



MCB-ARIF HABIB
Savings and Investments Limited

QUARTERLY REPORT

SEPTEMBER
2017
(UNAUDITED)

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



Alhamra Islamic Asset Allocation Fund
(Formerly Pakistan International Element Islamic Asset 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 Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-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 Meezan Bank Limited Habib Bank Limited Dubai Islamic Bank Pakistan Limited Askari Bank Limited Bank Islami Pakistan Limited Allied Bank Limited Al-Baraka Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 15541 Karachi, Sindh- 75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, 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 QUARTER ENDED SEPTEMBER 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Alhamra Islamic Asset Allocation Fund's** (Formerly Pakistan International Element Islamic Asset Allocation Fund) accounts review for the quarter ended September 30th, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

The economic scorecard in first quarter of FY18 posted a mixed picture relative to several economic indicators. The LSM grew at an astounding pace of 13% YoY, boosted by growth in Steel, Auto and Food & Beverages sector. Add to this the agricultural sector growth (being reflected in cotton crop, sugar crop and wheat crop bumper numbers coming in), we are well on our way to meet the 6% target GDP growth for FY18.

CPI for the first quarter averaged at a moderate level of 3.4% YoY, supported by lower oil prices, stable food prices and a higher base effect. Going forward we expect inflation to remain under control, averaging below 4.5% for FY18, as stable commodity prices along with a contained currency to rein in inflation. As a result of the stable indicators, the monetary policy committee maintained a status quo in its first meeting held for the current fiscal year.

Indicators that have started to sound a warning alarm include the widening fiscal deficit and current account deficit (CA). On the back of rising overall imports bill, the CA deficit for 2MFY18 has doubled from USD 1.3bn in SPLY to USD 2.6bn. As a result of the financing gap, the foreign exchange reserves of the country fell by USD 1.3 billion during the 1QFY18.

Fiscal account which was one source of comfort turned out to be a red herring. Fiscal deficit for FY17 was recorded at ~ PKR 1.8 tn and provinces recorded an unexpected deficit on account of election preparation spending. Keeping this in view we remain skeptical on the government's ability to meet the target of 4.1% of GDP.

PIB yields during the quarter inched up by ~45 bps for 3 year, and 56 bps for 5 year bonds. Political uncertainty along with deterioration in the external account kept the market participants at bay from long tenor bonds. Furthermore, the bearish sentiment was also backed by SBP in its MPS, which highlighted its concerns on external account as trade deficit widened.

EQUITIES MARKET OVERVIEW

Equity market remained in the red zone throughout the quarter with political uncertainty taking the centre stage. After Prime Minister's disqualification and continuous worsening of external account caused the benchmark index to lose ~11.5% in 2MFY18, foreign buying drove gains in Sep'17 where KSE-100 gained 2.9% in Sep'17 to close at 42,409 pts. However, the first quarter of the new fiscal year closed itself down 8.9%, the worst quarterly return since FY09.

During the quarter, foreigners remained net sellers of USD 90 million; the buying was majorly absorbed by Banks (USD \$33.5 mn) & Insurance Companies (USD \$49.3 mn). Sep'17 saw the first net foreign inflow (US\$28 mn) since the start of fiscal year, primarily on account of inclusion of five Pakistani stocks (MCB, BAFL, SNGP, THAL and MTL) in the FTSE Global Indices. Average volumes during the quarter dwindled to 178 Mn shares compared to 280 Mn shares in the preceding quarter while average value traded declined to PKR 9.3 Bn from PKR 15.0 Bn from last quarter.

Amongst major sectors that pulled the index down were cements (down 28% QoQ) continuing the lackluster performance on concerns over future pricing discipline on upcoming capacity expansions of ~5 Mn tons in the next 6-7 months in the Southern region. In the banking space, sentiments turned out to be sour when HBL received a notice from New York (NY) State Department of Financial Services (DFS) seeking to impose a hefty penalty of USD 629.6 mn on the bank which was later reduced to US\$225 Mn. Fertilizer sector (down 3% QoQ) recouped some of the losses in third month of the quarter on the back of surge in international urea prices by ~22% in September 2017. Autos also continued to witness correction (-19% QTD) along with dampened sentiments due to anticipated pressure on USD-PKR parity as external account continued to deteriorate. E&Ps was the only major sector that witnessed gains (up by 8% QoQ) due to increase in oil prices by ~22% QoQ peaking at US\$ 56.6/bbl.

FUND PERFORMANCE

During the period under review, the fund delivered a negative return of 4.98% as against its benchmark negative return of 7.53%.

On the equities front, the overall allocation was 44.1% at the end of the period under review. The fund decreased its exposure in Fertilizer and Power Generation & Distribution while increased exposure in Oil & Gas Exploration Companies. On the fixed income side, exposure in Sukuks remained stable at 0.1%.

The Net Assets of the Fund as at September 30, 2017 stood at Rs. 1,967 million as compared to Rs.1,485 million as at June 30, 2017 registering an increase of 32.46%.

The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs. 69.3798 as compared to opening NAV of Rs. 73.0135 per unit as at June 30, 2017 registering a decrease of Rs. 3.6337 per unit.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

FUTURE OUTLOOK

While the government has been able to stabilize the economy, its ambitious plan to revive the growth can come in doldrums if it is not able to contain the twin deficits. We project a current account deficit of USD 17 billion for the FY18, and as such the ability of government to manage inflows will be highly tested. Nevertheless, our in-house projections estimate a financing gap of USD 6 billion which will gobble up the existing foreign exchange reserves. On the whole, cracks have started appearing in the economic façade which warrant immediate policy measure by the government of Pakistan if the economic progress is expected to be kept on track.

Going forward, we expect market to remain volatile in the short run, as political uncertainty along with twin deficits continue to haunt the basic macroeconomic fundamentals. We believe certain policy adjustments are necessary to maintain the direction of economic growth. Nevertheless, market valuations remain at a very attractive level, and they will sooner or later come into play. The risk premiums (difference between earnings yield and 10-year interest rates) are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 7.9x, at a steep discount of 35% from its emerging market peer group. Enduring themes that should play out over the medium-term regardless of the political situation include (i) PKR depreciation and higher interest rates (ii) CPEC and continued GoP support for the textiles sector that would encourage exports. We advice local investors to carefully watch the economic trends and build exposure on any weakness.

On the fixed income front, market is expected to remain cautious on back of a precarious external account position along with an uptick in inflation trajectory. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
October 20, 2017



Samad A. Habib
Director

ڈائریکٹرز رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے الحمد للہ اسلامک Asset ایلوکیشن فنڈ (سابقہ: پاکستان انٹرنیشنل ایلیمینٹ اسلامک Asset ایلوکیشن فنڈ) 30 ستمبر 2017ء کو ختم ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

مالی سال 2018ء کی پہلی سہ ماہی میں معاشی اشاریوں میں ملا جلا رجحان پایا گیا اور اکاؤنٹ سکور کارڈ میں صورتحال مختلف معاشی علامات کی بنیاد پر پلجی رہی۔ LSM نے توقعات سے زیادہ یعنی 13% YoY کے ساتھ فروغ پایا جس میں بنیادی کردار اسٹیل، آٹو اور غذائی اشیاء و مشروبات کی کارکردگی نے ادا کیا۔ علاوہ ازیں زرعی سیکٹر کی ترقی کے مطابق (جو کہ کپاس، چینی اور گیہوں کی فصلوں کے آنے والے اعداد و شمار سے ظاہر ہے) ہم پورے 2018ء کیلئے اپنا ہدف GDP 6% گروتھ حاصل کرنے کی راہ پر گامزن ہیں۔ پہلی سہ ماہی میں CPI اوسط 3.4% YoY پر رہا جسے تیل کی قیمت میں کمی اور غذائی اشیاء کی مستحکم قیمتوں سے سہارا ملا۔ ہمیں امید ہے کہ آگے افراط زر مقررہ حد میں رہے گا جس کا اوسط مالی سال 2018ء میں 4.5% سے کم رہنے کا امکان ہے کیونکہ کموڈٹی کی مستحکم قیمتوں کیساتھ روپے کی مضبوط قدر افراط زر کو قابو میں رکھے گی۔ لہذا ان سب انڈیکٹرز کے نتیجے میں مالیاتی پالیسی کمیٹی نے رواں مالی سال کیلئے ہونے والی اپنی پہلی میٹنگ میں شرح سود کو برقرار رکھا۔

انڈیکٹرز جنہوں نے انتہائی گھٹی بجائی شروع کر دی ان میں شامل ہیں وسیع ہوتے ہوئے فیکل اور کرنٹ خسارہ جات شامل ہیں (CA)۔ بنیادی طور پر بڑھتے ہوئے امپورٹ بل کی وجہ سے اس سال کے پہلے دو ماہ میں ہی ڈیفیسیٹ 1.3 بلین ڈالر سے دوگنا ہو کر 2.6 بلین ڈالر ہو گیا۔ اس مالیاتی خلا کے نتیجے میں 1QFY18 کے دوران ملک کے غیر ملکی زرمبادلہ کے ذخائر میں 1.3 بلین ڈالر کی کمی ہوئی۔

فیکل اکاؤنٹ جو کہ پرسکون طور پر چل رہا تھا خطرے میں نظر آیا۔ FY17 میں فیکل ڈیفیسیٹ 1.8 ٹریلین روپے پر ریکارڈ کیا گیا اور صوبائی سطح پر آنے والے الیکشن کی وجہ سے غیر متوقع خسارہ ریکارڈ کیا گیا۔ اس صورتحال کو سامنے رکھتے ہوئے ہم حکومت کا 4.1% معاشی ترقی کا ہدف پورا کرنے کی صلاحیت پر غیر یقینی کا شکار ہیں۔

PIB کا منافع اس سہ ماہی کی دوران نہایت ہی سست رفتاری سے تین سالہ بانڈز کیلئے 45 bps اور پانچ سالہ بانڈز کیلئے 56bps بڑھا۔ سیاسی عدم استحکام اور بیرونی اکاؤنٹ کی نازک صورتحال نے مارکیٹ کے شراکت داروں کو طویل المیعاد بانڈز سے دور رکھا۔ مزید برآں SBP کے MPS میں روپے نے Bearish Sentiment کو سہارا دیا جس نے اپنے تحفظات کا اظہار بیرونی اکاؤنٹ پر کیا کیونکہ مالیاتی خسارہ وسعت اختیار کر گیا تھا۔

ڈائریکٹر رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

ایکویٹی مارکیٹ کا مجموعی جائزہ:

سیاسی عدم استحکام اور بیرونی اکاؤنٹ کے بڑھتے ہوئے خسارہ نے ایکویٹی مارکیٹ میں منفی رجحان پیدا کیا۔ سہ ماہی کے پہلے دہ ماہ میں بیج مارک اینڈیکس 11.5% کم ہوا۔ Sep، 17، میں بیرونی سرمایہ کاری سے KSE-100 2.9% اضافے کے ساتھ ستمبر 2017 میں 42,909 پوائنٹس پر بند ہوا۔ اس سب کے ساتھ نئے مالیاتی سال کی پہلی سہ ماہی 8.9% پر بند ہوئی، جو کہ FY09 کے بعد اب تک کی کسی سہ ماہی میں پست ترین کارکردگی تھی۔ سہ ماہی کے دوران غیر ملکی 90 ملین ڈالر کے کلی خریدار رہے۔ زیادہ تر خریداری بینکوں (33.5 ملین ڈالر) اور انشورنس کمپنیوں نے جذب کی (49.3 ملین ڈالر)۔

مالی سال کی ابتداء سے 17 ستمبر میں پہلی مرتبہ 28 ملین کا حجم دیکھا گیا، بنیادی طور پر FTSE Global Indices میں پاکستانی اسٹاک (MCB, BAFL, SNGP, THAL, MTL) کی شمولیت کی وجہ سے ممکن ہوا۔ سہ ماہی کے دوران اوسط حجم 178 ملین شیئرز تک گرا، مقابل گزشتہ سہ ماہی جس میں حجم 280 ملین شیئرز تھا۔ اوسطاً تجارتی حجم گزشتہ سہ ماہی کے مقابلے میں 15.0 ملین سے 9.3 ملین تک زوال پذیر ہوا۔

بنیادی طور پر جو سیکٹرز انڈیکس کو زوال پذیر کرنے کا سبب بنے ان میں سیمینٹ (down 28% QoQ) کی کارکردگی مسلسل پست رہی بوجہ سیمینٹ کی قیمتوں میں مستقل کمی اور آنے والے توسیعی پروگرام جن میں اگلی اگلے 6-7 ماہ میں جنوبی خطے کی پیداوار کو پانچ ملین ٹن تک وسیع کرنے کا انتظام کرنا شامل رہا۔ بینکنگ کے شعبے میں رجحانات اس وقت ناخوش گوار ہو گئے جب HBL کو N.Y (New York) کے شعبے مالیاتی خدمات (DFS) کی طرف سے نوٹس موصول ہوا جس میں 629.6 ملین ڈالر کا جرمانہ بینک پر عائد کیا گیا تھا جو بعد میں کم کر کے 225 ملین ڈالر کر دیا گیا۔

فرٹیلائزر سیکٹر (down 3% QoQ) نے سہ ماہی کے تیسرے مہینے میں اپنے کچھ نقصانات کا ازالہ کیا جب عالمی منڈی میں Sept، 17 میں یورپ کی قیمتوں میں تقریباً 22% کا اضافہ ہوا۔ آٹوز کی کارکردگی بھی کمزور رہی (down 19% QoQ) کے ساتھ رجحانات مزید پست ہو گئے کیوں کہ بیرونی اکاؤنٹس کے حجم گرنے کے خدشات کی وجہ سے روپے اور ڈالر کی قدر کو برابر رکھنے کیلئے دباؤ کی امید کی جارہی تھی۔ E&P واحد ایسی سیکٹر تھا جس میں منافع (up by 8% QoQ) دیکھنے کو ملا بوجہ تیل کی قیمتوں میں 22% اضافہ جس سے تیل \$56.6/bbl پر پہنچ گیا۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 4.98% کا منفی ریٹرن دیا، مقابل مقررہ معیار منفی ریٹرن 7.53% کے۔

ڈائریکٹر رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

ایکویٹیز کے گوشے میں مجموعی ایلوکیشن اختتام مدت پر 44.1% تھا۔ فنڈ نے توانائی کی پیداوار اور کھاد کے شعبے میں اپنی شمولیت کو کم کیا جبکہ فنڈ نے آئل اور گیس میں اپنی شمولیت کو بڑھایا۔ فکسڈ انکم کے گوشے میں سسک میں شمولیت 0.1% پر مستحکم رہی۔ 30 ستمبر 2017ء کو فنڈ کے net اثاثہ جات کی مالیت 1,967 ملین روپے تھی، جو 30 جون 2017ء پر 1,485 ملین روپے مالیت کے مقابلے میں 32.46% زیادہ ہے۔ 30 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 69.3798 روپے تھی، جو 30 جون 2017ء پر کھلنے والے 73.0135 روپے فی یونٹ قدر کے مقابلے میں 3.6337 روپے فی یونٹ کم ہے۔

مستقبل کا منظر

گوکہ حکومت اب تک معیشت کو مستحکم رکھنے میں خاصی کامیاب رہی ہے۔ تاہم خدشات ہیں کہ جڑواں خساروں کو سنبھالنا ایک چیلنج ثابت ہو سکتا ہے۔ ہمارے اندازوں کے مطابق کرنٹ اکاؤنٹ خسارہ FY18 میں 17 بلین ڈالر کے قریب ہوگا، جو جمع شدہ زرمبادلہ کو تیزی کے ساتھ کم کرنے کی صلاحیت رکھتا ہے۔ اگر سارے حالات کو دیکھا جائے تو معاشی افق پر واضح اور تسلسل کے ساتھ پالیسیوں پر کام کرنے کی فوری ضرورت ہے تاکہ ہم اپنی معاشی ترقی کی راہ پر گامزن رہ سکیں۔

مزید برآں، رجحان کے مطابق ابھی کچھ عرصے تک مارکیٹ غیر مستحکم رہ سکتی ہے کیونکہ سیاسی عدم استحکام بشمول جڑواں خساروں کے بنیادی مالیاتی بنیادوں پر اثر انداز ہوتا رہے گا۔ ہمارا یقین ہے کہ معاشی ترقی کی سمت کو برقرار رکھنے کیلئے کچھ پالیسی ترامیم ضروری ہیں۔ اس کے باوجود اسٹاک مارکیٹ کے اعداد و شمار پر کشش سطح پر ہیں اور جلد یا بدیر شیراز کی قیمتوں میں بہتری آ سکتی ہے۔ خدشات کے پریمئیم (دس سالہ شرح منافع اور رینگ بیلڈ کی تفریق) Equity Risk Premium تاریخ کی اونچی سطح کے قریب ہونے کے باعث مارکیٹ کو بہت سستارہنے کا اشارہ دے رہے ہیں۔ اس کے ساتھ ساتھ کے ایس ای 100، 7.9x کے PE Ratio پر اپنے ایمرجنگ مارکیٹ پیئر گروپ سے پینتیس فیصد سے زائد ڈسکاؤنٹ پر تجارت کر رہا ہے۔ سیاسی صورتحال سے قطع نظر ان پائیدار عوامل کو میڈیٹ ٹرم سے وسیع ہو کر دیکھنا چاہیے (i) پاکستانی روپے کی قیمت میں کمی اور سود کی اعلیٰ شرح (ii) سی پیک، اور ٹیکسٹائل کے شعبے کے لیے حکومت پاکستان کا تعاون جو کہ برآمدات کی حوصلہ افزائی کرے گا۔ ہم مقامی سرمایہ کاروں کو معاشی رجحانات پر خصوصی توجہ دیتے ہوئے کسی بھی گراؤٹ کو شیراز جمع کرنے کا موقع سمجھ کر سرمایہ کاری کرنے کا مشورہ دے رہے ہیں۔

فکسڈ انکم مارکیٹ میں غیر معمولی بیرونی اکاؤنٹس کی محتاط پوزیشن پر رہنے کی امید ہے۔ معاشی محاذ پر صورتحال، خاص طور پر ادائیگیوں کا توازن، فکسڈ انکم مارکیٹوں کی سمت تعین کرنے میں اہم کردار ادا کرے گا۔

ڈائریکٹرز رپورٹ
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

اظہار تشکر

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


برائے اور من جانب یورڈ



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

20 اکتوبر 2017ء



صدائے حبیب

ڈائریکٹر

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

AS AT September 30, 2017

		(Unaudited) September 30, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks		1,099,200	846,966
Investments	5	878,963	652,922
Dividend and profit receivable		10,922	6,214
Advances and deposits		4,294	4,302
Total Assets		1,993,380	1,510,404
LIABILITIES			
Payable to Management Company		7,705	5,443
Payable to Central Depository Company of Pakistan Limited - Trustee		266	233
Payable to Securities and Exchange Commission of Pakistan - annual fee		398	1,122
Accrued expenses and other liabilities	6	17,632	18,348
Total Liabilities		25,999	25,146
NET ASSETS		1,967,381	1,485,258
Unit holders' fund (as per statement attached)		1,967,381	1,485,258
Contingencies and commitments	7		
NUMBER OF UNITS IN ISSUE			
		28,356,686	20,342,240
NET ASSETS VALUE PER UNIT			
		69.3798	73.0135

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

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2017

		Quarter ended	
		September 30,	September 30,
		2017	2016
Note		(Rupees in '000)	
INCOME			
	Capital (loss) / gain on sale of investments - net	(24,766)	29,427
	Dividend income	5,802	9,182
	Income from investment in sukuk certificates	18	
	Other income	12,259	3,476
	Unrealised (diminution) on revaluation 'of investments classified as 'held-for-trading' - net	5.1 (57,299)	(125)
	Net element of income and capital gains included in prices of units issued less those in units redeemed:	-	724
	Reversal of provision against debt securities	5.2 -	
	Total income	(63,986)	42,684
EXPENSES			
	Remuneration of Management Company	8,377	4,636
	Sales tax and Federal Excise Duty on remuneration of Management Company	1,089	602
	Expenses allocated by Management Company and related sales tax		
	Remuneration of Central Depository Company of Pakistan Limited - Trustee	473 671	268 490
	Sales tax on trustee fee	87	45
	Annual fee - Securities and Exchange Commission of Pakistan	398	225
	Marketing and Selling Expense	1,675	
	Brokerage, settlement and bank charges	1,101	693
	Printing and related cost	40	55
	Fees and subscription	311	111
	Shariah advisory fee	225	230
	Auditors' remuneration	136	144
	Donation	40	207
	Total expenses	14,623	7,706
	Provision for Workers' Welfare Fund	(78,609)	34,978
		-	
	Net (loss) / income for the period before taxation	(78,609)	34,978
	Taxation	8 -	
	Net (loss) / income for the period after taxation	(78,609)	34,978
	Earnings per unit	9	
Allocation of Net (loss) / income for the period:		Sep 30, 2017	
	Income / (loss) already paid / (shared) on units redeemed	(4,943)	
	Accounting (loss) / income available for distribution:		
	-Relating to capital gains	(87,225)	
	-Excluding capital gains	3,673	
	Accounting (loss) / Income available for Distribution		(83,552)

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

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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017

	Quarter ended September 30,	
	2017	2016
	----- (Rupees in '000) -----	
Net (loss) / income for the period after taxation	(78,609)	34,978
Other comprehensive income:		
Net unrealised (diminution) / appreciation on remeasurement of investments classified as 'available-for-sale'	(6,043)	26,929
Total comprehensive (loss) / income for the period	<u><u>(84,652)</u></u>	<u><u>61,907</u></u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Quarter ended September 30,	
	2017	2016
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	1,485,258	820,509
Issue of 10,550,342 units (2016: 3,464,538 units)	744,173	226,876
Redemption of 2,535,896 units (2016: 1,488,054 units)	(177,397)	(94,658)
	566,775	132,218
Accounting income for the period	(83,552)	34,254
Income / (loss) already paid / (shared) on units redeemed	4,943	-
Net unrealised (diminution) / appreciation on re-measurement on investments classified as available for sale	(6,043)	26,929
Net assets as at the end of the period	1,967,381	1,013,910
Net Assets value per unit as at beginning of the period	73.0135	63.5232
Net Assets value per unit as at end of the period	69.3798	68.0789
Distribution during for the period:	-	-
Undistributed income brought forward comprises of:		
- Realised Gain	165,326	121,075
- Unrealised Gain	9,694	109
	175,020	121,184
Accounting income available for distribution:		
-Relating to capital gains	(87,225)	-
-Excluding capital gains	3,673	-
	(83,552)	34,978
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	-	32,670
Distributions during the period	-	-
Undistributed income carried forward	91,468	188,832
Undistributed income carried forward comprises of:		
- Realised Gain	(57,299)	(125)
- Unrealised Gain	148,767	188,957
	91,468	188,832

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

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Quarter ended September 30,	
	2017	2016
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the period before taxation	(78,609)	34,978
Adjustments for non-cash and other items:		
Unrealised diminution on revaluation of investments classified as 'held-for-trading' - net	57,299	125
Provision for Workers' Welfare Fund	-	-
Net element of (income) included in prices of units issued less those in units redeemed.		(724)
	(21,310)	34,379
(Increase) / decrease in assets		
Receivable against sale of investments	-	(24,993)
Investments - net	(289,383)	24,217
Dividend and profit receivable	(4,708)	(7,679)
Advances and deposits	8	252
	(294,084)	(8,203)
Increase / (decrease) in liabilities		
Payable to Management Company	2,262	(33)
Payable to Central Depository Company of	33	26
Payable to Securities and Exchange Commission of Pakistan - annual fee	(724)	(556)
Accrued expenses and other liabilities	(716)	30,847
	853	30,284
Net cash (used in) / generated from operating activities	(314,541)	56,460
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	744,173	226,876
Payment on redemption of units	(177,397)	(94,658)
Net cash generated from financing activities	566,775	132,218
Net increase in cash and cash equivalents	252,234	188,678
Cash and cash equivalents at beginning of the period	846,966	133,896
Cash and cash equivalents at end of the period	1,099,200	322,574

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

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



Chief Executive Officer



Chief Financial Officer



Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

1. LEGAL STATUS AND NATURE OF BUSINESS

Alhamra Islamic Asset Allocation Fund (formerly: Pakistan International Element Islamic Asset Allocation Fund) (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (the Management Company, "AHIL") as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on December 14, 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

The Fund is an open-ended mutual fund is listed on the Pakistan Stock Exchange Limited. The principal activity of the Fund is to make investment in shariah compliant investments in securities or instruments both inside and outside Pakistan. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as "Shariah compliant Asset Allocation" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated March 06, 2009 issued by the SECP.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM 2++ dated June 23, 2017 to the Management Company and has assigned stability rating of 4-Star dated June 15, 2017 to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

2.1.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act 2017, 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 Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, Companies Act 2017 or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, Companies Act 2017 or the directives issued by the SECP prevail.

2.1.2 The Companies Act, 2017 was enacted on 30th May 2017 and is applicable with immediate effect. However, owing to the practical difficulty being faced by the companies in the preparation of the Financial Statements Circular No. 17/ 2017 dated October 06, 2017 issued by Institute of Chartered Accountants of Pakistan to be read with circular no. 23 of 2017 dated October 04, 2017 issued by Securities and Exchange Commission of Pakistan (SECP) have notified that the companies whose interim period ends on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984.

2.1.3 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, 2017.

2.1.4 The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2017 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2017, where as the comparative in condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2016.

2.1.5 These condensed interim financial statements are unaudited and 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies adopted and the methods of computation of balances in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for change in accounting policy as stated

3.2 The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008). The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (Amount distributable to unit holders) of the NBFC Regulations, 2008. As per the notification, Element of Income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed to the extent it was represented by distributable income earned during the year was recognised in the income statement and the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed represented by distributable income carried forward from prior period was included in the distribution statement.

As required by IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, a change in accounting policy requires retrospective application as if that policy had always been applied. However, the management has applied the above changes in accounting policy prospectively from July 01, 2017 as per clarification issued by the Mutual Funds Association of Pakistan and, accordingly, corresponding figures have not been restated.

4. FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended June 30, 2017.

		(Unaudited) September 30, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
5. INVESTMENTS			
'At fair value through profit or loss' - held-for-trading			
- Equity securities - quoted	5.1	691,083	456,501
'Available-for-sale'			
- Equity securities - quoted	5.2	187,881	196,421
		<u>878,963</u>	<u>652,922</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

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

Name of the investee company	Number of shares				As at September30, 2017			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company	
	As at July 01, 2017	Purchases / Right issue (R) during the period	Bonus issue during the period	Sales during the period	As at September 30, 2017	Carring Value	Market value	(Diminution)	As a percentage of total investments		As a percentage of net assets
----- (Rupees in '000) -----											
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Automobile Assembler											
Ghandhara Industries Ltd	15,000	3,700	-		18,700	12,098	9,325		1.06%	0.47%	0.09
Honda Atlas Cars(Pakistan) Limited	26,000	-	26,000		-	-	-		0.00%	0.00%	-
					18,700	12,098	9,325	(2,773)			
Cable & Electrical Goods											
Pak Elektron	400,000	190,000	295,000		295,000	31,571	22,405		2.55%	1.14%	0.06
					-	-	-		0.00%	0.00%	
					295,000	31,571	22,405	(9,166)			
Cement											
D.G. Khan Cement - Related Party	-	266,400	209,400		57,000	8,755	8,371		0.95%	0.43%	0.01
Fauji Cement Co Ltd	25,500	-	-		25,500	1,046	829		0.09%	0.04%	-
Kohat Cement Ltd	94,000	-	31,400		62,600	14,352	9,387		1.07%	0.48%	0.04
Lucky Cement	36,950	83,000	45,000		74,950	58,737	42,360		4.82%	2.15%	0.02
					220,050	82,889	60,948	(21,941)			
Chemicals											
Engro Polymer & Chemical	752,500	490,000	400,000		842,500	30,637	28,148		3.20%	1.43%	0.13
					842,500	30,637	28,148	(2,489)			
Commercial Banks											
Meezan Bank Limited	23,500	-	-		23,500	1,857	1,749		0.20%	0.09%	-
Meezan Bank Limited(R)	-	1,410	-		1,410	-	28		0.00%	0.00%	
					24,910	1,857	1,777	(107)			
					-	-	-	28			
								(79)			
Engineering											
Crescent Steel & Allied Prod	48,700	15,400	64,000		100	23	16		0.00%	0.00%	-
International Industries	120,000	63,500	69,000		114,500	40,195	33,228		3.78%	1.69%	0.10
International Steels Ltd	104,000	75,000	115,000		64,000	8,079	7,752		0.88%	0.39%	0.01
Ittefaq Iron Industries Limited	-	125,000	125,000		-	-	-		0.00%	0.00%	-
Mughal Iron & Steel - Related Party	-	314,500	213,000		101,500	7,613	5,808		0.66%	0.30%	0.04
					280,100	55,911	46,804	(1,805)			
								(9,107)			
Fertilizer											
Dawood Hercules Corporation	45,400	-	-		45,400	6,191	5,601		0.64%	0.28%	0.01
Engro Corporation Limited	90,000	81,000	-		171,000	55,684	51,828		5.90%	2.63%	0.03
Fatima Fertilizer Company - Related Party	254,000	-	254,000		-	-	-		0.00%	0.00%	-
					216,400	61,875	57,429	(4,446)			

Glass & Ceramics Shabbir Tiles & Ceramics Ltd Tariq Glass Industries	677,500	-	12,988	8,868	(4,119)	1.01%	0.45%
	141,500	-	15,673	14,877	(795)	1.69%	0.76%
	819,000		28,660	23,746	(4,914)		
Leather & Tanneries Service Industries	10,000	-	13,790	9,120	(4,670)	1.04%	0.48%
	10,000		13,790	9,120	(4,670)		
Oil & Gas Exploration Pakistan Oilfields Limited	-	145,800	69,369	77,571	8,202	8.83%	3.94%
			69,369	77,571	8,202		0.06
Oil & Gas Exploration Companies Oil & Gas Development Co Ltd*** Pakistan Petroleum Ltd***	120,000	202,500	46,583	47,936	1,354	0.00%	0.01
	127,700	321,000	75,304	78,383	3,079	5.45%	2.44%
			121,887	126,320	4,433	8.92%	3.98%
			423,850	54,207	(5,124)		0.02
Oil And Gas Marketing Companies Attock Petroleum Limited Hi-Tech Lubricants Sui Northern Gas - Related Party	350	-	219	219	(0)	0.02%	-
	-	76,500	8,224	7,538	(685)	0.86%	0.01%
	-	420,000	50,888	46,449	(4,438)	5.28%	0.38%
			59,331	54,207	(5,124)		2.36%
Power Generation & Distribution Hub Power Company Ltd*** K-Electric Ltd*	379,000	208,500	68,485	65,688	(2,797)	7.47%	0.05
	4,000,000	-	26,958	27,505	547	3.13%	0.01
			95,444	93,194	(2,250)		
Sugar & Allied Industries Faran Sugar Mills Limited	92,000	-	7,384	7,274	(109)	0.83%	0.37
			7,384	7,274	(109)		
Technology & Communications Netsol Technologies	120,000	-	6,940	7,920	980	0.90%	0.13
			6,940	7,920	980		
Textile Composite Kohinoor Textile Mills Ltd Kohinoor Textile Mills Ltd(R) Nishat Mills Ltd - Related Party	25,000	150,000	17,628	15,484	(2,144)	1.76%	0.06
	-	10,500	-	236	236	0.03%	0.01%
	103,900	235,000	51,111	49,174	(1,938)	5.59%	0.10
			68,740	64,895	(3,846)		
Total as at September 30, 2017							
			9,298,410	748,381	691,083	(57,299)	
Total as at June 30, 2017							
			446,806	456,501	9,694		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

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

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

Name of the investee company	Number of shares				As at September 30, 2017			Market value		Paid up value of shares held as a percentage of total paid up capital of the investee company
	As at July 01, 2017	Purchases / Right Issue(R) during the period	Bonus issue during the period	Sales during the period	As at September 30, 2017	Cost	Market value	(Diminution) / Appreciation	As a percentage of total investments	
(Rupees in '000)										
Automobile Assembler										
Honda Atlas Cars(Pakistan) Limited	1,600	-	-	1,600	-	-	-	-	0.00%	0.00%
Automobile Parts & Accessories										
Agniauto Industries Limited	37,000	-	-	-	37,000	10,001	11,655	1,654	1.33%	0.59%
					37,000	10,001	11,655	1,654		0.13
Chemicals										
ICI Pakistan	12,000	-	-	-	12,000	5,071	10,963	5,893	1.25%	0.56%
					12,000	5,071	10,963	5,893		0.01
Fertilizer										
Dawood Hercules Corporation	149,200	-	-	-	149,200	19,461	18,405	(1,055)	2.09%	0.94%
Fatima Fertilizer Company - Related Party	46,000	-	-	46,000	-	-	-	-	0.00%	0.00%
					149,200	19,461	18,405	(1,055)		0.03
Food & Personal Care Products										
Engro Foods Limited	700	-	-	-	700	114	67	(48)	0.01%	0.00%
					700	114	67	(48)		-
Leather & Tanneries										
Service Industries	3,050	-	-	-	3,050	3,966	2,782	(1,185)	0.32%	0.14%
					3,050	3,966	2,782	(1,185)		0.03
Miscellaneous										
Shifa International Hospitals	111	-	-	-	111	31	28	(3)	0.00%	0.00%
					111	31	28	(3)		-
Oil & Gas Exploration Companies										
Mari Petroleum Company	21,800	-	-	-	21,800	17,377	32,809	15,432	3.73%	1.67%
Oil & Gas Development Co Ltd***	242,400	-	-	-	242,400	34,530	36,030	1,500	4.10%	1.83%
Pakistan Oilfields Limited	43,500	-	-	-	43,500	14,471	23,144	8,673	2.63%	1.18%
Pakistan Petroleum Ltd***	83,100	-	-	-	83,100	13,335	14,517	1,182	1.65%	0.74%
					390,800	79,714	106,500	26,786		-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

Oil And Gas Marketing Companies Attock Petroleum Limited	200	-	-	200	107	125	18	0.01%	-
	200			200	107	125	18		
Paper And Board Packages Limited - Related Party	350	-	-	350	245	202	(43)	0.01%	-
	350			350	245	202	(43)		
Pharmaceutical IBL Healthcare Limited Searle Company	4,485 155	- -	- -	4,485 155	432 49	553 63	121 14	0.03% 0.00%	0.01 -
	4,640			4,640	481	616	135		
Power Generation & Distribution Hub Power Company Ltd****	270,744	-	-	270,744	31,421	30,272	(1,149)	1.54%	0.02
	270,744			270,744	31,421	30,272	(1,149)		
Technology & Communications Netsol Technologies	57,500	-	-	57,500	3,460	3,795	335	0.19%	0.06
	57,500			57,500	3,460	3,795	335		
Textile Composite Kohinoor Textile Mills Ltd Kohinoor Textile Mills Ltd(R)	27,500 -	- 1,650	- -	27,500 1,650	2,185 -	2,433 37	249 37	0.12% 0.00%	0.01
	29,150			29,150	2,185	2,470	286		

Total as at September 30, 2017

955,445 156,258 187,881 31,623

Total as at June 30, 2017

158,757 196,421 37,664

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

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

*** These include shares with market value of Rs.49.73 million (June 30, 2017: Rs.158.513 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

		(Unaudited) September 30, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
6. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	6.1	7,622	7,622
Federal Exercise Duty and related taxes payable on management fee	6.2	5,910	5,910
Federal Excise Duty and related taxes payable on sales load		1,136	1,136
Sale Load Payable MCB Bank Limited		56	1
Charity / donation payable		666	626
Auditors' remuneration		606	470
Zakat payable		14	12
Withholding tax payable		32	546
Brokerage payable		1,052	1,600
Other payables		538	425
		<u>17,632</u>	<u>18,348</u>

6.1 Provision for Workers' Welfare Fund

The Finance Act, 2008 had 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 (CISs) / mutual funds 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. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the 'very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SECP.

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP had recommended the following to all its members on January 12, 2017:

- i. "based on legal opinion, the entire provision against WWF held by the CISs till June 30 2015, to be reversed on January 12, 2017; and
- ii. as a matter of abundant caution provision in respect of SWWF is being made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e., starting from May 21, 2015).

Accordingly, on January 12, 2017 the provision for WWF was reversed and the provision for SWWF was made for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange Limited on January 12, 2017. The SECP vide its letter dated February 1, 2017 had advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, necessary adjustments in this respect were recorded in the books of the Funds on January 12, 2017.

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re.0.27 per unit (2017: 0.37 per unit).

6.2 Federal excise duty on Remuneration of Management Company

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

On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 5.910 million (2016: Rs 5.910 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Re 0.25 per unit (2017: Re 0.29 per unit).

7. CONTINGENCIES AND COMMITMENTS

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

8 TAXATION

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders.

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

9 EARNINGS PER UNIT

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

10 TOTAL EXPENSE RATIO

"The Total Expense Ratio (TER) of the Fund as at September 30, 2017 is 0.88% which includes 0.10% representing government levies on the Fund such as sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Asset Allocation.

11 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

11.1 Unit Holders' Fund

For the quarter ended September 30, 2017

	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017
	Units									
	(Rupees in '000)									
Associated										
D.G Khan Cement Company Limited - Employees Provident Fund Trust	111,065	-	-	-	111,065	8,109	-	-	-	7,706
Adamjee Life Assurance Company Limited - (IMF)	2,070,914	-	-	-	2,070,914	151,205	-	-	-	143,680
Nishat Power Limited Employees Provident Fund Trust	2,919	-	-	-	2,919	213	-	-	-	203
Key management personnel	42,626	6,562	-	7,162	42,026	3,107	470	-	506	2,916
Mandate under Discretionary Portfolio Services	1,186,526	168,123	-	86,861	1,267,788	86,632	12,200	-	6,284	87,959

For the quarter ended September 30, 2016

	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 30, 2016
	Units									
	(Rupees in '000)									
Associated										
D.G Khan Cement Company Limited - Employees Provident Fund Trust	99,937	-	-	-	99,937	6,348	-	-	-	6,804
Key management personnel	51,643	-	-	6,182.00	45,461	2,524	-	-	414	3,095

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

11.2 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

	Quarter Ended September 30,	
	2017	2016
	--- (Rupees in '000) ---	
Transactions during the period:		
MCB Arif Habib Savings and Investments Limited - Management Company		
Remuneration of management company including indirect taxes	9,466	5,238
Expenses allocated by Management Company and related sales tax	473	268
Shariah advisory fee	225	230
Marketing and selling expense	1,675	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	758	535
CDC Settlement charges	140	43
Group / Associated Companies		
MCB Bank Limited		
Bank charges	10	4
Arif Habib Limited *		
Brokerage expense	64	96
Next Capital Limited *		
Brokerage expense	6	91
Pakgen Power Limited		
Dividend income	-	723
Lalpir Power Limited		
Dividend income	-	303

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	(Unaudited) September 30, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
11.3 Amounts outstanding as at period / year end:		
MCB Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable	3,060	2,478
Sales tax on management fee	398	322
Expenses payable to Management Company	291	123
Marketing and selling expenses	3,268	1,593
Sales load payable	410	754
Sale tax payable on sale load	53	98
Back end load payable	74	
Shariah advisory fee	150	75
	(Unaudited) September 30, 2017	(Audited) June 30, 2017
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
Central Depository Company of Pakistan Limited - Trustee		
Remuneration and related sales tax payable	266	233
Security deposit	9	200
Group / Associated Companies		
MCB Bank Limited		
Balance with bank	9,552	50,442
Sales load payable	56	1
Arif Habib Limited *		
Brokerage payable	63	95
Next Capital Limited *		
Brokerage payable	-	182
D.G. Khan Cement		
Shares held: 57,000 shares (2017: Nil shares)	8,371	-
Packages Limited		
Shares held: 350 shares (2017: Nil shares)	202	-
Nishat Mills Limited		
Shares held: 338,900 shares (2017: 103,900 shares)	49,174	16,487
Mughal Iron & Steel		
Shares held: 101,500 shares (2017: Nil shares)	5,808	
Sui Northern Gas Limited		
Shares held: 347,000 shares (2017: Nil shares)	46,449	

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

12 GENERAL

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

13 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 20th October, 2017 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

MCB-Arif Habib Savings and Investments Limited

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