ جات کے باعث بینکاری کے نظام کے Net غیر ملکی اثاثہ جات سکڑ گئے۔ مالی سال 2016ء کے اختتام پر 1.0 ٹریلین روپے تھے جبکہ مالی سال 2017ء کے اختتام پر صرف 601 بلین روپے رہ گئے۔ حکومت کے خطیر بجٹ خساروں سے نمٹنے کے باعث M2 ترقی بلند سطح پر قائم رہی

REPORT OF THE FUND MANAGER ALHAMRA ISLAMIC ACTIVE ALLOCATION PLAN-I FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

Fund Type and Category

Alhamra Islamic Active Allocation Plan-I is a Shariah Compliant Islamic Asset Allocation Plan

Fund Benchmark

The benchmark for ALHIAAP-I is KMI-30 Index and six (6) months average deposit rates of three (3) "A" rated Scheduled Islamic Banks or Islamic Windows of Conventional Banks on the basis of actual proportion held by the scheme

Investment Objective

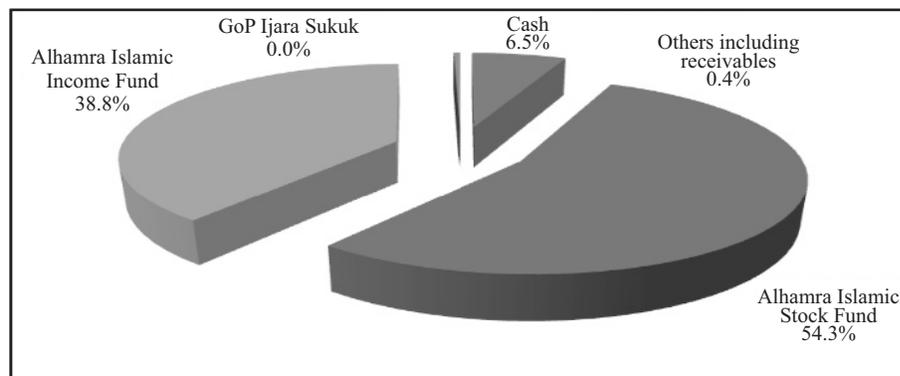
Alhamra Islamic Active Allocation Plan-I is a Shari'ah Compliant Islamic Asset Allocation Plan with an objective to earn a potentially high return through active asset allocation among Shari'ah Compliant Islamic Scheme based on the Fund Manager's outlook of the asset classes.

Manager's Review

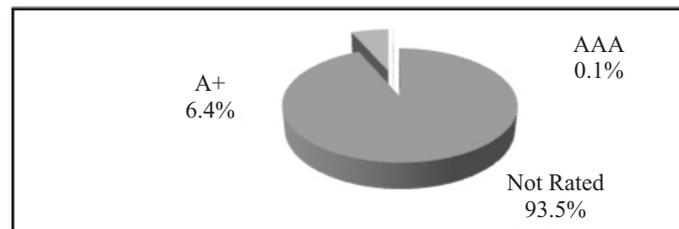
During the period under review, the fund generated an annualized return of 0.81% as against its benchmark return of -1.35%.

During the period the fund decreased its exposure in cash from 71.7% at inception to 6.5% while increased its exposure in Alhamra Islamic Stock Fund from 27.7% at inception to 54.3%.

Asset Allocation as on June 30, 2017 (% of total assets)



Asset Quality as on June 30, 2017 (% of total assets)



Syed Abid Ali
Fund Manager
Karachi: August 04, 2017

REPORT OF THE FUND MANAGER ALHAMRA ISLAMIC ACTIVE ALLOCATION PLAN-II FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

Fund Type and Category

Alhamra Islamic Active Allocation Plan-II is a Shariah Compliant Islamic Asset Allocation Plan .

Fund Benchmark

The benchmark for ALHIAAP-II is KMI-30 Index and six (6) months average deposit rates of three (3) “A” rated Scheduled Islamic Banks or Islamic Windows of Conventional Banks on the basis of actual proportion held by the scheme

Investment Objective

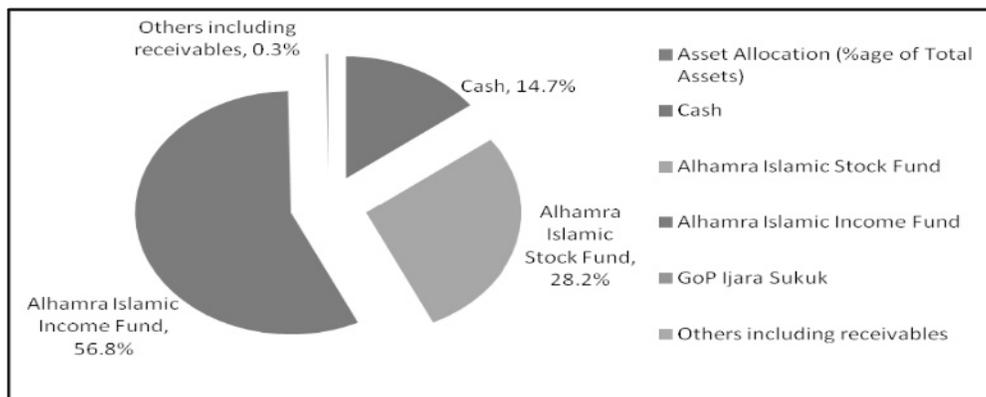
Alhamra Islamic Active Allocation Plan-II is a Shari'ah Compliant Islamic Asset Allocation Plan with an objective to earn a potentially high return through active asset allocation among Shari'ah Compliant Islamic Scheme based on the Fund Manager's outlook of the asset classes.

Manager’s Review

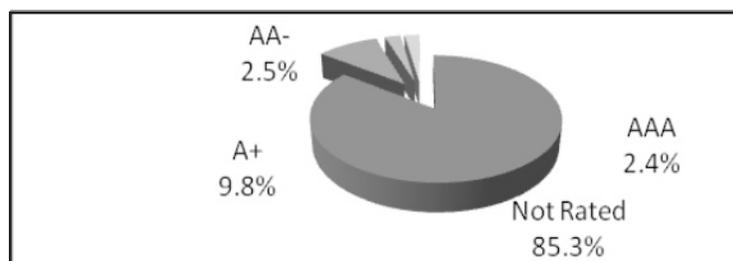
During the period under review, the fund generated an annualized return of 0.19% as against its benchmark return of 0.10%.

The fund was 14.7% invested in cash, 28.2% in equities, and 56.8% in income securities

Asset Allocation as on June 30, 2017 (% of total assets)



Asset Quality as on June 30, 2017 (% of total assets)



Syed Abid Ali
Fund Manager
Karachi: August 04, 2017

**TRUSTEE REPORT TO THE UNIT HOLDERS
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**



REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

ALHAMRA ISLAMIC ACTIVE ALLOCATION FUND

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

Al-Hamra Islamic Active Allocation Fund, an open-end Scheme established under a Trust Deed executed between MCB Arif Habib Savings and Investments Limited as Management Company and MCB Financial Services Limited as Trustee on November 25, 2016. The scheme was approved by Securities & Exchange Commission of Pakistan on December 02, 2016.

1. MCB Arif Habib Savings and Investments Limited, the Management Company of Al-Hamra Islamic Active Allocation Fund has, in all material respects, managed Al-Hamra Islamic Active Allocation Fund during the period from December 29, 2016 to June 30, 2017 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

A handwritten signature in black ink, appearing to read 'Anwar', is positioned above the printed name of the Chief Executive Officer.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: September 19, 2017

**REPORT OF THE SHARIAH ADVISORY BOARD
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

REPORT OF THE SHARIAH ADVISORY BOARD

Alhamdulillah, We the Shariah Advisory Board of Alhamra Islamic Active Allocation (the Fund), are issuing this report in accordance with the Offering document of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of M/s MCB Arif Habib Savings and Investments limited (MCBAH), the management company of the fund, to establish and maintain a system of internal controls to ensure compliance with Shariah guidelines. Our responsibility is to express an opinion, based on our review of the representation made by the management, to the extent where such compliance can be objectively verified.

A review is limited primarily to inquire to the Management Company's personnel and review of various documents prepared by the management company to comply with prescribed criteria. In the light of the above, we hereby certify that:

- We have reviewed and approved the modes of investment of ALHIAAP in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of ALHIAAP by Management Company are Shariah Compliant and in accordance with the criteria established.
- On the basis of information provided by the Management Company, all the operations of ALHIAAP for the period from December 29, 2016 to June 30, 2017 have been in compliance with Shariah principles.

May Allah bless us with Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the hereafter, and forgive our mistakes.



Dr Muhammad Zubair Usmani

Karachi: August 04, 2017

For and on behalf of Shariah Advisory Board

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of Alhamra Islamic Active Allocation Fund to comply with the Code of Corporate Governance (the code) contained in regulation # 5.19 of chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

Category	Names
Independent Directors	1. Dr. Syed Salman Ali Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Qamar Beg
Executive Directors	1. Mr. Muhammad Saqib Saleem—Chief Executive Officer
Non – Executive Directors	1. Mian Mohammad Mansha-Chairman 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib 4. Mr. Nasim Beg – Vice Chairman

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Company.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. Out of the total eight meetings only one meeting of the Board was presided over by the chairman which was held on August 5, 2016. Five meetings were presided over by Mr. Nasim Beg and two meetings were presided by Dr. Syed Salman Ali Shah duly elected by the board for the purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, one director Mr. Mirza Qamar Beg was included on the Board of Directors and is complied with the Director's Training Programme. All remaining directors on the board already possess the required training or are exempt on the basis of specified qualification and experience as required by the Code.
10. Company Secretary and Head of Internal Audit continued their services and there was no change in these positions during the year. The Chief Financial Officer was appointed during the year on February 02, 2017 and the board has approved the remuneration and terms and conditions of the employment of the CFO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

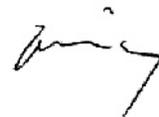
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the chairman of the committee who is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom four are non-executive directors and one is executive Director and the chairman of the committee is also a non-executive director.
18. The Board has set up an effective internal audit function, the members of which are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done in the board meeting held on August 04, 2017.
24. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Muhammad Saqib Saleem
Chief Executive Officer
Karachi: August 04, 2017



Nasim Beg
Director / Vice Chairman

REVIEW REPORT TO UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE



A.F.FERGUSON&CO.

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of MCB-Arif Habib Savings and Investments Limited, the Management Company of **Alhamra Islamic Active Allocation Fund** (the Fund) for the period ended June 30, 2017 to comply with the requirements of regulation no. 5.19 of chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company (MCB-Arif Habib Savings and Investments Limited). Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the period ended June 30, 2017.

Chartered Accountants

Dated: September 12, 2017

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017



A.F.FERGUSON&CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Alhamra Islamic Active Allocation Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company (**MCB-Arif Habib Savings and Investments Limited**) of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

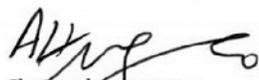
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2017 and of its financial performance, its cash flows and transactions for the period then ended in accordance with the approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.


Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 12, 2017
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
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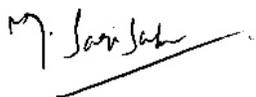
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**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2017**

	AIAAP - I 2017	AIAAP - II 2017	Total 2017	
Note	----- (Rupees in 000) -----			
ASSETS				
Bank balances	4	104,568	12,996	117,564
Investments	5	1,492,831	74,956	1,567,787
Profit receivable		3,039	269	3,308
Other receivable		139	-	139
Preliminary expenses and floatation costs	6	3,740	-	3,740
Total assets		1,604,317	88,221	1,692,538
LIABILITIES				
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	7	5,757	75	5,832
Payable to MCB Financial Services Limited - Trustee	8	110	11	121
Payable to the Securities and Exchange Commission of Pakistan	9	723	3	726
Dividend payable	10	12,672	158	12,830
Accrued expenses and other liabilities	11	814	5	819
Total liabilities		20,076	252	20,328
NET ASSETS		<u>1,584,241</u>	<u>87,969</u>	<u>1,672,210</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>1,584,241</u>	<u>87,969</u>	<u>1,672,210</u>
CONTINGENCIES AND COMMITMENTS				
	12	(Number of units)		
NUMBER OF UNITS IN ISSUE	13	<u>15,839,822</u>	<u>879,643</u>	
		(Rupees)		
NET ASSET VALUE PER UNIT		<u>100.0163</u>	<u>100.0057</u>	
FACE VALUE PER UNIT		<u>100.0000</u>	<u>100.0000</u>	

The annexed notes 1 to 24 form an integral part of these financial statements.

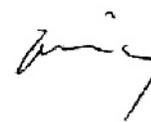
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



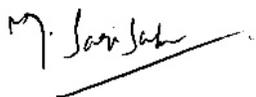
Director

INCOME STATEMENT
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

	Note	AIAAP - I For the period from December 29, 2016 to June 30, 2017	AIAAP - II For the period from June 16, 2017 to June 30, 2017	Total For the period from December 29, 2016 to June 30, 2017
------(Rupees in 000)-----				
INCOME				
Loss on sale of investments - net		(18,961)	-	(18,961)
Unrealised appreciation / (diminution) on re-measurement of investments at fair value through profit or loss - net	5.2	6,792	(44)	6,748
Profit on bank balances		24,849	259	25,108
Other income		1,157	-	1,157
Total income		13,837	215	14,052
EXPENSES				
Remuneration of the Management Company	7.1	4,311	30	4,341
Sindh sales tax on remuneration of the Management Company	7.2	561	4	565
Remuneration of the Trustee	8.1	619	10	629
Sindh sales tax on remuneration of the Trustee	8.2	80	1	81
Annual fee to the Securities and Exchange Commission of Pakistan	9.1	723	3	726
Allocated expenses and related taxes	7.3	860	4	864
Printing charges		141	-	141
Settlement and bank charges		27	1	28
Listing fee		593	-	593
Legal and Professional Charges		66	1	67
Auditors' remuneration	14	473	1	474
Provision against Sindh Workers' Welfare Fund	11.1	264	3	267
Amortisation of preliminary expenses and floatation costs	6	1,260	-	1,260
Total expenses		9,978	58	10,036
Net income for the period before element of income and capital gains included in the prices of units issued less those in units redeemed - net		3,859	157	4,016
Element of income and capital gains included in the prices of units issued less those in units redeemed - net				
- arising from realised / unrealised gains / (losses)		10,605	(2)	10,603
- arising from other income		(1,534)	8	(1,526)
		9,071	6	9,077
Net income for the period before taxation		12,930	163	13,093
Taxation	16	-	-	-
Net income for the period after taxation		12,930	163	13,093

The annexed notes 1 to 24 form an integral part of these financial statements.

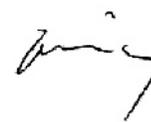
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



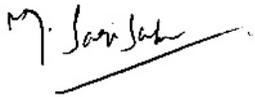
Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

	AIAAP - I	AIAAP - II	Total
	For the period from December 29, 2016 to June 30, 2017	For the period from June 16, 2017 to June 30, 2017	For the period from December 29, 2016 to June 30, 2017
	------(Rupees in 000)-----		
Net income for the period after taxation	12,930	163	13,093
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	<u>12,930</u>	<u>163</u>	<u>13,093</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



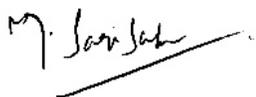
Director

DISTRIBUTION STATEMENT
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

	AIAAP - I	AIAAP - II	Total
	For the period from December 29, 2016 to June 30, 2017	For the period from June 16, 2017 to June 30, 2017	For the period from December 29, 2016 to June 30, 2017
	------(Rupees in 000)-----		
Net income for the period after taxation	12,930	163	13,093
Distributions during the period	(12,672)	(158)	(12,830)
Undistributed income carried forward	<u>258</u>	<u>5</u>	<u>263</u>
Undistributed income carried forward comprises of:			
- Realised (loss) / gain	(6,534)	49	(6,485)
- Unrealised gain / (loss)	6,792	(44)	6,748
	<u>258</u>	<u>5</u>	<u>263</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



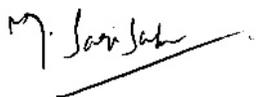
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

	AIAAP - I	AIAAP - II	Total
Note	For the period from December 29, 2016 to June 30, 2017	For the period from June 16, 2017 to June 30, 2017	For the period from December 29, 2016 to June 30, 2017
	------(Rupees in 000)-----		
Net assets at the beginning of the period	-	-	-
Issue of units	13 1,632,626	87,970	1,720,596
Redemption of units	13 (39,572)	-	(39,572)
	1,593,054	87,970	1,681,024
Element of income and capital gains included in the prices of units issued less those in units redeemed - net			
- transferred to income statement			
- arising from realised / unrealised gains / (losses)	(10,605)	2	(10,603)
- arising from other income	1,534	(8)	1,526
	(9,071)	(6)	(9,077)
Unrealised appreciation / (diminution) on re-measurement of investments at fair value through profit or loss - net	6,792	(44)	6,748
Loss on sale of investments - net	(18,961)	-	(18,961)
Other income (net of expenses)	25,099	207	25,306
	12,930	163	13,093
Distributions during the period	10 (12,672)	(158)	(12,830)
Net assets at the end of the period	<u>1,584,241</u>	<u>87,969</u>	<u>1,672,210</u>
Net assets value per unit as at end of the period	<u>100.0163</u>	<u>100.0057</u>	

The annexed notes 1 to 24 form an integral part of these financial statements.

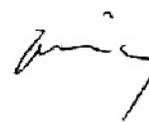
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

		AIAAP - I	AIAAP - II	Total
Note	For the period from December 29, 2016 to June 30, 2017	For the period from June 16, 2017 to June 30, 2017	For the period from December 29, 2016 to June 30, 2017	
----- (Rupees in 000) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income for the period	12,930	163	13,093	
Adjustments for:				
Unrealised (appreciation) / diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(6,792)	44	(6,748)	
Element of (income) / loss and capital (gain) / loss included in the prices of units issued less those in units redeemed - net				
- arising from realised / unrealised gains / (losses)	(10,605)	2	(10,603)	
- arising from other income	1,534	(8)	1,526	
Provision against Sindh Workers' Welfare Fund	264	3	267	
Amortisation of preliminary expenses and floatation costs	1,260	-	1,260	
	(1,409)	204	(1,205)	
Increase in assets				
Investments	(1,486,039)	(75,000)	(1,561,039)	
Profit receivable	(3,039)	(269)	(3,308)	
Other receivable	(139)	-	(139)	
	(1,489,217)	(75,269)	(1,564,486)	
Increase in liabilities				
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	757	75	832	
Payable to MCB Financial Services Limited - Trustee	110	11	121	
Payable to the Securities and Exchange Commission of Pakistan	723	3	726	
Accrued expenses and other liabilities	550	2	552	
	2,140	91	2,231	
Net cash flows from operating activities	(1,488,486)	(74,974)	(1,563,460)	
CASH FLOWS FROM FINANCING ACTIVITIES				
Amount received against issuance of units	1,632,626	87,970	1,720,596	
Amount paid against redemption of units	(39,572)	-	(39,572)	
Net cash flows from financing activities	1,593,054	87,970	1,681,024	
Net increase in cash and cash equivalents during the period	104,568	12,996	117,564	
Cash and cash equivalents at the beginning of the period	-	-	-	
Cash and cash equivalents at the end of the period	104,568	12,996	117,564	4

The annexed notes 1 to 24 form an integral part of these financial statements.

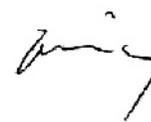
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Al-Hamra Islamic Active Allocation Fund (the Fund) was established under a Trust Deed dated, November 25, 2016, executed between MCB-Arif Habib Savings and Investments Limited as Management Company and MCB Financial Services Limited as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) on December 02, 2016 under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations 2008).
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (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.
- 1.3** The Fund is an open-ended mutual fund and has been categorised as "Shariah Compliant Asset Allocation Fund of Funds". The units of the Fund are redeemable subject to a contingent load.
- 1.4** The duration of the Fund is perpetual. However, Allocation Plans launched may have a set time frame. The Fund commenced its operations from December 29, 2016 and on that date, had offered one type of Allocation Plan (Plan-I). However, the Fund has launched Allocation Plan-II from June 16, 2017. The Fund is allowed to invest in Shariah Compliant Collective Investment Schemes or in cash and / or near cash instruments as allowed under circular no. 07 of 2009 dated March 6, 2009 issued by the SECP. The maturity of Allocation Plan I and II is two years from the close of the initial period i.e. December 29, 2018 and June 16, 2019 respectively.
- 1.5** The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2++ dated June 23, 2017 to the Management Company. The Fund is listed on the Pakistan Stock Exchange Limited.
- 1.6** The title to the assets of the Fund is held in the name of MCB Financial Services Limited as Trustee of the Fund.
- 1.7** As per the offering document approved by the SECP, the accounting period, in case of the first such period, shall commence from the date on which the trust property is first paid or transferred to the Trustee. Accordingly these financial statements have been prepared from December 29, 2016 to June 30, 2017 (former being the date from which the proceeds from the issue of units were received). The initial offering of Plan-I and Plan-II was from December 27, 2016 to December 28, 2016 and from June 1, 2017 to June 15, 2017 respectively.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

The Directors of the asset management company declare that these financial statements give a true and fair view of the state of affairs of the Fund.

2.2 Standards, Interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new and amended standards and interpretations that are mandatory for the Fund's accounting periods beginning on or after July 1, 2016 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

2.3 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective

2.3.1 The following standards, amendments and interpretations with respect to approved accounting standards would be effective from the date mentioned below against the respective standards, amendments or interpretations:

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IFRS-9 Financial Instruments	January 1, 2018
- IFRS-15 Revenue from contracts with customers	January 1, 2018
- IFRS-16 Leases	January 1, 2019

2.3.2 The Companies Act, 2017 (the Act) has been enacted on May 30, 2017, superseding the Companies Ordinance, 1984. The Act does not impact the financial statements of the Fund for the period ended June 30, 2017.

2.3.3 The impact of standards, interpretations and amendments to published approved accounting standards that are not yet effective is yet to be determined by the Management Company of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- Classification and valuation of investments (note 3.2 and 5)
- Impairment of financial assets (note 3.2.6)
- Taxation (note 3.6 and 16)
- Amortization of preliminary expenses and floatation cost (note 6.1)

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention, except for certain investments which are stated at fair value.

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available-for-sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.2.2 Derivatives

These are measured at fair value. Derivatives with positive fair values (unrealised gains) are included in fair value of derivative asset and derivatives with negative fair values (unrealised losses) are included in fair value of derivative liability in the statement of assets and liabilities. The resultant gains and losses are included in the income statement.

3.2.3 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

3.2.4 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed out in the income statement.

3.2.5 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available-for-sale' are measured at fair value.

Gains or losses arising, from changes in the fair value and on sale of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement.

Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in other comprehensive income until derecognised or impaired, when the accumulated fair value adjustments recognised in other comprehensive income are included in the Income Statement.

Basis of valuation

- The fair value of investments in open end mutual funds is determined by reference to the quotations obtained from the NAV report on the MUFAP website at the close of period end.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective yield method.

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.6 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and included in the Income Statement. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

3.2.7 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.5 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions, if any, are regularly reviewed and adjusted to reflect the current best estimate.

3.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

3.7 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which the distributions and appropriations are approved.

Distributions declared including bonus units are recorded in the period in which they are approved. Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to investment facilitators, distributors and the Management Company.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, and charges on redemption, if applicable.

3.9 Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

The element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed to the extent that is represented by distributable income earned during the year is recognised in the income statement and the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed represented by distributable income carried forward from prior periods is included in the distribution statement.

3.10 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in the statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period end.

3.11 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Income on bank balances is recognised on an accrual basis using the effective yield method.
- Dividend income is recognised when the right to receive the dividend is established.

3.12 Expenses

All expenses including management fee and trustee fee are recognised in the Income Statement on an accrual basis. Allocated expenses (note 7.3) are recognised at the rate of 0.1% per annum of the average annual net assets of the Fund.

3.13 Earnings per unit

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

3.14 Preliminary expenses and floatation cost

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of two years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance companies and Notified Entities Regulation, 2008.

	Note	AIAAP - I 2017	AIAAP - II 2017	Total 2017
------(Rupees in 000)-----				
4 BANK BALANCES				
In current account	4.1	1,384	6,187	7,571
In savings account	4.2	103,184	6,809	109,993
		104,568	12,996	117,564

4.1 Bank balance in current account is maintained with MCB Bank Limited, a related party of the Fund.

4.2 These carry profit at the rates ranging between 5.50% to 5.60% for Plan-I and 5.60% for Plan-II per annum.

	Note	AIAAP - I 2017	AIAAP - II 2017	Total 2017
------(Rupees in 000)-----				
5 INVESTMENTS				
At fair value through profit or loss - held for trading				
- Units of open end mutual funds	5.1	1,492,831	74,956	1,567,787

5.1 At fair value through profit or loss - held for trading

5.1.1 Allocation Plan I - Units of open end mutual funds (related party)

Name of the fund	Number of units				Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised appreciation / (diminution) as at June 30, 2017	Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2016	Purchased during the period	Sold during the period	As at June 30, 2017					
------(Rs in "000")-----									
Alhamra Islamic Stock Fund	-	145,459,842	74,356,506	71,103,335	866,039	871,016	4,977	55%	58%
Alhamra Islamic Income Fund	-	13,257,628	7,105,644	6,151,984	620,000	621,815	1,815	39%	42%
					1,486,039	1,492,831	6,792		

5.1.1.1 The cost of investments in units of open end mutual funds as at June 30, 2017 amounted to Rs 1,486.039 million.

5.1.2 Allocation Plan II - Units of open end mutual funds (related party)

Name of the fund	Number of units				Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised appreciation / (diminution) as at June 30, 2017	Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2016	Purchased during the period	Redeemed during the period	As at June 30, 2017					
------(Rs in "000")-----									
Alhamra Islamic Stock Fund	-	2,029,221	-	2,029,221	25,000	24,858	(142)	28%	33%
Alhamra Islamic Income Fund	-	495,648	-	495,648	50,000	50,098	98	57%	67%
					75,000	74,956	(44)		

5.1.2.1 The cost of investments in units of open end mutual funds as at June 30, 2017 amounted to Rs 75 million.

	Note	AIAAP - I 2017	AIAAP - II 2017	Total 2017
------(Rupees in 000)-----				
5.2 Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss - net				
Market value as at June 30	5.1.1 & 5.1.2	1,492,831	74,956	1,567,787
Less: carrying value as at June 30	5.1.1 & 5.1.2	1,486,039	75,000	1,561,039
		6,792	(44)	6,748

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

	AIAAP - I 2017	AIAAP - II 2017	Total 2017
6 PRELIMINARY EXPENSES AND FLOATATION COSTS	------(Rupees in 000)-----		
Preliminary expenses and floatation costs incurred	5,000	-	5,000
Less: amortisation during the period	1,260	-	1,260
Closing balance	<u>3,740</u>	<u>-</u>	<u>3,740</u>

6.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of two years in accordance with the requirements set out in the Trust Deed of the Fund and the Non-Banking Finance companies and Notified Entities Regulation, 2008.

	Note	AIAAP - I 2017	AIAAP - II 2017	Total 2017
7 PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY		------(Rupees in 000)-----		
Management remuneration payable	7.1	524	30	554
Sindh sales tax payable on management remuneration	7.2	69	4	73
Sales load payable		-	7	7
Preliminary expenses and floatation costs payable		5,000	-	5,000
Payable against allocated expenses	7.3	134	4	138
Others		30	30	60
		<u>5,757</u>	<u>75</u>	<u>5,832</u>

7.1 The Management Company has charged remuneration at a rate of 1% of average annual net assets of the Fund during the period. However, no remuneration is charged on that part of the net assets which has been invested in the mutual funds managed by the Management Company. The remuneration is paid to the Management Company on a monthly basis in arrears.

7.2 During the period, Sindh Sales Tax on management fee has been charged at 13%.

7.3 In accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, with effect from December 29, 2016 the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund for the period.

	Note	AIAAP - I 2017	AIAAP - II 2017	Total 2017
8 PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE		------(Rupees in 000)-----		
Trustee remuneration payable	8.1	97	10	107
Sindh sales tax payable on Trustee remuneration	8.2	13	1	14
		<u>110</u>	<u>11</u>	<u>121</u>

8.1 Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears as per the following tariff structure.

Net Assets Value (NAV)	Tariff per annum
Up to Rs 1 billion	Rs 0.09% per annum of Daily Net Assets or Rs 0.25 million per annum, whichever is higher
Over Rs 1 billion	Rs 0.9 million plus 0.065% per annum of Daily Net Assets exceeding Rs. 1 billion

8.2 Sindh Sales Tax at 13% is charged on Trustee fee.

8.3 The remuneration is paid to the Trustee on monthly basis in arrears.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

	Note	AIAAP - I 2017	AIAAP - II 2017	Total 2017
9 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)		----- (Rupees in 000) -----		
Annual fee payable to the SECP	9.1	723	3	726

9.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund.

10 DIVIDEND DISTRIBUTION

Final distribution at the rate of Re 0.8 per unit for Plan I and Re 0.18 per unit for Plan II for the period ended 30 June 2017 was approved on June 30, 2017.

	Note	AIAAP - I 2017	AIAAP - II 2017	Total 2017
11 ACCRUED EXPENSES AND OTHER LIABILITIES		----- (Rupees in 000) -----		
Auditors' remuneration		285	1	286
Printing charges		100	-	100
Payable to legal advisor		66	1	67
Others		99	-	99
Provision for Sindh Workers' Welfare Fund	11.1	264	3	267
		814	5	819

11.1 As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. However, as a matter of abundant caution provision in respect of SWWF is being made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of Plan I and II as at June 30, 2017 would have been higher by Re 0.0167 per unit and Re 0.0034 per unit respectively.

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2017.

		AIAAP - I 2017	AIAAP - II 2017	Total 2017
13 NUMBER OF UNITS IN ISSUE		----- (Number) -----		
Total units in issue at the beginning of the period		-	-	-
Add: units issued during the period		16,225,459	879,643	17,105,102
Less: redemptions during the period		(385,637)	-	(385,637)
Total units in issue as at June 30, 2017		15,839,822	879,643	16,719,465

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

	AIAAP - I 2017	AIAAP - II 2017	Total 2017
------(Rupees in 000)-----			
14 AUDITORS' REMUNERATION			
Annual audit fee	150	1	151
Half yearly review fee	65	-	65
Other certifications	205	-	205
Sindh Sales Tax on services @ 8%	34	-	34
Out of pocket expenses	19	-	19
	473	1	474

15 TOTAL EXPENSE RATIO

The total expense ratio of the Fund for the period ended June 30, 2017 is 0.66% (Plan-I) and 0.07% (Plan-II) which includes 0.13% (Plan-I) and 0.02% (Plan-II) representing Government levy, Workers' Welfare Fund and SECP fee.

16 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund 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. Since the Management Company has distributed the income earned by the Fund during the period to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

17 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include MCB-ArifHabib Savings and Investments Limited (being the Management Company) and its related entities, MCB Financial Services Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors, key management personnel and officers of the Management Company.

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

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

The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the period end are as follows:

17.1 Details of transactions with related parties / connected persons during the period

	AIAAP - I For the period from December 29, 2016 to June 30, 2017	AIAAP - II For the period from June 16, 2017 to June 30, 2017	Total For the period from December 29, 2016 to June 30, 2017
------(Rupees in 000)-----			
MCB-Arif Habib Savings and Investments Limited - Management Company			
Remuneration of the Management Company (including indirect taxes)	4,872	34	4,906
Allocated expenses and related taxes	860	4	864
MCB Financial Services Limited - Trustee			
Remuneration of the Trustee (including indirect taxes)	699	11	710

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

	AIAAP - I For the period from December 29, 2016 to June 30, 2017	AIAAP - II For the period from June 16, 2017 to June 30, 2017	Total For the period from December 29, 2016 to June 30, 2017
	------(Rupees in 000)-----		
Alhamra Islamic Stock Fund			
Purchase of 145,459,842 and 2,029,221 units	1,901,039	25,000	1,926,039
Sale of 74,356,507 units	1,015,901	-	1,015,901
Alhamra Islamic Income Fund			
Purchase of 13,257,628 and 495,648 units	1,335,901	50,000	1,385,901
Sale of 7,105,644 units	716,039	-	716,039
MCB Employees Pension Fund			
Issue of 586,520 and 751,350 units	58,652	75,135	133,787
Dividend paid	465	135	600
Directors and key management personnel of the Management Company			
Issue of 4,007 units	403	-	403
Dividend paid	3	-	3

17.2 Details of balances with related parties / connected persons as at period end

	Note	AIAAP - I 2017	AIAAP - II 2017	Total 2017
		------(Rupees in 000)-----		
MCB-Arif Habib Savings and Investments Limited - Management Company				
Management remuneration payable		524	30	554
Sindh sales tax payable on management remuneration		69	4	73
Sales load payable		-	7	7
Preliminary expenses and floatation costs payable		5,000	-	5,000
Payable against allocated expenses		134	4	138
Others		30	30	60
MCB Financial Services Limited - Trustee				
Trustee remuneration payable		97	10	107
Sindh sales tax payable on Trustee remuneration		13	1	14
MCB Bank Limited - Parent of the Management Company				
Bank balance		1,384	6,187	7,571
Alhamra Islamic Stock Fund				
Outstanding 71,103,335 and 2,029,221 units	17.3	871,016	24,858	895,874
Alhamra Islamic Income Fund				
Outstanding 6,151,984 and 495,648 units	17.3	621,815	50,098	671,913
MCB Employees Pension Fund				
Outstanding 586,520 and 751,350 units	17.3	58,662	75,139	133,801
Directors and key management personnel of the Management Company				
Outstanding 4,007 units	17.3	401	-	401

17.3 This reflects the position of related party / connected persons status as at June 30, 2017.

17.4 The Fund's investment in related parties are disclosed in note 5.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

18 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2017, all the financial assets carried on the statement of assets and liabilities are categorised either as loans and receivables or financial assets at fair value through profit or loss. All the financial liabilities carried on the statement of assets and liabilities are categorised as financial liabilities measured at amortised cost.

Particulars	As at June 30, 2017			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total

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

Financial assets

Alhamra Islamic Active Allocation Fund Plan I				
Bank balances	104,568	-	-	104,568
Investments	-	1,492,831	-	1,492,831
Profit receivable	3,039	-	-	3,039
Other receivable	139	-	-	139
	107,746	1,492,831	-	1,600,577

Particulars	As at June 30, 2017		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total

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

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	5,589	5,589
Payable to MCB Financial Services Limited - Trustee	-	97	97
Dividend payable	-	12,672	12,672
Accrued expenses and other liabilities	-	550	550
	-	18,908	18,908

Particulars	As at June 30, 2017			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total

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

Financial assets

Alhamra Islamic Active Allocation Fund Plan II				
Bank balances	12,996	-	-	12,996
Investments	-	74,956	-	74,956
Profit receivable	269	-	-	269
	13,265	74,956	-	88,221

Particulars	As at June 30, 2017		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total

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

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	71	71
Payable to MCB Financial Services Limited - Trustee	-	10	10
Dividend payable	-	158	158
Accrued expenses and other liabilities	-	2	2
	-	241	241

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

19 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

19.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises three types of risk: currency risk, profit rate risk and price risk.

19.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. At present, the Fund is not exposed to currency risk as all the transactions are carried out in Pakistani Rupees.

19.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. The profit rate profile of the Fund's profit bearing financial instruments is as follows:

	AIAAP - I 2017	AIAAP - II 2017	Total 2017
	----- (Rupees in 000) -----		
Variable rate instrument (financial asset)			
Bank balances	103,184	6,809	109,993

a) Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in profit rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 1.032 million and Rs 0.068 million for Plan I and II respectively and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

b) Sensitivity analysis for fixed rate instruments

Presently, the Fund does not hold any fixed rate instruments that may expose the Fund to any material profit rate risk.

The composition of the Fund's investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Yield rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet financial instruments is based on settlement date.

Particulars	As at June 30, 2017					Total
	Effective yield / rate	Exposed to yield risk			Not exposed to yield rate risk	
		Upto three months	More than three months and up to one year	More than one year		
	%	----- (Rupees in '000) -----				

Alhamra Islamic Active Allocation Fund Plan I

On-balance sheet financial instruments

Financial assets						
Bank balances	5.5% - 5.6%	103,184	-	-	1,384	104,568
Investments		-	-	-	1,492,831	1,492,831
Profit receivable		-	-	-	3,039	3,039
Other receivable		-	-	-	139	139
Sub total		103,184	-	-	1,497,393	1,600,577

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

Particulars	As at June 30, 2017					
	Effective yield / rate	Exposed to yield risk			Not exposed to yield rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
	%	(Rupeesin '000)				

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	-	-	5,589	5,589
Payable to MCB Financial Services Limited - Trustee	-	-	-	97	97
Dividend payable	-	-	-	12,672	12,672
Accrued expenses and other liabilities	-	-	-	550	550
Sub total	-	-	-	18,908	18,908

On-balance sheet gap	103,184	-	-	1,478,485	1,581,669
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Total profit rate sensitivity gap	103,184	-	-	1,478,485	1,581,669
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Cumulative profit rate sensitivity gap	103,184	103,184	103,184		
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Particulars	As at June 30, 2017					
	Effective yield / rate	Exposed to yield risk			Not exposed to yield rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
	%	(Rupeesin '000)				

Alhamra Islamic Active Allocation Fund Plan II

On-balance sheet financial instruments

Financial assets

Bank balances	5.60%	6,809	-	-	6,187	12,996
Investments		-	-	-	74,956	74,956
Profit receivable		-	-	-	269	269
Sub total		6,809	-	-	81,412	88,221

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	71	71
Payable to MCB Financial Services Limited - Trustee		-	-	-	10	10
Dividend payable		-	-	-	158	158
Accrued expenses and other liabilities		-	-	-	2	2
Sub Total		-	-	-	241	241

On-balance sheet gap	6,809	-	-	81,171	87,980
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Total profit rate sensitivity gap	6,809	-	-	81,171	87,980
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Cumulative profit rate sensitivity gap	6,809	6,809	6,809		
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19.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A reasonably possible change of 5% increase or decrease in fair values at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 74.642 million and Rs 3.748 million for Plan I and II respectively and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

19.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted and arises principally from bank balances, investments, profit and other receivable.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

19.2.1 Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2017 was as follows:

	Plan I		Plan II	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
Bank balances	104,568	104,568	12,996	12,996
Investments	1,492,831	1,492,831	74,956	74,956
Profit receivable	3,039	3,039	269	269
Other receivable	139	139	-	-
	1,600,577	1,600,577	88,221	88,221

19.2.2 Bank balances

The Fund held bank balances at June 30, 2017 with banks having following credit ratings:

Rating	Plan I		Plan II	
	Rupees	%	Rupees	%
AAA	1,394	1.33%	6,187	47.61%
AA+	10	0.01%	-	-
AA-	10	0.01%	-	-
A+	103,154	98.65%	6,809	52.39%
	104,568	100.00%	12,996	100.00%

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS as of June 30, 2017.

19.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Details of the Fund's concentration of credit risk of financial instruments by economic sectors are as follows:

	Plan I		Plan II	
	Rupees	%	Rupees	%
Commercial banks (including profit receivable)	107,746	6.73%	13,265	15.04%
Units of open end mutual funds	1,492,831	93.27%	74,956	84.96%
	1,600,577	100.00%	88,221	100.00%

All financial assets of the Fund as at June 30, 2017 are unsecured and are not impaired.

19.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is therefore to invest the majority of its assets in short term instruments in order to maintain liquidity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the current period.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the period.

The table below summarizes the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month.

Particulars	As at June 30, 2017			
	Upto three months	More than three months and upto one year	More than one year	Total

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

Alhamra Islamic Active Allocation Fund Plan I

Assets				
Bank balances	104,568	-	-	104,568
Investments	1,492,831	-	-	1,492,831
Profit receivable	3,039	-	-	3,039
Other receivable	139	-	-	139
	1,600,577	-	-	1,600,577
Liabilities				
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	5,589	-	-	5,589
Payable to MCB Financial Services Limited - Trustee	97	-	-	97
Dividend payable	12,672	-	-	12,672
Accrued expenses and other liabilities	550	-	-	550
	18,908	-	-	18,908
Net assets	1,581,669	-	-	1,581,669

Particulars	As at June 30, 2017			
	Upto three months	More than three months and upto one year	More than one year	Total

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

Alhamra Islamic Active Allocation Fund Plan II

Assets				
Bank balances	12,996	-	-	12,996
Investments	74,956	-	-	74,956
Profit receivable	269	-	-	269
	88,221	-	-	88,221
Liabilities				
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	71	-	-	71
Payable to MCB Financial Services Limited - Trustee	10	-	-	10
Dividend payable	158	-	-	158
Accrued expenses and other liabilities	2	-	-	2
	241	-	-	241
Net assets	87,980	-	-	87,980

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017

19.4 FAIR VALUE MEASUREMENT

Fair value is the amount for which an asset could be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Fair value of investments is determined as per the policy disclosed in note 3.2.5 to these financial statements.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted price (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2017, the Fund held the following assets measured at fair values:

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
At fair value through profit or loss - held for trading				
- Units of open end mutual funds (Plan I)	1,492,831	-	-	1,492,831
- Units of open end mutual funds (Plan II)	74,956	-	-	74,956

19.5 UNIT HOLDERS' FUND RISK MANAGEMENT

The Fund's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders, to maintain a strong base of assets to meet unexpected losses or opportunities and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs.100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

20 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of the members of the investment committee of the Fund are as follows:

S. No.	Name	Designation	Experience in years	Qualification
1	Muhammad Saqib Saleem	Chief Executive Officer	20	FCA & FCCA
2	Muhammad Asim	Chief Investment Officer	14	MBA & CFA
3	Awais Abdul Sattar	Senior Research Analyst	6	MBA & CFA
4	Saad Ahmed	Portfolio Manager – Fixed Income	12	MBA
5	Muhammad Aitazaz Farooqui	Research Analyst	3	MBA & CFA Level III
6	Syed Abid Ali	Head of Equity	9	MBA

20.1 Syed Abid Ali is the Manager of the Fund. He is also managing MCB Pakistan Asset Allocation Fund, Pakistan Capital Market Fund, MCB Pakistan Stock Market Fund and Pakistan Pension Fund.

21 PATTERN OF UNIT HOLDING

PLAN-I

Category	As at June 30, 2017			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
				(Rupees in '000)
Individuals	720	13,463,075	1,346,527	84.97%
Associated companies	1	586,520	58,662	3.70%
Insurance companies	2	400,113	40,018	2.53%
Retirement funds	3	333,005	33,306	2.10%
Others	9	1,057,109	105,728	6.70%
	<u>735</u>	<u>15,839,822</u>	<u>1,584,241</u>	<u>100.00%</u>

PLAN-II

Category	As at June 30, 2017			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
				(Rupees in '000)
Individuals	9	89,643	8,965	10.18%
Associated companies	1	751,350	75,139	85.42%
Retirement funds	1	10,000	1,000	1.14%
Others	1	28,650	2,865	3.26%
	<u>12</u>	<u>879,643</u>	<u>87,969</u>	<u>100.00%</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

22 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 126th, 127th, 128th, 129th, 130th, 131st, 132nd and 133rd meeting of the Board of Directors were held on July 12, 2016, August 05, 2016, August 15, 2016, October 21, 2016, February 02, 2017, March 20, 2017, April 21, 2017 and May 12, 2017 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
Directors					
1	Mian Muhammad Mansha	8	1	7	126th, 128th, 129th, 130th, 131st, 132nd, 133rd
2	Nasim Beg	8	6	2	127th, 130th
3	Salman Shah	8	7	1	126th
4	Ahmed Jahangir	8	8	-	-
5	Haroun Rashid	8	2	6	126th, 127th, 128th, 130th, 131st, 132nd
6	Mirza Mehmood	5*	1	4	130th, 131st, 132nd, 133rd
7	Mirza Qamar Beg	3*	3	-	-
8	Samad A Habib	8	5	3	128th, 129th, 131st
9	Muhammad Saqib Saleem	8	8	-	-

* These directors joined the Board of Directors during the period. Therefore, the number of meetings held in respect of these directors is less than the total number of meetings held during the period.

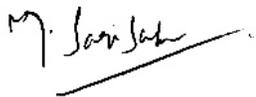
23 GENERAL

Figures have been rounded off to the nearest thousand rupees.

24 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 04, 2017 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

ALHAMRA ISLAMIC ACTIVE ALLOCATION FUND PLAN-I

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
MCB Employees Pension Fund	1	586,520
Mutual Funds	-	-
Directors and their spouse (s) and minor children	-	-
Executives	2	4,007
Public sector companies and corporations	-	-
Banks, Development Finance Institutios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	4	721,337
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	728	14,527,958
	<u>735</u>	<u>15,839,822</u>

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

ALHAMRA ISLAMIC ACTIVE ALLOCATION FUND PLAN-II

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
MCB Employees Pension Fund	1	751,350
Mutual Funds	-	-
Directors and their spouse (s) and minor children	-	-
Executives	-	-
Public sector companies and corporations	-	-
Banks, Development Finance Institutios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	-	-
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	11	128,293
	<u>12</u>	<u>879,643</u>

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

ALHAMRA ISLAMIC ATIVE ALLOCATION FUND PLAN-I

No. of Unit Holder	Unit holdings	Total Units Held
467	1-10000	2,131,173
237	10001-100000	7,236,318
31	100001-1000000	6,472,331
735		15,839,822

ALHAMRA ISLAMIC ATIVE ALLOCATION FUND PLAN-II

No. of Unit Holder	Unit holdings	Total Units Held
8	1-10000	34,771
3	10001-100000	94,872
1	100001-1000000	750,000
12		879,643

**PERFORMANCE TABLE
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

ALHAMRA ISLAMIC ACTIVE ALLOCATION FUND PLAN-I

Performance Information	2017
Total Net Assets Value – Rs. in million	1,584
Net Assets value per unit – Rupees	100.0163
Closing Offer Price	103.4069
Closing Repurchase Price	100.0163
Highest offer price per unit	106.2503
Lowest offer price per unit	100
Highest Redemption price per unit	103.0089
Lowest Redemption price per unit	97.0831
Distribution per unit – Re. *	0.80
Average Annual Return - %	
One year (Inception Date 29-Dec-16)	0.81
Two year	N/A
Three year	N/A
Net Income for the period – Rs. in million	12.93
Distribution made during the year – Rs. in million	12.67
Accumulated Capital Growth – Rs. in million	0.26

*** Date of Distribution**

2017	
Date	Rate
June 30, 2017	0.800

Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.

**PERFORMANCE TABLE
FOR THE PERIOD FROM DECEMBER 29, 2016 TO JUNE 30, 2017**

ALHAMRA ISLAMIC ACTIVE ALLOCATION FUND PLAN-II

Performance Information	2017
Total Net Assets Value – Rs. in million	87.97
Net Assets value per unit – Rupees	100.0057
Closing Offer Price	103.3959
Closing Repurchase Price	100.0057
Highest offer price per unit	103.6315
Lowest offer price per unit	100
Highest Redemption price per unit	100.2336
Lowest Redemption price per unit	97.0282
Distribution per unit – Re. *	0.18
Average Annual Return - %	
One year (Inception Date 16-Jun-17)	0.19
Two year	N/A
Three year	N/A
Net Income for the period – Rs. in million	0.16
Distribution made during the year – Rs. in million	0.15
Accumulated Capital Growth – Rs. in million	0.01

*** Date of Distribution**

2017	
Date	Rate
June 30, 2017	0.18

Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.

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