



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 Income Fund
(Formerly MCB Islamic Income Fund)

CONTENTS

Fund's Information	316
Report of the Directors of the Management Company	317
Condensed Interim Statement of Assets and Liabilities	322
Condensed Interim Income Statement (Un-audited)	323
Condensed Interim Statement of Comprehensive Income (Un-audited)	324
Condensed Interim Statement of Movement in Unit Holder's Funds (Un-audited)	325
Condensed Interim Cash Flow Statement (Un-audited)	326
Notes to and forming part of the Condensed Interim Financial Statements (Unaudited)	327
	328
	329
	330

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-74400.	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Meezan Bank Limited Dubai Islamic Bank Pakistan Limited Askari Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Bank Islami Pakistan Limited Habib Bank Limited Al-Baraka Bank Limited Allied Bank Limited	
Auditors	A.F Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A.,Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange,Karachi.	
Rating	AM2++Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Alhamra Islamic Income Fund's** (Formerly MCB Islamic Income 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.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.07% as against its benchmark return of 2.35%, registering an outperformance of 1.72% during the period.

During the period, the fund had been decreasing its exposure in GoP Ijarah Sukuk, which stood at around 0.1% as compared to 27.4% at June 30, 2017. The fund was 6.3% invested in Certificate of Musharakah while most of the remaining exposure was in cash and bank deposits at relatively attractive rates.

The Net Assets of the Fund as at September 30, 2017 stood at Rs. 2,684 million as compared to Rs.1,981 million as at June 30, 2017 registering an increase of 35.49%.

The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs. 101.1135 as compared to opening NAV of Rs. 101.0756 per unit as at June 30, 2017 registering an increase of Rs.0.0379 per unit.

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.

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

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 پاکستان انکم 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 اکاؤنٹس سکور کارڈ میں صورتحال مختلف معاشی علامات کی بنیاد پر ملتی جلی رہی۔ LSM نے توقعات سے زیادہ یعنی 13% YoY کے ساتھ فروغ پایا جس میں بنیادی کردار اسٹیل، آٹو اور غذائی ایشیا 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 اوسطاً 3.4% YoY پر رہا جسے تیل کی قیمت میں کمی اور غذائی ایشیا کی مستحکم قیمتوں سے سہارا ملا۔ ہمیں امید ہے کہ آگے افراتر زمر 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 افراتر زمر 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 بجانی 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 ڈیفیسٹ 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 کمی ہوئی۔

فیکل اکاؤنٹس جو کہ پرسکون طور پر چل رہا تھا خطرے میں نظر آیا۔ FY17 میں فیکل ڈیفیسٹ 1.8 ٹریلین روپے پر ریکارڈ کیا گیا اور صوبائی سطح پر آنے والے ایکشن 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 اکاؤنٹس 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 تخفظات کا اظہار بیرونی اکاؤنٹس پر کیا کیونکہ مالیاتی خسارہ وسعت اختیار کر گیا تھا۔

ڈائریکٹر ز رپورٹ
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع مقررہ معیار %6.00 کے مقابلے میں %4.66 تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری 17 فیصد TFCs میں، 41.9 فیصد نقد میں، 14.5 فیصد TDRs میں اور %4.1 ٹی بلز میں تھی۔ فنڈ کی weighted اوسط میچورٹی اختتام مدت پر مالی مرحلے کے مطابق بدستور وہی رہی جو پہلے تھی۔

30 ستمبر 2017ء کو فنڈ کے net اثاثہ جات کی مالیت 1,550 ملین روپے تھی، جو 30 جون 2017ء پر 1,722 ملین روپے مالیت کے مقابلے میں %10 کم ہے۔

30 ستمبر 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 54.3939 روپے تھی، جو 30 جون 2017ء پر 53.7626 روپے فی یونٹ قدر کے مقابلے میں 0.6313 روپے فی یونٹ زیادہ 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 پروضع 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 پُرکشش سطح پر ہیں اور جلد یا بدیر شیراز کی قیمتوں میں بہتری آسکتی ہے۔ خدشات کے پریہیم (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 میڈیم 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۔

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

ڈائریکٹرز رپورٹ
برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

اظہارِ تشکر

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

برائے اور مین جانب بورڈ



صدر اے۔ حبیب
ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
20 اکتوبر 2017ء

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT SEPTEMBER 30, 2017**

	Note	(Unaudited) 30 September 2017	(Audited) 30 June 2017
----- (Rupees in '000) -----			
Assets			
Balances with banks	4	1,769,008	971,901
Investments	6	912,900	1,067,558
Income and profit receivable		19,506	12,942
Deposit and prepayments		562	252
Total assets		<u>2,701,977</u>	<u>2,052,653</u>
Liabilities			
Payable to Management Company		1,946	1,098
Payable to Central Depository Company of Pakistan Limited - Trustee		270	184
Payable to Securities and Exchange Commission of Pakistan - annual fee		429	779
Advance against issuance of units			54,583
Accrued expenses and other liabilities	7	14,992	14,869
Total liabilities		<u>17,637</u>	<u>71,513</u>
Net assets		<u>2,684,339</u>	1,981,140
Unit holders' fund		<u>2,684,339</u>	<u>1,981,140</u>
Contingencies and commitments	11		
(Number of units)			
Number of units in issue		<u>26,287,796</u>	<u>19,600,586</u>
(Rupees)			
Net assets value per unit		<u>102.1135</u>	<u>101.0756</u>

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

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



Chief Executive Officer



Chief Financial Officer



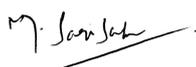
Director

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

	September 30 2017	September 30 2016
	----- (Rupees in '000) -----	
Income		
Capital Gain on sale of investment - net	(3,200)	59
Income from government securities	4,976	6,058
Income from unlisted debt securities - term finance certificates	6,754	1,983
Profit on bank deposits	21,217	5,292
Back end load	-	2
Net element of Income included in prices of units issued less those in units redeemed.	-	80
Net unrealised appreciation / (diminution) in fair value of investments classified as 'at fair value through profit or loss'	913	1,128
Total income	30,660	14,602
Expenses		
Remuneration of Management Company	3,278	1,452
Sales tax and federal excise duty on remuneration of Management Company	426	189
Remuneration of Central Depository Company of Pakistan Limited - Trustee	700	429
Sindh Sales tax on remuneration of trustee	91	56
Annual fee - Securities and Exchange Commission of Pakistan	429	190
Auditors' remuneration	175	163
Settlement and bank charges	122	63
Fees and subscription	83	83
Shariah advisory fee	225	225
Allocated expenses	646	287
Legal and professional charges	54	15
Printing and related charges	48	48
Total expenses	6,278	3,198
units redeemed:	24,382	11,404
Provision for workers' welfare fund (Net)	7.2 (488)	-
Net income for the period before taxation	23,894	11,404
Taxation	9 -	-
Net income for the period after taxation	23,894	11,404
	Sep 30, 2017	
Allocation of Net income for the period:		
Income already paid on units redeemed	(4,594)	
Accounting income available for distribution carried to distribution account:		
-Relating to capital gains	(1,847)	
-Excluding capital gains	21,147	
Accounting Income available for Distribution		19,300

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

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



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	September 30	September 30
	2017	2016
	----- (Rupees in '000) -----	
Net income for the period after taxation	23,894	11,404
Other comprehensive income		
Items that may be reclassified subsequently to income statement		
Net unrealised (diminution) on re-measurement of investments classified as 'available-for-sale'	-	90
Total comprehensive income for the period	23,894	11,494

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

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



Chief Executive Officer



Chief Financial Officer



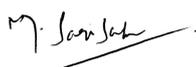
Director

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

	September 30 2017	September 30 2016
	----- (Rupees in '000) -----	
Net assets at the beginning of the period	1,981,140	968,105
Issue of 24,014,094 units (2016: 1,795,582 units)	2,430,733	181,620
Redemption of 17,326,885 units (2016: 1,347,251 units)	(1,751,428)	(136,407)
	679,305	45,213
Accounting income for the period	19,300	11,323
Income already paid on units redeemed	4,594	-
Net unrealised appreciation on re-measurement on investments classified as available for sale	-	90
Net assets as at the end of the period	2,684,339	1,024,731
Net Assets value per unit as at beginning of the period	101.0756	100.6677
Net Assets value per unit as at end of the period	102.1135	101.8097
Distribution during for the period:		
Undistributed income brought forward comprises of:		
- Realised Gain	9,278	12,157
- Unrealised Gain	12,325	(5,329)
	21,603	6,828
Accounting income available for distribution:		
-Relating to capital gains	(1,847)	
-Excluding capital gains	21,147	
	19,300	11,703
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	-	299
Distributions during the period	-	-
Undistributed income carried forward	40,903	18,531
Undistributed income carried forward comprises of:		
- Realised Gain	39,990	17,403
- Unrealised Gain	913	1,128
	40,903	18,531

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

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



Chief Executive Officer



Chief Financial Officer



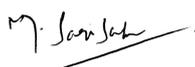
Director

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

	September 30 2017	September 30 2016
	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	23,894	11,404
Adjustments for non-cash charges and other items:		
Net unrealised (appreciation) / diminution in fair value of investments classified as 'at fair value through profit or loss'	(913)	(1,128)
Amortisation of preliminary expenses and floatation costs		
Net element of (income) included in prices of units issued less those in units redeemed.	-	(80)
	22,981	10,196
Decrease / (increase) in assets		
Investments	155,570	13,422
Income and profit receivable	(6,564)	(3,567)
Deposit and prepayments	(310)	28
	148,696	9,883
Decrease / (increase) in liabilities		
Payable to Management Company	847	54
Payable to the Central Depository Company of Pakistan Limited - Trustee	86	8
Payable to Securities and Exchange Commission of Pakistan - Annual fee	(350)	(647)
Advance against issuance of units	(54,583)	
Accrued expenses and other liabilities	123	3,231
	(53,877)	2,646
Net cash generated / (used in) from operating activities	117,801	22,724
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	2,430,733	181,620
Payments on redemption of units	(1,751,428)	(136,407)
Net cash generated from financing activities	679,305	45,213
Net increase / decrease in cash and cash equivalents during the period	797,106	67,937
Cash and cash equivalents at beginning of the period	971,901	270,361
Cash and cash equivalents at end of the period	1,769,007	338,298

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

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 FOR THE QUARTER ENDED SEPTEMBER 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

Alhamra Islamic Income Fund (formerly MCB Islamic Income Fund) (the Fund) was established under a trust deed executed between MCB Asset Management Company Limited (which merged with and into Arif Habib Investments Limited with effect from June 27, 2011) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. Pursuant to the merger of MCB-Asset Management Company Limited 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 Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 25, 2011 and was executed on March 7, 2011. According to the Trust Deed, the first accounting period of the Fund commenced from May 1, 2011 i.e. the date on which the trust property was first paid or transferred to the Trustee. The SECP has approved Supplemental Trust Deed, under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), vide its letter No. SCD/AMCW/MCBAHSIL/MCBIIF/396/2017 dated January 25, 2017 to modify and restate the previous Trust Deed to effectuate renaming of the Fund to Alhamra Islamic Income Fund.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off. Shaheed-e-Millat Expressway, near KPT interchange, Karachi, Pakistan.

The Fund is an open-end collective investment scheme categorised as a "Shariah Compliant (Islamic) Income" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. It offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The objective of the Fund is to seek to generate superior risk adjusted returns by investing in short, medium and long term high quality Shariah Compliant fixed income instruments.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned Management quality rating of AM2++ dated June 23, 2017 to the Management Company and AA-(f) as stability rating dated July 12, 2017 to the Fund.

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

2. BASIS OF PREPARATION

- 2.1 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.
- 2.2 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.
- 2.3 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.
- 2.4 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.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

2.5 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.

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.

5. BALANCES WITH BANKS

(Unaudited)	(Audited)
30 September	30 June
2017	2017
------(Rupees in '000)-----	

Balances with bank

- Current account

- Savings account

22,064	19,599
1,746,944	952,302
1,769,008	971,901

6 INVESTMENTS

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

Government securities

7.1

3,500	548,651
-------	---------

Unlisted debt securities - term finance certificates

7.2

439,400	298,907
---------	---------

442,900	847,558
---------	---------

'At fair value through profit or loss' - available for sale

Government securities

7.3

-	-
	847,558

Loans and receivables

Certificates of modaraba

7.4

470,000	100,000
---------	---------

Certificates of musharika

	120,000
912,900	1,067,558

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

6.1 Government securities - Government of Pakistan Ijara Sukuk Held for Trading

Issue date	Profit rate (%)	Tenor	Face value		Balance as at 30 September 2017		Market value as a percentage of net assets	Market value as a percentage of total investments
			Purchased during the period	Disposed / matured during the period	Carrying value	Market value		
Government of Pakistan Ijara Sukuk 30 June 2017	5.24%	3 years	545,000	541,500	3,521	3,500	0.13	0.38
30 September 2017					3,521	3,500		
30 June 2017					545,000	548,651		3,651

6.2 Unlisted debt securities - term finance certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise

Issue date	Profit rate (%)	Number of Certificates		Balance as at 30 September 2017		Market value as a percentage of net assets	Market value as a percentage of total investments
		Purchased during the period	Disposed / matured during the period	Carrying value	Market value		
Engro Fertilizers Limited	7.89%	-	-	23,600	85,624	3.19	9.37
Meezan Bank Limited	6.65%	-	-	100	92,583	3.49	10.25
Ghani Gases Limited	7.15%	-	-	1,000	104,259	3.89	11.43
Dubai Islamic Bank Pakistan Limited	6.64%	156	-	156	156,000	5.81	17.09
30 September 2017					438,466	439,400	934
30 June 2017					295,663	298,907	3,244

6.3 Term Deposit Receipts - Loans and receivables

Name of Financial institution	Profit / mark-up rate %	Maturity date	Value as a percentage of net assets	
			Carrying value as at September 30, 2017	Value as a percentage of net investments
Orix Modarba	6.30%	December 14, 2017	120,000	4.47
Orix Modarba	6.30%	January 10, 2017	50,000	1.86
Dubai Islamic Bank Pakistan Limited	6.00%	March 30, 2018	100,000	3.73
MCB Islamic Bank TDR (Related Party)	5.80%	January 22, 2018	200,000	7.45
Total as at September 30, 2017			470,000	
Total as at June 30, 2017			220,000	

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

7 ACCRUED EXPENSES AND OTHER LIABILITIES		(Unaudited) 30 September 2017	(Audited) 30 June 2017
Federal excise duty payable and other related taxes on management fee	7.1	8,639	8,639
Federal excise duty payable and other related taxes on sales load	7.1	3,028	3,028
Provision against Sindh Workers' Welfare Fund	7.2	2,411	1,924
Sales load payable to MCB Bank Limited - related party		37	22
Auditors' remuneration		148	446
Printing charges payable		162	114
Capital gain tax payable		123	395
Brokerage payable		65	-
Other liabilities		379	301
		14,992	14,869

- 7.1** 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 11.67 million (2016: Rs 11.67 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 0.4438 per unit (2017: Re 0.5952 per unit).

- 7.2** 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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

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.

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.0.09 per unit (2017: 0.0982 per unit).

8 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at September 30, 2017 is 0.3% which includes 0.07% representing government levies on the Fund such as sales taxes, annual fee to the SECP, etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

9 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.

10 EARNINGS PER UNIT

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

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

11 CONTINGENCIES AND COMMITMENTS

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

12 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

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

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

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

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

12.1 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										
Adanjee Life Assurance Company Limited (Amanat Fund)	119,318	324,965	-	211,045	233,238	12,060	33,000	-	21,362	23,817
Alhamra Islamic Active Allocation Fund (Plan I)	6,151,984	3,947,931	-	5,525,749	4,574,166	621,816	400,000	-	560,000	467,084
Alhamra Islamic Active Allocation Fund (Plan II)	495,648	8,789,590	-	2,560,537	6,724,702	50,098	893,500	-	260,000	686,683
Directors and executives of the Management Company	88,426	107,261	-	45,612	150,076	8,938	10,893	-	4,618	15,325
Mandate under Discretionary portfolio	661,137	197,261	-	174,700	683,698	66,825	19,974	-	17,684	69,815
Associated										
Adanjee Life Assurance Company Limited (Amanat Fund)	883,989	400,006	-	59,021	1,224,974	88,989	40,500	-	22,000	124,714
Directors and executives of the Management Company	42,682	56,526	-	33,357	65,851	4,297	5,585	-	3,382	6,704

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
Associated										
Adanjee Life Assurance Company Limited (Amanat Fund)	883,989	400,006	-	59,021	1,224,974	88,989	40,500	-	22,000	124,714
Directors and executives of the Management Company	42,682	56,526	-	33,357	65,851	4,297	5,585	-	3,382	6,704

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

12.2 Details of the transactions with connected persons / related parties are as follows:

	September 30 2017	September 30 2016
----- (Rupees in '000) -----		
MCB-Arif Habib Savings and Investments limited - Management Company		
Remuneration (including indirect taxes)	3,704	1,640
Allocated expenses (including indirect taxes)	646	287
Shariah advisory fee	225	225
MCB Bank Limited		
Profit on bank deposits	21	13
Bank Charges	10	13
Sale of Securities Face Value (2016:50,000,000) quarter ended respectively	-	50,724
Central Depository Company of Pakistan Limited - Trustee		
Remuneration (including indirect taxes)	791	485

12.3 Amounts outstanding as at period / year end:

	(Unaudited) 30 September 2017	(Audited) June 30 2017
----- (Rupees in '000) -----		
MCB Bank Limited		
Balance with bank	20,868	6,838
Sales load payable to MCB Bank Limited	37	22
MCB-Arif Habib Savings and Investments limited - Management Company		
Management fee payable	1,194	784
Sindh sales tax payable on management fee	155	102
Front-end load payable	63	22
Sindh sales tax payable on front end load	8	3
Allocated expenses payable	376	112
Shariah Advisory fee payable	150	75
Central Depository Company of Pakistan Limited-Trustee		
Remuneration payable	239	163
Sindh sales tax payable on trustee fee	31	21
Security deposit	100	100

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED SEPTEMBER 30, 2017

13. GENERAL

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation. No significant reclassifications have been made during the current period.

14. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue by the Board of Directors of the Management Company on 20th October, 2017.

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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URL: www.mcbah.com, Email: info@mcbah.com