

Half Year Report
December 31, 2016
(Unaudited)



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

MCB PAKISTAN ISLAMIC STOCK FUND

CONTENTS

Fund's Information	201
Report of the Directors of the Management Company	202
Trustee Report to the Unit Holders	206
Auditor's Report to the Unit Holder on Review of Condensed Interim Financial Information	207
Condensed Interim Statement of Assets And Liabilities	208
Condensed Interim Income Statement (Un-audited)	209
Condensed Interim Statement of Comprehensive Income (Un-audited)	210
Condensed Interim Distribution Statement (Un-audited)	211
Condensed Interim Statement of Movement in Unit Holder's Funds (Un-audited)	212
Condensed Interim Cash Flow Statement (Un-audited)	213
Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)	214

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	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shakra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Bank Al-Habib Limited Standard Chartered Bank Pakistan Limited Summit Bank Limited Habib Bank Limited Dubai Islamic Bank Pakistan Limited Askari Bank Limited Bank Islami Pakistan Limited
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.
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 **MCB Pakistan Islamic Stock Fund** accounts review for half year ended December 31, 2016.

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

During the period, PISF delivered a return of 26.27% as compared to benchmark return of 23.63%. Overall equity exposure of the fund stood at 82.7% at the end of the period as compared to 89.8% at June 30, 2016. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the period, the fund realigned its sector exposure by decreasing allocation in Fertilizer and Cement while increasing allocation in Oil and Gas Exploration companies.

The Net Assets of the Fund as at December 31, 2016 stood at Rs. 1,776 million as compared to Rs. 1,123 million as at June 30, 2016 registering an increase of 58.15%.

The Net Asset Value (NAV) per unit as at December 31, 2016 was Rs. 13.41 as compared to opening NAV of Rs. 10.62 per unit as at June 30, 2016 registering an increase of Rs. 2.79 per unit.

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.

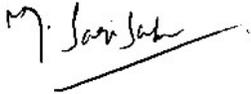
REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

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

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی پاکستان اسلامک اسٹاک فنڈ کے 31 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

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 نکلے 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 کاربنے رہے، بالمقابل گزشتہ سال کی پہلی ششماہی میں 240 ملین ڈالر کے۔ اس بھاری فروخت کے اثر کا بڑا حصہ میوچل فنڈز اور NBFCs نے جذب کیا، بالترتیب 307 ملین ڈالر اور 102 ملین ڈالر کی net خریداری کے ساتھ۔

گاڑیوں کے پڑھ 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 بیٹیکوں نے زیر جائزہ مدت کے دوران 33% منافع کما کر سب سے عمدہ کارکردگی کا مظاہرہ کیا، جس کی بنیادی وجوہات ایڈوانسز میں بہتری، بڑھتے ہوئے ڈپازٹس اور انٹریسٹ پست ترین شرحیں ہیں۔ سینٹ 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 کما کر انڈیکس سے کم کارکردگی کا مظاہرہ کیا، جس کی وجوہات انویٹریز میں اضافہ اور اس کے ساتھ یوریا کی قیمتوں پر ڈسکاؤنٹس نے اس شعبے کو متاثر کیا۔

ہم امید 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 کا رجحان مزید بڑھ رہا ہے۔ PSX موجودہ طور پر 11.99x کے فارورڈ ملٹیپل 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

دوران مدت فنڈ کا منافع مقررہ معیار 23.63% کے مقابلے میں 26.27% تھا۔

ایکویٹیز میں فنڈ کی مجموعی شمولیت اختتام مدت پر 82.7% تھی جبکہ 30 جون 2016ء کو 89.8% تھی۔ فنڈ نے دوران سہ ماہی متعدد مرتبہ اپنی سرمایہ کاری کی حکمت عملی تبدیل کی تاکہ مختلف شعبے جاتی اور ادارہ جاتی بنیادی ترقیوں کی رفتار کے ساتھ چل سکے۔ دوران مدت فنڈ نے کھاد اور سینٹ کے شعبے میں سرمایہ کاری میں کمی اور آئل اینڈ گیس ایکسپلوریشن میں سرمایہ کاری میں اضافہ کر کے سیکٹر میں اپنی شمولیت کو دوبارہ ہم آہنگ کیا۔

31 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 1,776 ملین روپے تھی، جو 30 جون 2016ء پر 1,123 ملین روپے مالیت کے مقابلے میں 58.15% زیادہ ہے۔

31 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 13.41 روپے تھی، جو 30 جون 2016ء پر 10.62 روپے فی یونٹ قدر کے مقابلے میں 2.79 روپے فی یونٹ زیادہ ہے۔

مستقبل کا منظر

خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بل 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 پیکیج 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 ملک 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 پر کرنا جاری رکھے گی۔

پٹرول کی قیمتوں میں اضافوں اور ایشیائے خوردونوش 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 میعاد 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 مرض پھیلا سکتے ہیں۔

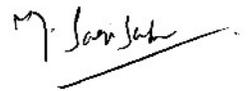
چین پاکستان معاشی راہداری سے ترقی کے لیے بے حد مطلوب قوت حاصل ہونے کا امکان ہے؛ 50 بلین ڈالر سے زائد کا یہ پروگرام متوقع طور پر تعمیرات اور توانائی کی خلاء میں سرگرمیاں پیدا کرنے کا محرک بنے گا اور اس کے اثرات دیگر شعبوں پر بھی مرتب ہوں گے۔ تاہم مختصر میعاد میں درآمداتی بل میں اضافے کے ساتھ غیر ملکی براہ راست سرمایہ کاریوں کی آمدات سے کرنٹ اکاؤنٹ میں مزید انحطاط متوقع ہے۔ طویل میعاد 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 میعاد کارکردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار تشکر

بورڈ فنڈ کے گران قدر سرمایہ کاروں، سیکورٹیز اینڈ اینڈاکیٹی کمیٹی آف پاکستان اور فنڈ کے ٹرسٹیز 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

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

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S.M.C.H.S. Main Shahra-e-Faisal,
Karachi - 74400, Pakistan.

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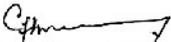
TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN ISLAMIC STOCK FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Islamic Stock Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2016 in accordance with the provisions of the following:

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


Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 17, 2017



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



EY Ford Rhodes
Chartered Accountants
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AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Islamic Stock Fund** (the Fund) as at **31 December 2016**, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund and notes to the accounts for the half year then ended (here-in-after referred to as "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

Chartered Accountants

Engagement Partner: Shabbir Yunus

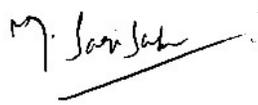
Date: 02 February 2017

Karachi

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

	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
Note	----- (Rupees in '000) -----	
ASSETS		
Balances with banks	346,298	82,162
Investments	1,699,094	1,062,765
Receivable against sale of investments	25	32,167
Profit and dividend receivable	4,790	2,762
Advances, deposits and other receivables	3,259	3,226
Total assets	2,053,466	1,183,082
LIABILITIES		
Payable to the Management Company	3,528	2,928
Payable to the Trustee	236	198
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	626	775
Unclaimed dividend	12,400	12,400
Payable against purchase of investments	232,739	18,829
Accrued and other liabilities	27,772	25,001
Total liabilities	277,301	60,131
NET ASSETS	1,776,165	1,122,951
Unit holders' fund (as per statement attached)	1,776,165	1,122,951
Contingencies and commitments	7	
	----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE	132,430,235	105,747,811
	----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	13.41	10.62

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



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**

	Note	Half year ended		Quarter ended	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----					
INCOME					
Net gain / (loss) on sale of investments		124,322	(9,985)	73,235	(8,898)
Dividend income		33,493	17,097	20,148	5,576
Profit on bank deposits		4,606	3,472	1,867	1,349
Net unrealised appreciation / (diminution) on revaluation of investments 'at fair value through profit or loss - held-for-trading'	5.1	42,532	(14,686)	41,920	(962)
Total income		204,953	(4,102)	137,170	(2,935)
Impairment loss on investment in equity securities		-	2,972	-	2,972
EXPENSES					
Remuneration of the Management Company		13,176	7,576	7,106	3,841
Sales tax and federal excise duty on remuneration of the Management Company		1,713	2,443	924	1,237
Expenses allocated by the Management Company and related taxes		745	82	402	82
Remuneration of the Trustee		1,168	759	607	384
Sales tax on trustee fee		152	106	79	54
Annual fee to SECP		626	360	338	183
Securities transaction cost		3,076	523	2,218	295
Settlement charges		381	246	218	114
Auditors' remuneration		312	293	188	151
Fees, subscription and bank charges		(1)	152	(80)	78
Shariah advisory fee		450	68	225	68
Legal and professional charges		60	38	15	38
Donation		639	231	369	78
Printing and related costs		77	91	37	38
Total expenses		22,574	12,968	12,646	6,641
Net income / (loss) from operating activities		182,379	(20,042)	124,524	(12,548)
Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed:					
- from realised / unrealised capital gains / (losses)		41,550	(1,381)	29,078	(1,272)
- from other (loss) / income		(7,517)	468	(5,702)	507
		34,033	(913)	23,376	(765)
Net income / (loss) for the period before taxation		216,412	(20,955)	147,900	(13,313)
Taxation	8	-	-	-	-
Net income / (loss) for the period after taxation		216,412	(20,955)	147,900	(13,313)

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



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**

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Net income / (loss) for the period after taxation	216,412	(20,955)	147,900	(13,313)
Other comprehensive income / (loss):				
To be reclassified to profit or loss account in subsequent periods				
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'	129,018	(32,851)	91,386	25,437
Other comprehensive income / (loss) for the period	<u>129,018</u>	<u>(32,851)</u>	<u>91,386</u>	<u>25,437</u>
Total comprehensive income / (loss) for the period	<u><u>345,430</u></u>	<u><u>(53,806)</u></u>	<u><u>239,286</u></u>	<u><u>12,124</u></u>

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



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**

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Undistributed income brought forward				
comprises of:				
- Realised income	4,088	19,450	89,500	19,390
- Unrealised income / (loss)	245	(9,165)	612	(13,724)
Undistributed income brought forward - net	4,333	10,285	90,112	5,666
Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed - amount representing unrealised income / (loss)	40,953	1,985	23,686	(1,038)
Net income / (loss) for the period	216,412	(20,955)	147,900	(13,313)
	257,365	(18,970)	171,586	(14,351)
Undistributed income / (loss) carried forward	261,698	(8,685)	261,698	(8,685)
Undistributed income / (loss) carried forward				
comprises of:				
- Realised income / (loss)	219,166	6,001	219,778	(7,723)
- Unrealised income / (loss)	42,532	(14,686)	41,920	(962)
	261,698	(8,685)	261,698	(8,685)

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



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**

	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Net assets at beginning of the period	1,122,951	665,892	1,437,297	724,791
Issue of 69,989,858 units (2015: 24,644,219 units) and 43,572,468 units (2015: 21,239,975 units) for the half year and quarter ended respectively	861,098	245,902	560,151	81,322
Redemption of 43,307,434 units (2015: 7,992,539 units) and 35,983,379 units (2014: 6,096,014 units) for the half year and quarter ended respectively	(519,281)	(78,064)	(437,193)	(38,165)
	341,817	167,838	122,958	43,157
	1,464,768	833,730	1,560,255	767,948
Element of (income) / loss and capital (gains) / losses included in the prices of units sold less those in units redeemed:				
- amount representing (gain) / loss and capital (gains) / losses - transferred to income statement:				
- from realised / unrealised capital (gains) / losses	(41,550)	1,381	(29,078)	1,272
- from other loss / (income)	7,517	(468)	5,702	(507)
- amount representing unrealised (income) / loss and capital (gains) / losses that forms part of the unit holders' fund transferred to the distribution statement	(40,953)	(1,985)	(23,686)	1,038
	(74,986)	(1,072)	(47,062)	1,803
Net income / (loss) for the period transferred from the distribution statement:				
Net gain / (loss) on sale of investments	124,322	(9,985)	73,235	(8,898)
Net unrealised appreciation / (diminution) on revaluation of investments 'at fair value through profit or loss - held-for-trading'	42,532	(14,686)	41,920	(962)
Other income / (loss) for the period	49,558	3,716	32,745	(3,453)
Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed - amount representing unrealised income / (loss)	40,953	1,985	23,686	(1,038)
	257,365	(18,970)	171,586	(14,351)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'available-for-sale'	129,018	(32,851)	91,386	25,437
Net assets at end of the period	1,776,165	780,837	1,776,165	780,837
	----- (Number of units) -----			
NUMBER OF UNITS IN ISSUE	132,430,235	81,507,341	132,430,235	81,507,341
	----- (Rupees) -----			
NET ASSETS VALUE PER UNIT	13.41	9.58	13.41	9.58

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



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**

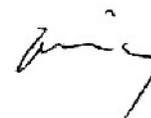
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----				
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income / (loss) for the period before taxation	216,412	(20,955)	147,900	(13,313)
Adjustments for:				
Element of (income) / loss and capital (gains) / losses included in the prices of units sold less those in units redeemed:				
- from realised / unrealised capital (gains) / losses	(41,550)	1,381	(29,078)	1,272
- arising from other (income) / loss	7,517	(468)	5,702	(507)
Net unrealised (appreciation) / diminution on revaluation of investments 'at fair value 'through profit or loss - held-for-trading'	(42,532)	14,686	(41,920)	962
Dividend income	(33,493)	(17,097)	(20,148)	(5,576)
Impairment loss on investment in equity securities	-	2,972	-	2,972
	106,354	(19,481)	62,456	(14,190)
Increase in assets				
Investments	(464,779)	(469,809)	(470,810)	(8,596)
Receivable against sale of investments	32,142	14,597	49,158	(15,109)
Profit receivable	(240)	22	555	23
Advances, deposits and other receivables	(33)	(206)	33	(206)
	(432,910)	(455,396)	(421,064)	(23,888)
Increase / (decrease) in liabilities				
Payable to the Management Company	600	(815)	162	(1,613)
Payable to the Trustee	38	81	27	6
Annual fee payable to SECP	(149)	8	338	183
Payable against purchase of investments	213,910	(11,198)	132,133	-
Accrued and other liabilities	2,771	2,580	1,797	7,424
	217,170	(9,344)	134,457	6,000
	(109,386)	(484,221)	(224,151)	(32,078)
Dividend received	31,705	17,351	28,287	16,457
Net cash used in operating activities	(77,681)	(466,870)	(195,864)	(15,621)
CASH FLOWS FROM FINANCING ACTIVITIES				
Receipts from issuance of units	861,098	245,902	560,151	81,322
Payments on redemption of units	(519,281)	(78,064)	(437,193)	(38,165)
Net cash generated from financing activities	341,817	167,838	122,958	43,157
Net increase / (decrease) in cash and cash equivalents during the period	264,136	(299,032)	(72,906)	27,536
Cash and cash equivalents at beginning of the period	82,162	433,252	419,204	106,684
Cash and cash equivalents at end of the period	346,298	134,220	346,298	134,220

The annexed notes from 1 to 13 form an integral part of these condensed interim financial statements.



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

- 1.1 MCB Pakistan Islamic Stock Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004.
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3 Formation of the Fund as a closed-end fund was authorized by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The Management Company of the Fund obtained the requisite license from SECP to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4 The Fund is categorised as "equity scheme" and is listed on the Pakistan Stock Exchange Limited. The Fund primarily invests in listed equity securities. It also invests in cash instruments and treasury bills not exceeding 90 days maturity.
- 1.5 Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated June 08, 2016 to the Management Company.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements for the half year ended December 31, 2016 have been prepared in accordance with the requirements of International Accounting Standard 34: 'Interim Financial Reporting', the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. In case where requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP will prevail.
- 2.2 These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2016.
- 2.3 These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. Figures for the quarters ended December 31, 2016 and December 31, 2015 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.
- 2.4 These condensed interim financial statements are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

3. ACCOUNTING POLICIES AND ESTIMATES

The accounting policies, basis of accounting estimates applied and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2016, except as described in note 3.1 below:

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

3.1 New / Revised Standards, Interpretations and Amendments

The Fund has adopted the following standards and amendment to IFRSs which became effective for the current period:

Standard or Interpretation

IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 – Property, Plant and Equipment and IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 – Financial Instruments: Disclosures - Servicing contracts

IFRS 7 – Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 – Employee Benefits - Discount rate: regional market issue

IAS 34 – Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above standards, amendment and improvement to accounting standards did not have any effect on the condensed interim financial statements.

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

3.2 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund as at and for the year ended June 30, 2016.

4. TOTAL EXPENSE RATIO

As per Directive 23 of 2016 dated July 20, 2016 issued by SECP the Total Expense Ratio of the Fund is 1.73% as on December 31, 2016 and this includes 0.19% representing Government Levy and SECP fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations 60 (5) for a collective investment scheme categorised as an equity scheme.

5. INVESTMENTS

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

Listed equity securities

Note	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
	----- (Rupees in '000) -----	
5.1	793,309	7,309
'Available-for-sale'		
5.2	905,785	1,055,456
	<u>1,699,094</u>	<u>1,062,765</u>

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

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

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
(Rupees in '000)											
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Oil and gas exploration companies											
Pakistan Oilfields Limited	8,500	-	-	-	8,500	2,954	4,544	1,590	0.26%	0.27%	0.00%
Pakistan Petroleum Limited	-	102,600	-	-	102,600	18,744	19,307	563	1.09%	1.14%	0.01%
Oil & Gas Development Company Limited	-	280,000	-	-	280,000	46,344	46,298	(46)	2.61%	2.73%	0.01%
						68,042	70,149	2,107	3.96%	4.14%	0.02%
Oil and gas marketing companies											
Attock Petroleum Limited	-	32,500	-	-	32,500	33,854	37,930	4,076	2.14%	2.23%	0.04%
Hasecol Petroleum Limited	-	144,000	-	-	144,000	49,360	48,603	(757)	2.74%	2.86%	0.12%
Sui Northern Gas Pipelines Limited - related party	-	465,000	-	-	465,000	22,347	22,250	(97)	1.25%	1.31%	0.07%
						105,561	108,783	3,222	6.13%	6.40%	0.23%
Cement											
Kohat Cement Company Limited	188	-	-	188	-	-	-	-	-	-	-
Lucky Cement Company Limited	5,419	200,450	-	33,419	172,450	128,815	149,387	20,572	8.41%	8.79%	0.05%
Cherat Cement Company Limited	-	125,001	-	-	125,001	22,000	21,755	(245)	1.23%	1.28%	0.07%
Maple Leaf Cement Factory Limited	-	465,000	-	100,000	365,000	43,821	46,567	2,746	2.62%	2.74%	0.07%
						194,636	217,709	23,073	12.26%	12.81%	0.19%
Paper and board											
Packages Limited	1,050	-	-	1,050	-	-	-	-	-	-	-
Engineering											
Amreli Steels Limited	-	38,000	-	-	38,000	2,527	2,530	3	0.14%	0.15%	0.01%
						2,527	2,530	3	0.14%	0.15%	0.01%
Refinery											
Attock Refinery Limited	-	75,000	-	-	75,000	30,300	31,898	1,598	1.80%	1.88%	0.09%
National Refinery Limited	-	80,000	-	56,000	24,000	14,886	13,707	(1,179)	0.77%	0.81%	0.03%
						45,186	45,605	419	2.57%	2.69%	0.12%
Automobile assembler											
Hinopak Motors Limited	-	500	-	-	500	713	907	194	0.05%	0.05%	0.00%
Honda Atlas Cars (Pakistan) Limited	-	14,000	-	-	14,000	8,481	9,361	880	0.53%	0.55%	0.01%
Pak Suzuki Motor Company Limited	-	69,800	-	-	69,800	38,136	42,775	4,639	2.41%	2.52%	0.85%
Ghandhara Nissan Limited	-	18,900	-	18,900	-	-	-	-	-	-	-
						47,330	53,043	5,713	2.99%	3.12%	0.86%
					Balance c/f.	463,282	497,819	34,537			

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

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
						(Rupees in '000)			%		
					Balance b/f.	463,282	497,819	34,537			
Leather and tanneries											
Service Industries Limited	-	26,450	-	-	26,450	35,414	39,599	4,185	2.23%	2.33%	0.22%
						35,414	39,599	4,185	2.23%	2.33%	0.22%
Pharmaceuticals											
GlaxoSmithKline Pakistan Limited	-	165,000	-	-	165,000	38,285	38,495	210	2.17%	2.27%	0.05%
The Searle Company Limited	-	58,100	-	-	58,100	35,040	37,985	2,945	2.14%	2.24%	0.04%
						73,325	76,480	3,155	4.31%	4.51%	0.09%
Power generation and distribution											
Hub Power Company Limited	32	440,000	-	-	440,032	54,367	54,335	(32)	3.06%	3.20%	0.04%
Pakgen Power Limited - related party	5,000	-	-	-	5,000	120	134	14	0.01%	0.01%	0.00%
						54,487	54,469	(18)	3.07%	3.21%	0.04%
Glass and ceramics											
Ghani Glass Limited	-	207,500	-	207,500	-	-	-	-	-	-	-
Cable and electrical goods											
Pak Elektron Limited	-	558,000	-	-	558,000	39,733	39,774	41	2.24%	2.34%	0.11%
						39,733	39,774	41	2.24%	2.34%	0.11%
Fertilizer											
Dawood Hercules Corporation Limited	-	120,800	-	-	120,800	17,444	17,435	(9)	0.98%	1.03%	0.03%
Engro Fertilizers Limited	-	820,000	-	-	820,000	55,636	55,744	108	3.14%	3.28%	0.06%
Fatima Fertilizer Company Limited - related party	-	325,000	-	-	325,000	11,456	11,989	533	0.68%	0.71%	0.02%
Engro Corporation Limited	-	48,000	-	48,000	-	-	-	-	-	-	-
						84,536	85,168	632	4.80%	5.02%	0.11%
December 31, 2016						750,777	793,309	42,532			
June 30, 2016						7,064	7,309	245			

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

5.2 Listed equity securities - 'available-for-sale'

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
	(Number of shares)					(Rupees in '000)					
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Automobile assembler											
Honda Atlas Cars (Pakistan) Limited	-	45,300	-	33,600	11,700	7,024	7,823	799	0.44%	0.46%	0.01%
Pak Suzuki Motor Company Limited	-	16,200	-	4,000	12,200	7,112	7,476	364	0.42%	0.44%	0.01%
Sazgar Engineering Works Limited	-	196,500	-	196,500	-	-	-	-	-	-	-
						14,136	15,299	1,163	0.86%	0.90%	0.02%
Automobile parts and accessories											
Agriaautos Industries Limited *	103,000	23,000	-	103,000	23,000	6,217	8,234	2,017	0.46%	0.49%	0.08%
Thal Limited *	80,100	-	-	80,100	-	-	-	-	-	-	-
						6,217	8,234	2,017	0.46%	0.49%	0.08%
Cable and electrical goods											
Pak Elektron Limited	637,500	376,000	-	805,500	208,000	14,269	14,826	557	0.84%	0.87%	0.04%
						14,269	14,826	557	0.84%	0.87%	0.04%
Cement											
Cherat Cement Company Limited	355,000	143,000	-	264,300	233,700	24,968	40,673	15,705	2.29%	2.39%	0.13%
Kohat Cement Company Limited	60,612	-	-	60,612	-	-	-	-	-	-	-
Lucky Cement Company Limited	128,381	-	-	128,381	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	300,000	200,000	-	500,000	-	-	-	-	-	-	-
Pioneer Cement Limited	351,000	61,500	-	412,500	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited - related party	-	265,000	-	265,000	-	-	-	-	-	-	-
						24,968	40,673	15,705	2.29%	2.39%	0.13%
Chemical											
ICI Pakistan Limited	60,000	6,500	-	49,700	16,800	8,961	16,695	7,734	0.94%	0.98%	0.02%
Archroma Pakistan Limited	-	20,000	-	-	20,000	10,774	16,031	5,257	0.90%	0.94%	0.09%
Sitara Chemical Industries Limited	-	29,500	-	29,500	-	-	-	-	-	-	-
						19,735	32,726	12,991	1.84%	1.92%	0.11%
Engineering											
Amreli Steels Limited	520,000	273,000	-	590,500	202,500	10,965	13,484	2,519	0.76%	0.79%	0.07%
International Steels Limited	-	77,500	-	-	77,500	3,531	7,574	4,043	0.43%	0.45%	0.02%
						14,496	21,058	6,562	1.19%	1.24%	0.09%

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

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
	(Rupees in '000)										
	(Number of shares)										
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Fertilizer											
Dawood Hercules Corporation Limited	88,900	200,000	-	25,000	263,900	35,572	38,089	2,517	2.14%	2.24%	0.05%
Engro Corporation Limited	363,800	114,000	-	477,800	-	-	-	-	-	-	-
Engro Fertilizers Limited	586,500	576,000	-	320,000	842,500	55,827	57,273	1,446	3.23%	3.37%	0.06%
Fatima Fertilizer Company Limited	-	735,500	-	250,000	485,500	15,958	17,910	1,952	1.01%	1.05%	0.02%
						107,357	113,272	5,915	6.38%	6.66%	0.13%
Glass and ceramics											
Tariq Glass Industries Limited	460,500	-	-	460,500	-	-	-	-	-	-	-
Miscellaneous											
Shifa International Hospitals Limited	89,820	-	-	-	89,820	25,261	27,612	2,351	1.56%	1.63%	0.16%
Maepac Films Limited	-	125,500	-	-	125,500	3,303	3,012	(291)	0.17%	0.18%	0.32%
						28,564	30,624	2,060	1.73%	1.81%	0.48%
Oil and gas exploration companies											
Mari Petroleum Company Limited	44,300	23,950	-	-	68,250	54,421	93,838	39,417	5.28%	5.52%	0.06%
Oil & Gas Development Company Limited ***	613,000	474,100	-	521,000	566,100	80,314	93,605	13,291	5.27%	5.51%	0.01%
Pakistan Oilfields Limited	243,300	81,000	-	194,800	129,500	44,809	69,233	24,424	3.90%	4.08%	0.05%
Pakistan Petroleum Limited	-	437,400	-	85,000	352,400	56,484	66,315	9,831	3.73%	3.90%	0.02%
						236,028	322,991	86,963	18.18%	19.01%	0.14%
Oil and gas marketing companies											
Hascol Petroleum Limited	1,390	129,100	-	129,100	1,390	308	469	161	0.03%	0.03%	0.00%
Hi-Tech Lubricants Limited	426,500	-	-	426,500	-	-	-	-	-	-	-
Shell Pakistan Limited	19,600	-	-	19,600	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited - related party	-	500,000	-	500,000	-	-	-	-	-	-	-
						308	469	161	0.03%	0.03%	0.00%
Paper and board											
Packages Limited	31,450	33,250	-	31,450	33,250	23,318	28,264	4,946	1.59%	1.66%	0.04%
						23,318	28,264	4,946	1.59%	1.66%	0.04%
Technology and communication											
Netsol Technologies Limited	-	456,500	-	-	456,500	27,331	24,779	(2,552)	1.40%	1.46%	0.51%
Systems Limited	-	6,000	-	-	6,000	481	508	27	0.03%	0.03%	0.01%
Pakistan Telecommunication Company Limited 'A'	-	1,050,000	-	1,050,000	-	-	-	-	-	-	-
						27,812	25,287	(2,525)	1.43%	1.49%	0.52%

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

Name of the investee company	As at July 01, 2016	Purchases during the period	Bonus issue during the period	Sales during the period	As at December 31, 2016	Balance as at December 31, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	Paid up value of shares as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
	(Rupees in '000)										
	(Number of shares)										
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	43,000	-	-	17,000	26,000	16,953	24,884	7,931	1.40%	1.47%	0.03%
The Sealtle Company Limited	2,100	-	294	-	2,394	833	1,565	732	0.09%	0.09%	0.00%
						17,786	26,449	8,663	1.49%	1.56%	0.03%
Power generation and distribution											
Hub Power Company Limited ***	252,000	974,000	-	1,093,000	133,000	15,679	16,423	744	0.93%	0.97%	0.01%
K-Electric Limited **	5,130,500	1,900,000	-	3,030,000	4,000,500	33,895	37,485	3,590	2.11%	2.21%	0.01%
Lalpir Power Limited - related party	759,000	-	-	759,000	-	-	-	-	-	-	-
Pakgen Power Limited - related party	602,000	-	-	46,000	556,000	17,051	14,884	(2,167)	0.84%	0.88%	0.15%
						66,625	68,792	2,167	3.88%	4.06%	0.17%
Refinery											
Attock Refinery Limited	56,700	30,000	-	-	86,700	22,292	36,874	14,582	2.08%	2.17%	0.10%
						22,292	36,874	14,582	2.08%	2.17%	0.10%
Commercial banks											
Meezan Bank Limited	-	651,000	-	250,000	401,000	20,657	27,312	6,655	1.54%	1.61%	1.87%
						20,657	27,312	6,655	1.54%	1.61%	1.87%
Textile composite											
Kohinoor Textile Mills Limited	231,000	237,000	-	155,000	313,000	25,175	36,371	11,196	2.05%	2.14%	0.11%
Nishat Mills Limited - related party	418,000	386,000	-	434,500	369,500	46,745	56,264	9,519	3.17%	3.31%	0.11%
						71,920	92,635	20,715	5.22%	5.45%	0.22%
						716,488	905,785	189,297			
						995,177	1,055,456	60,279			

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

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

*** The above include shares with a market value aggregating to Rs.45.418 million (June 30, 2016: Rs.45.303 million) which have been pledged with National Clearing Company of Pakistan Limited as security against settlement of the Fund's trades in terms of Circular No.11 dated October 23, 2007 issued by SECP.

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

	Note	(Un-Audited) December 31, 2016	(Audited) June 30, 2016
		----- (Rupees in '000) -----	
6. ACCRUED AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	6.1	15,754	15,754
Federal excise duty payable on management fee	6.2	5,689	5,689
Federal excise duty and related taxes payable on sales load	6.2	220	220
Auditors' remuneration		248	385
Brokerage payable		2,906	1,827
Withholding tax payable		1,234	90
Charity / donation payable		1,377	738
Others		344	298
		<u>27,772</u>	<u>25,001</u>

- 6.1** The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes / Mutual Funds (CISs) whose income exceeded Rs.0.5 million in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher.

The amendments introduced in the WWF Ordinance were challenged in various High Courts of Pakistan. The Honorable Lahore High Court (LHC) and the Honorable Sindh High Court (SHC) arrived at different conclusions in respect of the validity of the amendments made through the Finance Act in relation to the WWF. Both the decisions of LHC and the SHC were challenged in the Honorable Supreme Court of Pakistan (SCP). During the period, the SCP passed a judgment on November 10, 2016, declaring the insertion of amendments introduced in the Finance Act pertaining to WWF as unlawful for the reason that the WWF is not in the nature of tax and therefore, could not be introduced through money bill under the Constitution. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing.

Further, as a consequence of the 18th amendment to the Constitution, levy for the WWF was also introduced by the Government of Sindh through the Sindh WWF Act, 2014. The Mutual Funds Association of Pakistan (MUFAP) believes that the Mutual Funds are not liable to pay Sindh WWF under the said law, for the reason that the Mutual Funds are not financial institutions and rather an investment vehicle. However, the Sindh Revenue Board has not accepted the said position of MUFAP and as a result, MUFAP has taken up this matter with the Sindh Finance Ministry for resolution.

In view of the above developments regarding the applicability of Federal and Sindh WWF on Mutual Funds, the MUFAP has obtained a legal opinion on these matters and based on such legal advice, has recommended to all its members on January 12, 2017 the following:

- i. The provision against the Federal WWF held by the Mutual Funds till June 30, 2015 to be reversed on January 12, 2017; and
- ii. Provision against Sindh WWF, on prudent basis, should be made from the date of enactment of the Sindh WWF Act, 2014 (i.e. May 21, 2015) with effect from January 12, 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and SECP vide its letter dated February 01, 2017 advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosure in the financial statements of Mutual Funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

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

The cumulative net effect of the above two adjustments if had been done at December 31, 2016 would have resulted in increase in the net assets value per unit by Re.0.09 (0.64%) per unit.

- 6.2 There is no change in the status of petition with SHC as reported in note 14 to the annual financial statements of the Fund for the year ended June 30, 2016.

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

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs.5.814 million (June 30, 2016: Rs.5.814 million). Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the net assets value per unit of the Fund would have been higher by Re.0.05 per unit as at December 31, 2016 (June 30, 2016: Re.0.06 per unit).

7. CONTINGENCIES AND COMMITMENTS

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

8. TAXATION

The Fund's income is exempt from income tax as per clause 99 of part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed in cash amongst the unit holders. The Management Company intends to distribute not less than 90% of its annual accounting income in cash, if any, to comply with the above clause at year end. Accordingly, no tax provision has been made in these condensed interim financial statements for the half year ended December 31, 2016.

9. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

----- (Un-Audited) -----			
Half year ended		Quarter ended	
December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
----- (Rupees in '000) -----			

9.1 Transactions during the period:

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

Remuneration (including indirect taxes)	14,889	10,019	8,030	5078
Expenses allocated by the Management Company and related sales tax	745	82	402	-
Payment of conversion cost	563	1,520	-	-
Shariah advisory fee	450	68	225	68

**Central Depository Company of
Pakistan Limited- Trustee**

Remuneration including indirect taxes	1,320	865	686	492
Settlement charges including indirect taxes	150	-	90	-
CDC charges for conversion including indirect taxes	-	63	-	25

**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)			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	(Rupees in '000)			
Group / Associated Companies				
Arif Habib Limited *				
Brokerage expense	245	196	125	55
Next Capital Limited *				
Brokerage expense	285	49	120	3
MCB Bank Limited				
Profit on bank deposits	-	-	-	-
Bank charges	13	8	8	3
Dividend income	-	371	-	185
Lalpir Power Limited				
Dividend income	479	759	-	759
Pakgen Power Limited				
Dividend income	607	607	-	607
Nishat Mills Limited				
Dividend income	528	-	528	-
D.G Khan Cement Company Limited				
Dividend income	678	-	678	-
Al-Hamra Islamic Active Allocation Fund **				
Issuance of 18,642,804 units (2015: Nil units) and 18,642,804 units (2015: Nil units) for the half year and quarter ended respectively	250,000	-	250,000	-
Adamjee Life Assurance Company - Limited - Amanat Fund				
Issuance of 1,219,008 units (2015: Nil units) and Nil units (2015: Nil units) for the half year and quarter ended respectively	14,000	-	5,000	-
Redemption of 210,210 units (2015: Nil units) and Nil units (2015: Nil units) for the half year and quarter ended respectively	2,800	-	2,800	-
Other Related Parties:				
Mandate under discretionary portfolio services				
Issuance of 9,328 units (2015: 149,850 units) and Nil units (2015: Nil units) for the half year and quarter ended respectively	100	1,500	-	1,500
Redemption of 1,265,420 units (2015: 1,749,271 units) and 1,127,408 units (2015: 1,506,553 units) for the half year and quarter ended respectively	15,267	17,581	13,717	15,081

**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) -----			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees in '000) -----			
Key Management Personnel				
Issuance of 1,544,129 units (2015: 74,675 units) and 1,373,253 units (2015: Nil units) for the half year and quarter ended respectively	19,587	774	17,655	-
Redemption of 756,381 units (2015: 79,740 units) and 486,568 units (2015: Nil units) for the half year and quarter ended respectively	9,262	833	6,183	-
			(Un-Audited) December 31, 2016	(Audited) June 30, 2016
			----- (Rupees in '000) -----	

9.2 Balances outstanding at period / year end:

MCB Arif Habib Savings and Investments Limited - Management Company

Remuneration payable	2,480	1,823
Sales tax payable on Management remuneration	322	255
Conversion cost payable	-	563
Expense allocated by the Management Company and related sales tax payable	124	91
Sales load payable	466	106
Sales tax payable on sales load	61	15
Shariah advisory fee payable	75	75

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable (including related taxes)	236	64
Security deposit	300	300

Group / Associated Companies

Arif Habib Limited *

Brokerage payable	124	217
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Next Capital Limited *

Brokerage payable	110	125
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MCB Bank Limited

Balances with bank	1,157	28,962
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**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) December 31, 2016	(Audited) June 30, 2016
	----- (Rupees in '000) -----	
Nishat Mills Limited		
997,991 units held (June 30, 2016: 997,991 units)	13,383	10,599
369,500 shares held (June 30, 2016: 418,000 shares) - 'available-for-sale'	56,264	45,102
D.G. Khan Cement Company Limited - Employees Provident Fund Trust		
404,856 units held (June 30, 2016: 404,856 units)	5,429	4,300
Pakgen Power Limited		
5,000 shares held (June 30, 2016: 5,000 shares) - 'held-for-trading'	134	120
556,000 shares held (June 30, 2016: 602,000 shares) - 'available-for-sale'	14,884	14,478
Fatima Fertilizer Company Limited		
325,000 shares held (June 30, 2016: Nil shares) - 'held-for-trading'	11,989	-
485,500 shares held (June 30, 2016: Nil shares) - 'available-for-sale'	17,910	-
Lalpir Power Limited		
Nil shares held (June 30, 2016: 759,000 shares) - 'available-for-sale'	-	16,470
Sui Northern Gas Pipelines Limited		
465,000 shares held (June 30, 2016: Nil shares) - 'held-for-trading'	22,250	-
Adamjee Life Assurance Company Limited - Investment Multiplier Fund **		
38,438,529 units held (June 30, 2016: 38,438,529 units)	515,461	408,217
Al - Hamra Islamic Active Allocation Fund **		
18,642,804 units held (June 30, 2016: Nil units)	250,000	-
Adamjee Life Assurance Company Limited - Amanat Fund		
8,231,798 units held (June 30, 2016: 7,223,000 units)	110,388	76,708
Other Related Parties:		
Key Management Personnel		
1,094,754 units held (June 30, 2016: 307,007 units)	14,681	3,260
Mandate under Discretionary Portfolio Services		
4,406,551 units held (June 30, 2016: 5,662,643 units)	59,092	37,926

* The amount disclosed represents the amount of brokerage paid / payable to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter-parties are not connected persons.

** These also hold more than 10% units in the Fund as at December 31, 2016.

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

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	----- December 31, 2016 (Un-Audited) -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets 'at fair value through profit or loss - held-for-trading'				
Listed equity securities	793,309	-	-	793,309
Financial assets classified as 'available-for-sale'				
Listed equity securities	905,785	-	-	905,785
	<u>1,699,094</u>	<u>-</u>	<u>-</u>	<u>1,699,094</u>
	----- June 30, 2016 (Audited) -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets 'at fair value through profit or loss - held-for-trading'				
Listed equity securities	7,309	-	-	7,309
Financial assets classified as 'available-for-sale'				
Listed equity securities	1,055,456	-	-	1,055,456
	<u>1,062,765</u>	<u>-</u>	<u>-</u>	<u>1,062,765</u>

During the period ended December, 31 2016, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

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

11. SUBSEQUENT EVENT

As fully disclosed in note 6.1 to these condensed interim financial statements, the Fund has recorded a reversal of provision maintained against Workers Welfare Fund and simultaneously recorded provision against Sindh Workers Welfare Fund on January 12, 2017. The financial impact of such adjustments are disclosed in the said note.

12. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 02, 2017 by the Board of Directors of the Management Company.

13. GENERAL

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



Chief Executive Officer

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



Director

Please find us on



by typing: **MCB Arif Habib Savings**

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