

Half Year Report
December 31, 2016
(Unaudited)



Funds Under Management
of
MCB-Arif Habib Savings and Investments Limited
Rated: AM2++ by PACRA

ALHAMRA ISLAMIC ACTIVE ALLOCATION FUND

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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 Chairman Mr. Nasim Beg Vice Chairman Mr. Muhammad Saqib Saleem Chief Executive Officer Dr. Syed Salman Ali Shah Director Mr. Haroun Rashid Director Mr. Ahmed Jahangir Director Mr. Samad A. Habib Director Mr. Mirza Mahmood Ahmed Director
Audit Committee	Mr. Haroun Rashid Chairman Mr. Ahmed Jahangir Member Mr. Samad A. Habib Member Mr. Nasim Beg Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Chairman Mr. Nasim Beg Member Mr. Haroun Rashid Member Mr. Ahmed Jahangir 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
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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Alhamra Islamic Active Allocation Plan –I** accounts review for the half year ended December 31, 2016 (launched on December 29, 2016).

ECONOMY AND MONEY MARKET OVERVIEW

Weakness in external account raised concerns in otherwise progressive improvement in headline economic indicators continuing for the last 2 years. Weak trade balance, primarily due to subdued trend in exports and higher imports alongwith weak contribution from services and remittances kept the pressure on overall Current Account balance which widened 92% in 1HFY17 to USD 3.6 billion. It is pertinent to note that partial increase in imports is triggered by machinery imports which have increased by 8.3% alongwith increase in oil import bill which is expected to widen further given recent arrangements from OPEC to support Int'l Crude Oil prices. The cushion to Balance of Payments was bolstered by financial account of USD 3.7 bn where major respite came from the net borrowing of USD 740 million alongwith the inflow materialized in FDI on completion of acquisition of stake in Engro Foods by Freisland Campina. Overall balance of the Balance of Payments stood at USD 225 mn compared to USD 1.5 bn during same period of last year.

Foreign exchange reserves stood at USD 23.2 bn (06th Jan 2017). It is pertinent to note that SBP reserves explain most of the volatility in Forex reserves where government borrowing and retirement of loans has net negative balance in 1HFY17 while closing approx USD 1bn lower from peak seen in Oct 16.

Undergoing appreciation of about 0.4% in 1HFY17, PKR continues to remain resilient against USD which also raises concerns given the relative weakness in other developing economies and also reflected from REER as measured by SBP reaching to a high of 126 depicting significant overvaluation.

Fiscal deficit increased to 1.3 % (1QFY17) of GDP as against 1.1% in SPLY due to sharp decline in non-tax revenue. On provisional basis, tax authority has managed to collect PKR 1,460 billion during 1HFY17, recording a shortfall of PKR ~127 billion from the desired target. With annual tax collection target of PKR 3.6 trillion; demanding a growth rate of 17% YoY, and higher development spending, fiscal deficit is likely to exceed 4.5% against budgetary target of 3.8%. Focus of government on development spending is however positive for the overall long term direction and thus slippage on this front is not a major concern.

LSM grew by 3.24% YoY in 5MFY17. The growth is driven through consumer, electrical, automobiles and cement manufacturing. Inflation continued its upward trajectory with first half averaging 3.88% compared to 2.08% for 1HFY16. The withering of low base effect along with inherent increases in food and housing pricing triggered inflationary pressures. The government kept on absorbing the incremental petrol prices which kept the inflation subdued.

M2 growth posted year to date growth of 5.45% by the end of the year. The deposits grew seasonally by PKR 420 bn in a week supported by year end efforts of banks to expand balance sheet size. Thereafter, the M2 growth has normalized to 3.68%. Moreover, the abnormal accumulation in currency in circulation (CIC) last year triggered after imposition of withholding tax on cash withdrawals has normalized though CIC to M2 ratio is still high at 26% against previous average of 22%. The Net Domestic Assets increased by PKR 518 bn supported by net government sector borrowings of PKR 390 bn.

EQUITIES MARKET OVERVIEW

Pakistan Stock Exchange (PSX) continued its positive momentum of 1QFY17 by posting another 16.64% return in 2QFY16 to conclude the period 26.53% higher (47,807 points). In calendar year 2016, the local bourse remained the best performing market in the region and stood 5th in global ranking with a USD based return of 45%. This was despite an aggressive selling from the foreign investors, who remained net sellers of USD 298mn in 1HFY16, compared to USD 240 mn in the corresponding period last year. This heavy selling was absorbed mostly by Mutual Funds and NBFCs with net buying of USD 307mn and USD 102mn, respectively.

Auto Parts Manufacturers and Auto Assemblers remained the best performing sectors during 1HFY17 with returns of 83% and 77%, respectively. Among the mainstream sectors, Banks outperformed the rest with a 33% return during the period under review, mainly on account of improving advances, rising deposits and bottomed out interest rate outlook. Cements also posted a 30% return during the period under review as strong demand coupled with healthy margins kept the investors' interest alive in the sector. Improving crude oil prices also made a mark on the E&Ps, which posted a healthy 27% return during 1HFY17. Fertilizers on the other hand, underperformed the index by posting a modest 2% return, as rising inventories coupled with discounts on urea prices took their toll on the sector.

We expect the positive momentum to continue going ahead as market draws close to its graduation to MSCI EM Index. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. PSX is currently trading at a forward multiple of 11.99x, still trading at a 10.5% discount to the MSCI EM, reflecting further room for re-rating from here.

FUND PERFORMANCE

The Fund was launched on December 29, 2016; during the period, the fund posted a return of 0.06% against benchmark of 0.02%.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

The fund was 27.7% invested in MCB Pakistan Islamic Stock Fund and 71.7% invested in cash as at 31st December 2016.

The Net Assets of the Fund as at December 31, 2016 stood at Rs. 877 million. The Net Asset Value (NAV) per unit as at December 31, 2016 was Rs. 100.061.

FUTURE OUTLOOK

The reversal in crude oil prices is expected to wither of the fiscal space previously available amid growing import bill. The recent decision by government to revise up petroleum prices in its latest fortnightly decision points towards constricting fiscal liberty.

The recently announced textile package is expected to provide support to the export sector. However, the overvalued currency as depicted from REER still remains a blockade for export competitiveness of the country however the same may remain deferred till the government continues to fund the gap through borrowing.

The inflationary pressures are also expected to succumb to expected increments in petroleum prices along with its trickle down impact on food inflation. We expect inflation for the year to average ~4.3%. It is pertinent to note inflation for next half of the year is expected to average around 4.8% with inflation for closing months of the year to exceed 5%.

While, we expect interest rates to remain stable in the short term given the stable inflationary trends, exchange rate overvaluation along with weak external account suggest a close review of emerging trends with potential for inflection on either side though biased in favor of monetary tightening.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The MSCI specific companies are expected to gain limelight as formal inclusion nears. However, the volatility in global markets lead by uncertainty in global economies after Trump's induction as US President and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our positive stance on the market.

ACKNOWLEDGMENT

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

For and on behalf of the Board,



Muhammad Saqib Saleem

Chief Executive Officer

February 2, 2017

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے الحما اسلامیکیٹیوا لیکیشن پلان-I (متعارف کردہ: 29 دسمبر 2016ء) کی 31 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

خارجی اکاؤنٹ میں کمزوری نے اہم ترین معاشی علامات میں گزشتہ 2 برسوں سے جاری ترقیاتی بہتری میں خدشات پیدا کیے۔ کمزور تجارتی توازن کے باعث، جس کی بنیادی وجوہات برآمدات کا پست رجحان اور پہلے سے زیادہ درآمدات، بشمول سروسز اور ترسیلات زر کی کمزور کارکردگی ہیں، مجموعی کرنٹ اکاؤنٹ بیلنس پر دباؤ اور باجوہ 2017ء کی پہلی ششماہی میں 92% بڑھ کر 3.6 بلین ڈالر ہو گیا۔ یاد رہے کہ درآمدات میں جزوی اضافے کی محرک مشینری کی درآمدات ہیں جن میں 8.3% اضافہ ہوا، بشمول تیل کی درآمد میں اضافے کے، جس میں OPEC کے خام تیل کی بین الاقوامی قیمتوں میں معاونت کے حالیہ اقدامات کے پیش نظر مزید اضافہ متوقع ہے۔ ادا نیکیوں کے توازن کے تحفظ کی 3.7 بلین ڈالر کے مالیاتی اکاؤنٹ سے حوصلہ افزائی ہوئی، اور اس ضمن میں اہم ترین پیش رفت 740 ملین ڈالر کے قرض، بشمول اینگروڈوڈ میں Freiland Campina کی حصص داری کی تکمیل پر FDI (غیر ملکی براہ راست سرمایہ کاری) میں اضافے سے ہوئی۔ ادا نیکیوں کے توازن کا مجموعی بیلنس 225 ملین ڈالر تھا، جبکہ گزشتہ سال کی اسی مدت کے دوران 1.5 بلین ڈالر تھا۔

زرمبادلہ کے ذخائر 23.2 بلین ڈالر تھے (06 جنوری 2017ء)۔ یاد رہے کہ فوریکس ذخائر میں اُتار چڑھاؤ کا سبب SBP (اسٹیٹ بینک آف پاکستان) کے ذخائر ہیں، جہاں 2017ء کی پہلی ششماہی میں حکومت کے قرضوں کے حصول اور قرضوں کی ریٹائرمنٹ کا منفی بیلنس ہے جبکہ اکتوبر 2016ء میں بلند ترین سطح سے تقریباً 1 بلین ڈالر کم پر کلوزنگ ہوئی۔

پاکستانی روپیہ 2017ء کی پہلی ششماہی میں تقریباً 0.4% ترقی کر کے امریکی ڈالر کے مقابلے میں یکدرا رہا، اور اس سے بھی دیگر ترقی پذیر معیشتوں میں کمزوری کو مد نظر رکھتے ہوئے خدشات پیدا ہوئے جن کا اظہار SBP کے پیکش کردہ REER سے ہوا، جو 126 کی بلند سطح پر پہنچا جس سے خطیر اضافے کی عکاسی ہوتی ہے۔

مالیاتی خسارہ (مالی سال 2017ء کی پہلی سہ ماہی میں) غیر ٹیکس آمدنی میں تیزی سے کمی کے باعث GDP (مجموعی غیر ملکی پیداوار) کے 1.3% تک بڑھ گیا، بالمقابل SPLY میں 1.1% کے ٹیکس اتھارٹی 2017ء کی پہلی ششماہی کے دوران عارضی بنیادوں پر 1,460 بلین روپے جمع کر سکی، جو مطلوبہ ہدف سے 127 بلین روپے کم ہے۔ 3.6 ٹریلین روپے سالانہ ٹیکس کے ہدف کے پیش نظر، جو YoY 17% کی ترقیاتی شرح اور ترقیاتی کاموں میں زیادہ خرچ کرنے کا تقاضہ کرتا ہے، مالیاتی خسارے میں بجٹ کے 3.8% کے ہدف کے مقابلے میں 4.5% اضافہ متوقع ہے۔ تاہم ترقیاتی کاموں پر خرچ کرنے پر حکومتی توجہ مجموعی طور پر طویل المیعاد سمت میں مثبت ہے، چنانچہ اس گوشے میں انحطاط بڑا مسئلہ نہیں ہے۔

LSM میں 5MFY17 YoY 3.24% ترقی ہوئی جس کے اسباب کمزور یومر، الیکٹریکل، آٹوموبائلز اور سینٹ مینوفیکچرنگ ہیں۔

افراط زر میں بدستور اضافہ ہوتا رہا؛ پہلی ششماہی میں افراط زر کا اوسط 33.8% تھا جبکہ 2016ء کی پہلی ششماہی میں 2.08% تھا۔ پہلے سے پست base effect میں بتدریج کمی اور ایشیاء خورد و نوش اور ہاؤسنگ کی قیمتوں میں فی نفسہ اضافے افراط زر کے دباؤ کے محرک بنے۔ حکومت پٹرول کی بڑھتی ہوئی قیمتوں کا اثر جذب کرتی رہی جس کے باعث افراط زر کی سطح پست رہی۔

M2 ترقی میں سال کے اختتام تک 5.45% year to date ترقی ہوئی۔ اختتام سال پر بینکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 420 بلین روپے مومی ترقی ہوئی۔ اس کے بعد M2 ترقی 3.68% کی عمومی سطح تک پہنچ گئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر وہ ہولڈنگ ٹیکس عائد کرنے کی وجہ سے زبردستی روپے (CIC) میں جو غیر معمولی انبار لگ گیا تھا وہ عمومی سطح پر آ گیا ہے، اگرچہ CIC کا M2 سے تناسب اب 2.6% ہے جو گزشتہ اوسط 2.2% سے زیادہ ہے۔ حکومتی سیکٹر کی 390 بلین روپے قرضوں کی net حصول کی مدد سے net مقامی اثاثہ جات میں 518 بلین روپے اضافہ ہوا۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

پاکستان اسٹاک ایکسچینج (PSX) نے مالی سال 2016ء کی پہلی سہ ماہی کی مثبت رفتار جاری رکھتے ہوئے مالی سال 2016ء کی دوسری سہ ماہی میں ایک اور 16.64% منافع کمایا اور مدت کی تکمیل 26.53% زیادہ (47,807 پوائنٹس) پر کی۔ امریکی ڈالر پر مبنی 45% منافع کے ساتھ مقامی اسٹاک مارکیٹ کی لینڈ رسال 2016ء میں نئے میں بہترین کارکردگی کا مظاہرہ کرنے والی مارکیٹ بنی رہی اور عالمی درجہ بندی میں پانچویں نمبر پر تھی۔ یہ کامیابی غیر ملکی سرمایہ کاروں کی طرف سے جارحانہ فروخت کے باوجود تھی، جو 2016ء کی پہلی ششماہی میں 298 ملین ڈالر کے net فروخت کا رہنے رہے، بالمقابل گزشتہ سال کی پہلی ششماہی میں 240 ملین ڈالر کے۔ اس بھاری فروخت کے اثر کا بڑا حصہ میوچل فنڈ ز اور NBFCs نے جذب کیا، بالترتیب 307 ملین ڈالر اور 102 ملین ڈالر کی net خریداری کے ساتھ۔

گاڑیوں کے پُرزہ جات کے تیار کنندگان اور گاڑیوں کے اسمبلرز 2017ء کی پہلی ششماہی کے دوران بہترین کارکردگی کا مظاہرہ کرنے والے شعبے بنے رہے، بالترتیب 83% اور 77% منافع کے ساتھ۔ بڑے شعبوں میں سے بینکوں نے زیر جائزہ مدت کے دوران 33% منافع کم کر سب سے عمدہ کارکردگی کا مظاہرہ کیا، جس کی بنیادی وجوہات ایڈوانسز میں بہتری، بڑھتے ہوئے ڈپازٹس اور انٹریسٹ پست ترین شرحیں ہیں۔ سیمنٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران 30% منافع کمایا کیونکہ بھرپور مانگ اور اس کے ساتھ صحتمند margins نے اس شعبے میں سرمایہ کاروں کی دلچسپی برقرار رکھی۔ خام تیل کی قیمتوں میں بہتری سے بھی E&Ps پر مثبت اثرات مرتب ہوئے جس نے 2017ء کے پہلی ششماہی کے دوران صحتمند 27% منافع کمایا۔ دوسری جانب کھاد کے شعبے نے صرف 2% منافع کم کر انڈیکس سے کم کارکردگی کا مظاہرہ کیا، جس کی وجوہات انویسٹرز میں اضافہ اور اس کے ساتھ یورپا کی قیمتوں پر ڈسکاؤنٹس نے اس شعبے کو متاثر کیا۔

ہم اُمید کرتے ہیں کہ جوں جوں مارکیٹ MSCI EM انڈیکس تک اپنی گریجویٹیشن کے قریب پہنچ رہی ہے، یہ مثبت رفتار جاری رہے گی۔ علاوہ ازیں، انٹریسٹ کی پست شرحیں بھی فکسڈ آمدنی کے منافع کو پست رکھے ہوئے ہیں جس سے ایکویٹی مارکیٹ میں liquidity کارحاجان مزید بڑھ رہا ہے۔ PSX موجودہ طور پر 11.99x کے فارورڈ ملٹپل پر، اور ابھی تک MSCI EM کے 10.5% ڈسکاؤنٹ پر تجارت کر رہا ہے، اور اس سے عکاسی ہوتی ہے کہ یہاں ری-ریٹنگ کی مزید گنجائش ہے۔

فنڈ کی کارکردگی

فنڈ 29 دسمبر 2016ء کو متعارف کرایا گیا۔ مدت کے دوران فنڈ نے 0.02% مقررہ معیار کے بالمقابل 0.06% منافع حاصل کیا۔ 31 دسمبر 2016ء کو فنڈ کی سرمایہ کاری 27.7% ایم سی بی پاکستان اسلامک اسٹاک فنڈ میں، اور 71.7% نقد میں تھی۔ 31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات 877 ملین روپے تھے۔ 31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) نی یونٹ 100.061 روپے تھی۔

مستقبل کا منظر

خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بیل کے ماحول میں دستیاب مالیاتی خلاء کے بتدریج ختم ہوجانے کا امکان ہے۔ حکومت کے تازہ ترین پندرہ روزہ فیصلہ جاتی نکات میں پٹرول کی قیمتوں پر نظر ثانی کا حالیہ فیصلہ مالیاتی آزادی پر قدغن کی طرف اشارہ کر رہا ہے۔ حالیہ اعلان کردہ ٹیکسٹائل چیکنگ سے برآمدات کے شعبے کو معاونت فراہم ہونے کی توقع ہے۔ تاہم مطلوبہ سے زیادہ قدر کا حامل روپیہ، جیسا کہ REER سے ظاہر ہوتا ہے، ابھی تک منک کی برآمداتی مسابقت کی صلاحیت کے لئے ایک رکاوٹ ہے۔ تاہم ممکن ہے کہ یہ نوبت تب تک نہ آئے جب تک حکومت قرض کی حصول کے ذریعے اس خلیج کو پُر کرنا جاری رکھے گی۔ پٹرول کی قیمتوں میں اضافوں اور ایشیائی خورد و نوش کے افراط زر پر ان کے اثر سے متوقع طور پر افراط زر کے دباؤ کا بھی زور ٹوٹ جائے گا۔ ہماری توقع ہے کہ اس سال کے افراط زر کا اوسط 4.3% ہوگا۔ یہاں یہ بات قابل ذکر ہے کہ دوسری ششماہی میں افراط زر کا اوسط تقریباً 4.8% متوقع ہے، اور سال کے اختتامی مہینوں میں افراط زر 5% سے زیادہ ہوگا۔ اگرچہ ہمیں اُمید ہے کہ افراط زر کے مستحکم رجحانات کے پیش نظر مختصر معیاد میں انٹریسٹ کی شرحیں مستحکم رہیں گی، لیکن زرمبادلہ کی شرح کی مطلوبہ سے زیادہ قدر، اور اس کے ساتھ کمزور خارجی اکاؤنٹ سے مستقبل میں اُبھرنے والے رجحانات کا باریک بین جائزے کا اندازہ ہوتا ہے، وہ رجحانات جو مالیاتی عناصر کو گس دینے کی حمایت کی طرف جھکے ہونے کے باوجود دونوں جانب مچھلا سکتے ہیں۔

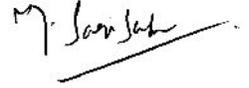
چین پاکستان معاشی راہداری سے ترقی کے لیے بے حد مطلوب قوت حاصل ہونے کا امکان ہے؛ 50 بلین ڈالر سے زائد کا یہ پروگرام متوقع طور پر تعمیرات اور توانائی کی خلاء میں سرگرمیاں پیدا کرنے کا محرک بنے گا اور اس کے اثرات دیگر شعبوں پر بھی مرتب ہوں گے۔ تاہم مختصر معیاد میں درآمداتی بیل میں اضافے کے ساتھ غیر ملکی براہ راست سرمایہ کاریوں کی آمدات سے کرنٹ اکاؤنٹ میں مزید انحطاط متوقع ہے۔ طویل معیاد میں منافع کی وطن واپسی بھی ادائیگیوں کے توازن کی صورتحال کے لیے ایک خدشہ ہوگی۔

پاکستان انٹریسٹ کی پست / مستحکم شرح کے ماحول اور اس کے ساتھ چین پاکستان معاشی راہداری کی صورت میں ترقی کے محرک کے باعث بہتر مقام بنانے اور معاشی توسیعی چکر میں ہونے کی وجہ سے اُبھرتی ہوئی مارکیٹ کی دیگر معیشتوں کے مقابلے میں بہتر کارکردگی کا مظاہرہ کرے گا۔ اُمید کی جارہی ہے کہ اس پروگرام سے تعمیرات اور متعلقہ صنعتی شعبوں کو معاونت فراہم ہوگی۔ بینکاری کے شعبے کو بھی ایڈوانسز کی مضبوط ترقی اور انٹریسٹ کی مستحکم شرح کے ماحول سے متوقع طور پر فائدہ ہوگا۔ باقاعدہ شمولیت کے قریب آنے پر MSCI سے مخصوص کمپنیوں کا منظر عام پر آنا متوقع ہے۔ تاہم ٹرمپ کے امریکی صدر بننے کے بعد عالمی معیشتوں میں غیر یقینی حالات کے نتیجے میں عالمی مارکیٹس میں عدم استحکام اور اُبھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر معیاد کارکردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار تشکر

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

برائے بورڈ اور بورڈ کی جانب سے



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
02 فروری 2017ء

TRUSTEE REPORT TO THE UNIT HOLDERS



MCB FINANCIAL SERVICES LIMITED

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 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 31st December 2016 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 Hussain'.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: February 8, 2017

**AUDITOR'S REPORT TO THE UNIT HOLDERS ON
REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION**



A.F.FERGUSON&CO.

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

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Alhamra Islamic Active Allocation Fund** as at December 31, 2016 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim distribution statement, condensed interim statement of movement in unit holders' funds and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the period from December 29, 2016 to December 31, 2016. The Management Company (MCB-Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of December 31, 2016 and for the period from December 29, 2016 to December 31, 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.


Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: February 17, 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>*

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2016**

	Note	<u>Plan-I</u> <u>December 31,</u> <u>2016</u> Rupees in '000
ASSETS		
Balances with banks	5	740,377
Investments	6	250,000
Profit receivable		612
Receivable against issue of units		12,128
Preliminary expenses and floatation costs	7	4,979
Other receivable		10
Total assets		1,008,106
LIABILITIES		
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	5,234
Payable to MCB Financial Services Limited - Trustee		6
Payable to the Securities and Exchange Commission of Pakistan		5
Advance against issue of units		104,608
Accrued expenses and other liabilities	9	21,361
Total liabilities		131,214
NET ASSETS		876,892
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		876,892
CONTINGENCIES AND COMMITMENTS	10	
		Number of units
NUMBER OF UNITS IN ISSUE	12	8,763,571
		Rupees
NET ASSET VALUE PER UNIT		100.0610

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

		<u>Plan-I</u>
	Note	For the period from December 29, 2016 to December 31, 2016
		Rupees in '000
INCOME		
Profit on bank deposits		612
Unrealised appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss' - net	6.2	-
Total income		612
EXPENSES		
Remuneration of MCB Arif Habib Savings and Investments Limited - Management Company		41
Sindh sales tax on remuneration of the Management Company		5
Remuneration of MCB Financial Services Limited - Trustee		5
Sindh sales tax on remuneration of the Trustee		1
Annual fee of the Securities and Exchange Commission of Pakistan		5
Allocated expenses		6
Auditors' remuneration		3
Amortisation of preliminary expenses and floatation costs		21
Printing charges		2
Legal and professional charges		1
Total expenses		90
Net income for the period from operating activities		522
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - net		12
Provision for Workers' Welfare Fund	13	-
Net income for the period before taxation		534
Taxation	14	-
Net income for the period after taxation		534
Earnings per unit	15	

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Plan-I
	For the period from December 29, 2016 to December 31, 2016
	Rupees in '000
Net income for the period after taxation	534
Other comprehensive income for the period	-
Total comprehensive income for the period	534

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

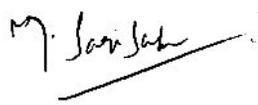


Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	<u>Plan-I</u>
	For the period from December 29, 2016 to December 31, 2016
	Rupees in '000
Net income for the period after taxation	534
Distribution made during the period	
- Cash distribution Rs. Nil	-
Undistributed income carried forward	<u>534</u>
Undistributed income at the end of the period comprising of:	
Realised income	534
Unrealised income	-
	<u>534</u>

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Chief Executive Officer

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

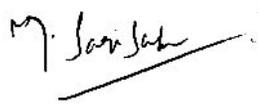


Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Plan-I
	For the period from December 29, 2016 to December 31, 2016 Rupees in '000
Issue of 8,763,571 units	876,370
Redemption Nil units	-
	876,370
Element of income and capital gains included in the prices of units issued less those in units redeemed - net	(12)
Other net income for the period	534
Distribution made during the period	
- Cash distribution Rs. Nil	-
Net assets at the end of the period	876,892

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Note	Plan-I For the period from December 29, 2016 to December 31, 2016 Rupees in '000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation		534
Adjustments for:		
Amortisation of preliminary expenses and floatation costs		21
Element of (income) / loss and capital (gain) / losses included in prices of units issued less those in units redeemed		(12)
		9
Increase in assets		
Investments		(250,000)
Profit receivable		(612)
Receivable against issue of units		(12,128)
Preliminary expenses and floatation costs		(5,000)
Other receivable		(10)
		(267,750)
Increase in liabilities		
Payable to MCB Arif Habib Savings and Investments - Management Company		5,234
Payable to MCB Financial Services Limited - Trustee		6
Payable to the Securities and Exchange Commission of Pakistan		5
Advance against issue of units		104,608
Accrued expenses and other liabilities		21,361
		131,214
Net cash used in operating activities		(135,993)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received on issuance of units		876,370
Net cash generated from financing activities		876,370
Net increase in cash and cash equivalents during the period		740,377
Cash and cash equivalents at the end of the period	5	740,377

The annexed notes 1 to 20 form an integral part of this condensed interim financial information.



Chief Executive Officer

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



Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

1 LEGAL STATUS AND NATURE OF BUSINESS

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).

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.

The Fund commenced its operations from December 29, 2016. The Fund is an Open-end Shariah Compliant Asset Allocation Fund of Funds that shall invest in other Shariah compliant Collective Investment Schemes as specified in the Investment Policy contained in the offering document and SECP Circular 7 of 2009, as may be amended or substituted from time to time. The units of the Fund are redeemable subject to a contingent load.

The duration of the Fund is perpetual. However, Allocation Plans launched may have a set timeframe. The Fund has initially offered one type of Allocation Plan (Plan-I) investing in Shari'ah-Compliant CIS, Shari'ah compliant cash & near cash instruments and GOP Ijara of less than 90 days tenure, as allowed by the Commission. Alhamra Islamic Active Allocation (Plan-I) has a life of two years and would mature on December 29, 2018.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of AM2++ dated June 08, 2016 to the Management Company. The Fund has not been rated so far.

The title to the assets of the Fund is held in the name of MCB Financial Services Limited as Trustee of the Fund.

This is the first condensed interim financial information of the Fund. Therefore, basis of preparation (Note 2) and significant accounting policies (notes 3 and 4) have been fully disclosed.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. 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 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.

2.1.2 The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements.

2.1.3 In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2016.

3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, JUDGMENTS AND CHANGES THEREIN

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

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2016 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain amendments to the existing published approved accounting standards, new interpretations and certain new standards that are mandatory for accounting periods beginning on or after January 01, 2017 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

3.3 Critical accounting estimates and judgments

The preparation of this condensed interim financial information 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 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 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 higher degree of judgment or complexity, or areas where estimates and assumptions are significant to the condensed interim financial information are as follows:

- Classification and valuation of financial assets (notes 4.2 and 6)
- Taxation (notes 4.7 and 14)
- Impairment of financial assets (note 4.2.5)
- Amortization of preliminary expenses and floatation cost (notes 4.5 and 7)

3.4 Basis of measurement

This condensed interim financial information has been prepared under the historical cost convention, except for investments held at 'fair value through profit or loss' category which are measured at fair value.

3.5 Functional and presentation currency

Items included in this condensed interim financial information are measured using the currency of the primary economic environment in which the Fund operates. The condensed interim financial information is presented in Pakistani Rupees which is the Fund's functional and presentation currency.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this condensed interim financial information are set out below:

4.1 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks and short-term highly liquid investments with original maturities of three months or less.

4.2 Financial assets

4.2.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, financial assets at fair value through profit or loss 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) Loans and receivables

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

b) 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.

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) loans and receivables or (b) financial assets at fair value through profit or loss. 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.

4.2.2 Regular way contracts

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

4.2.3 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 while the related transaction costs are expensed out in the income statement.

4.2.4 Subsequent measurement

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

Subsequent to initial recognition, financial assets designated by the management as "at fair value through profit or loss" and "available for sale" are valued as follows:

- Basis of valuation of units of mutual funds

Investments in the units of mutual funds are valued by reference to the net asset values (redemption prices) declared by the respective funds.

Net gains and losses arising from changes in the fair value and on sale of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in fair value of available for sale financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is shown as part of net income for the period.

b) Loans and receivables

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

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

4.2.5 Impairment of financial assets

The Fund assesses at each reporting date whether there is an objective evidence that a financial asset 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.

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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

4.2.6 Derecognition

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

4.3 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.

4.4 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 realise the assets and settle the liabilities simultaneously.

4.5 Preliminary and floatation costs

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 NBFC Regulations.

4.6 Provision

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 are regularly reviewed and adjusted to reflect the current best estimate.

4.7 Taxation

Current

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 period, as reduced by capital gains, whether realised or unrealised, is distributed amongst 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.

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset, if any, to the extent that it is probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of taxation in this condensed interim financial information as the Fund intends to avail the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year as cash dividend.

4.8 Proposed distribution

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

4.9 Issue and redemption of units

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

Units redeemed are recorded at the redemption price of each allocation plan, as per the constitutive documents, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents daily Net Asset Value (NAV) announced as of the close of the business day less any back-end load, provisions for transaction costs and any provision for duties and charges, if applicable.

4.10 Element of income / (loss) and capital gains / (losses) included in 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' (the 'element') is created in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element is determined based on the income / (loss) incurred during the period including income / (loss) arising as a result of unrealised appreciation / (diminution) on available for sale securities. Element arising as a result of unrealised appreciation / (diminution) on available for sale securities is recognised in the income statement. The remaining portion of the element is held in a separate reserve account and at the end of an accounting period (whether gain or loss) is included in amount available for distribution to the unit holders.

4.11 Earnings per unit

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

4.12 Net assets value per unit

The net asset value per unit as disclosed on the statement of assets and liabilities is calculated by dividing the net assets of each allocation plan by the number of units in issue as at the period end.

4.13 Revenue recognition

- Dividend income is recognised in the income statement when the right to receive the dividend is established.
- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised appreciation / (diminution) arising on revaluation of investments classified as ' financial assets at fair value through profit or loss ' are included in the income statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.

4.14 Expenses

All expenses including management fee and trustee fee are recognised in the income statement on an accrual basis.

	Note	(Un-audited) Plan-I December 31, 2016 Rupees in '000
5 BALANCES WITH BANKS		
Profit and loss sharing account	5.1	727,493
Current account	5.2	12,884
		<u>740,377</u>

5.1 This saving account carries profit rate of 5.6% per annum.

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

6 INVESTMENTS

Financial assets 'at fair value through profit or loss'

- Units of mutual funds	6.1	250,000
		<u>250,000</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

6.1 Investment in Funds Plan-I

Name of the investee company	Number of units					Balances as at December 31, 2016		Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2016	Purchases during the period	Bonus/ Right Shares	Sales during the period	As at December 31, 2016	Carrying Value	Market Value		
MCB Pakistan Islamic Stock Fund	-	18,642,804	-	-	18,642,804	250,000	250,000	28.51	100
Total as at December 31, 2016				-	18,642,804	250,000	250,000		

6.2 Unrealised appreciation on re-measurement of investments classified as 'financial assets' at fair value through profit or loss - net

**(Un-audited)
Plan-I
December 31,
2016
Rupees in '000**

Market value of investments	6.1	250,000
Less: Carrying value of investments	6.1	<u>(250,000)</u>
		<u>-</u>

7 PRELIMINARY EXPENSES AND FLOATATION COSTS

Preliminary expenses and floatation costs incurred prior to commencement of operations	7.1	5,000
Less: amortised during the period		<u>21</u>
Balance as at period end		<u>4,979</u>

7.1 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.

8 PAYABLE TO MCB Arif Habib Savings and Investments - MANAGEMENT COMPANY

**(Un-audited)
Plan-I
December 31,
2016
Rupees in '000**

Remuneration of the Management Company	8.1	41
Sindh sales tax on remuneration of the Management Company	8.2	5
Sales load payable		183
Allocated expenses	8.3	5
Preliminary expenses and floatation costs paid by the Management Company		<u>5,000</u>
		<u>5,234</u>

8.1 The Management Company has charged remuneration at the rate of 1% per annum based on the average daily net assets of the allocation plan after deducting the market value of investment in collective investments, managed by the Management Company of the Fund. The amount of remuneration is being paid monthly in arrears.

8.2 The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on remuneration of the Management Company through the Sindh Sales Tax on Services Act, 2011.

8.3 The SECP vide S.R.O No 1160(I) / 2016 dated November 25, 2015 introduced amendments in the NBFC regulations. As a result of these amendments, the Management Company of the Fund is entitled to reimbursement of fees and expenses incurred by the Management Company in relation to registrar services, accounting, operation and valuation services related to Collective Investment Schemes upto a maximum of 0.1% of the average annual net assets of the Scheme or actual whichever is less. Based on these requirements, the Management Company has charged operating expenses amounting to Rs. 5,431.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

		(Un-audited) Plan-I December 31, 2016 Rupees in '000
9	ACCRUED EXPENSES AND OTHER LIABILITIES	
	Sales load payable	21,324
	Auditors' remuneration	3
	Legal fee	1
	Printing charges	2
	Sindh sales tax on allocated expenses payable	1
	Other payables	30
		<u>21,361</u>

10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at December 31, 2016.

11 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at December 31, 2016 is 0.014% which includes 0.002% representing government levies on the Fund such as federal excise duties and sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an asset allocation fund of funds.

		(Un-audited) Plan-I December 31, 2016 (Number of units)
12	NUMBER OF UNITS IN ISSUE	
	Units issued during the period	8,763,571
	Less: units redeemed during the period	-
	Total units in issue as at Decemeber 31, 2016	<u>8,763,571</u>

13 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2015 has excluded Mutual Funds and Collective Investment Schemes from the definition of 'Industrial establishment' subject to WWF under the WWF Ordinance, 1971. Accordingly, no provision for WWF has been made in this condensed interim financial information.

14 TAXATION

The income of the Fund is exempt from income tax as per clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders. The management intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders. Accordingly, no provision in respect of taxation has been made in this condensed interim financial information.

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.

15 EARNINGS PER UNIT (EPU)

Earnings per unit has not been disclosed as in the opinion of management determination of cumulative weighted average number of outstanding units is not practicable.

16 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties include the Management Company, its parent and the related subsidiaries of the parent, associated companies / undertakings of the Management Company, its parents and the related subsidiaries, other funds managed by the Management Company, post employment benefit funds of the Management Company, employment funds of the parent, subsidiaries and its associated undertakings. It also includes MCB Financial Services Limited being the Trustee of the Fund, the directors and officers of the Management Company and any person or company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

The transactions with 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 is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

Remuneration of the Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed.

	(Unaudited) Plan-I
	For the period from December 29, 2016 to December 31, 2016 Rupees in '000
16.1 Details of the transactions with connected persons during the period are as follows:	
MCB Arif Habib Savings and Investments - Management Company	
Remuneration of the Management Company	41
Sindh sales tax on remuneration of the Management Company	5
Allocated expense (including indirect taxes)	6
MCB Financial Services Limited - Trustee	
Remuneration of the trustee	5
Sales tax on remuneration of the Trustee	1
MCB Pakistan Islamic Stock Fund	
Purchase of 18,642,804 units	250,000
MCB Employees Pension Fund	
Issue of 581,866 Units	58,187
	(Unaudited) Plan-I
	As at
	December 31, 2016
	Rupees in '000
16.2 Amounts outstanding as at the period end:	
MCB - Arif Habib Savings and Investment Limited - Management Company	
Remuneration of the Management Company	41
Sindh sales tax on remuneration of the Management Company	5
Sales load payable	183
Allocated expense	5
Preliminary expenses and floatation costs paid by the Management Company	5,000
MCB Financial Services Limited - Trustee	
Remuneration of the trustee	5
Sales tax on remuneration	1
MCB Bank Limited	
Balance with bank	12,884
Sales load payable	21,324
Amount receivable against issuance of units from:	
MCB Islamic Income Fund	10,815
MCB Pakistan Sovereign Fund	1,313
MCB Pakistan Islamic Stock Fund	
Investment held 18,642,804 units	250,000
MCB Employees Pension Fund	
Outstanding 581,866 Units	58,187

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

17 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 follows:

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the stock exchange.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

17.1 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:

- Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities. (Level 1)
- Fair value measurements using 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 2)
- Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs). (Level 3)

As at December 31, 2016, the Fund held the following financial instruments measured at fair value:

	As At December 31, 2016			Total
	Level 1	Level 2	Level 3	
Assets	----- (Rupees in '000) -----			
Financial assets at fair value through profit or loss -				
- Units of mutual funds	250,000	-	-	250,000

18 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 02, 2017 by the Board of Directors of the Management Company.

19 EVENTS AFTER THE REPORTING PERIOD

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 Mutual Funds Association of Pakistan (MUFAP) with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) 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. On November 11, 2016, the SRB maintained that Collective Investment Schemes (CISs) / 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 mutual funds excluded from the applicability of Sindh WWF.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

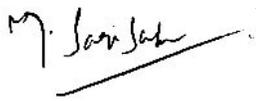
In view of the aforementioned development regarding the applicability of SWWF on CISSs, on January 12, 2017 MUFAP has recommended that the provision in respect of Sindh WWF should be made with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015) on that date.

The above decision was communicated to the SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 1, 2017 has advised MUFAP that the adjustment relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISSs/ mutual funds.

Had this adjustment been made on December 31, 2016, the net asset value per unit of the Fund would have been lower by Re 0.0012.

20 GENERAL

Figures have been rounded off to the nearest thousand rupees.



Chief Executive Officer

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



Director

Please find us on



by typing: **MCB Arif Habib Savings**

MCB-Arif Habib Savings and Investments Limited

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