



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY FACRA

HALF YEAR REPORT

DECEMBER
2018
(UNAUDITED)

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

Alhamra Islamic Income Fund

TABLE OF CONTENTS

1	Fund's Information	341
2	Report of the Directors of the Management Company	342
3	Trustee Report to the Unit Holders	347
4	Independent Auditor's Report to the Unit Holders	348
5	Condensed Interim Statement of Assets And Liabilities	349
6	Condensed Interim Income Statement (Un-audited)	350
7	Condensed Interim Statement of Comprehensive Income (Un-audited)	351
8	Condensed Interim Statement of Movement in Unit Holder's Funds (Un-audited)	352
9	Condensed Interim Cash Flow Statement (Un-audited)	353
10	Notes to and forming part of the Condensed Interim Financial Statements (Un-audited)	354

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 Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman 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 Operating Officer & Company Secretary	Mr. Muhammad Asif Mehdi Rizvi	
Chief Financial Officer	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 Silk Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Habib Bank Limited National Bank of Pakistan Meezan Bank Limited Askari Bank Limited Al-Baraka Bank Pakistan Limited Dubai Islamic Bank Pakistan Limited Bank Islami Pakistan Limited MCB Islamic Bank Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
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 DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Dear Investor,

On behalf of the Board of Directors, we are pleased to present Alhamra Islamic Income Fund's Half Yearly Report for the period ended December 31, 2018.

MARKET & ECONOMIC REVIEW

Economy and Money Market Review

FY19 started off with a positive note as smooth completion of election process resulted in a sigh of relief for the market participants. The new regime inherited many economic challenges particularly on the external front. To cope with the underlying challenges, major policy actions (currency depreciation of 15% along with interest rate hike of 250 bps) were taken to address the imbalances. Furthermore, major success came through diplomatically engaging with the friendly allies. As a result, Pakistan secured BOP support package from Saudi Arabia, UAE and China amounting to USD 14 billion while Saudi Arabia & UAE committed foreign direct investment of USD 20-30 billion.

Average CPI for the first half of current fiscal year clocked in at 6.0%. Nevertheless, it is expected to jack up during the second half, owing to a low base effect and lagged impact of currency adjustments. Furthermore, government is yet to adjust electricity prices as the gap between base tariff and actual cost of generation has widened significantly. We expect CPI to average 8.5% for the 2HFY19 after accounting for electricity adjustments.

Current Account Deficit for the first six months clocked in at ~USD 8 billion which is an improvement of 4.4% from same period last year. CAD was well supported by remittances growth of 10%. However, the improvement in the external position was masked by the higher oil prices and payments for the previous periods reflected in current accounts. The non-oil imports have shown encouraging trend, declining by ~5% over the previous year. Reflecting the elevated oil prices and limited financial flows, reserves declined by ~USD 2.7 bn during the period leading to rupee depreciation of ~13.7%.

The focus of government to stabilize aggregate demand has taken its toll on large scale manufacturing which posted a decline of 0.9% YoY in the first five months of FY19. The decline has been led by reduction in production of oil products followed by slow down in autos, pharmaceuticals, consumer products. LSM growth is reflecting the overall slowdown in economy as envisaged by the steps taken by authorities to control the external imbalances.

The yield curve showed an upward trajectory during the half year as market players continued to expect further monetary tightening. During the first 6 months, State Bank of Pakistan increased the policy rate by 350 bps in line with the expectations of most of the market. Most of PIB auctions during the period under review were rejected by State Bank of Pakistan due to thin volume and participation at higher levels. The 3 year, 5 year and 10 year PIB were accepted in the PIB auction held in December' 18 at 12.25%, 12.70% and 13.15% respectively. Two Floater rate PIB auction were conducted during 1HFY19. The first was accepted at a benchmark rate +70 bps. The second was rejected due to higher level of participation. Concerns over external front kept market participants at bay from longer tenor Treasury instruments with persistence towards accumulation in papers having maturity below or equal to 3 months.

Liquidity remained comfortable throughout the period owing to regular OMOs conducted by SBP. During the second quarter, 117.7 billion worth of floater rate GOP Ijara Sukuk matured. No fresh GOP Ijara Sukuk were issued whereas SBP conducted auction of Bai Muajjal in which 72.55 billion was accepted out of total participation of 76.55.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.70% as against its benchmark return of 2.86%, registering an outperformance of 3.84% during the period.

During the period, the fund had decreasing its exposure in Sukuks, which stood at around 18.6% as compared to 25% at June 30, 2018. The fund was 17.9% invested in Shariah Compliant Commercial Paper while most of the remaining exposure was in cash and Shariah Compliant Term Deposit Receipts at relatively attractive rates.

The Net Assets of the Fund as at December 31, 2018 stood at Rs. 3,226 million as compared to Rs. 2,715 million as at June 30, 2018 registering an increase of 18.82%.

The Net Asset Value (NAV) per unit as at December 31, 2018 was Rs. 104.5447 as compared to opening NAV of Rs. 106.0918 per unit as at June 30, 2018 registering a decrease of Rs.1.5471 per unit.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2018

MARKET & ECONOMY - FUTURE OUTLOOK

The government has managed to arrange adequate financial flows for the next half year supported by deferred payment facilities, loans and deposits from friendly nations. However, the external account balance needs to improve further to reach sustainable levels for future funding of deficits. The exports are expected to show an improved trend supported by lagged impacts of currency depreciation, tax refunds to exporters, better energy supplies and energy price parity with regional peers. Imports are expected to slow down in second half of the year as effects of the one-off adjustments and oil prices neutralize along with impact of currency depreciation becomes further visible. Current account deficit for FY19 is expected to be ~USD 13 bn with CAD for next half year to slow down to ~USD 5 bn compared with first half of ~USD 8 bn. Subsequently, we expect normalize PKR/USD adjustment of around 5% in next half given the REER is close to its fundamental value.

The government has announced to approach the IMF for an economic program for balance of payments support. IMF program would lead to better policy management relative to dealing with the structural issues in the economy along with responsible fiscal management. Besides, entrance into IMF program would allow Pakistan to secure financial flows from other multilateral agencies which would allow better external account management.

Inflationary pressures are expected to become more visible in second half of the year as lagged impacts of currency depreciation, gas price increase and electricity price adjustments are incorporated. However, most of the monetary tightening has been done to reflect the upcoming inflationary pressures and room for further tightening would remain in the range of 50 bps.

For the remaining year, the economic growth is expected to remain on a slower trajectory as currency adjustments and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy will provide a respite to the economic managers during this critical juncture. We share the optimism on better governance & long term prospects for economic revival amid more focused and sincere efforts to address chronic issues on economic front by the new government; however, the path is likely to be tough and with a number of potentially unpopular policy steps.

We believe equity markets preempted the economic conditions and as such it is important to consider whether all the economic developments are priced in or not. Therefore, overall valuations and fundamentals of universe companies do play an important role. The overall strategy should tilt towards defensive sectors (E&Ps, Power, Fertilizers) while sector which will benefit from changing dynamics on macro front such as rising interest rates (Commercial Banks) should be overweight. In addition to that, government's strong focus on reviving exports should provide a boost to the outlook of export oriented sectors such as Textiles & IT. Despite being negative on cyclical sectors, we believe there will be distressed assets and quality companies which should be looked into as they have a tendency to provide abnormal returns.

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
February 18, 2019



Nasim Beg
Vice Chairman / Director

ڈائریکٹر رپورٹ
برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

کلاں معاشیات کے میدان میں تبدیل ہوتے ہوئے محرکات مثلاً انٹریسٹ کی شرحوں میں اضافے سے مستفید ہوں گے (کمرشل بینک) ان کا وزن زیادہ ہونا چاہیے۔ علاوہ ازیں، برآمدات کی بحالی پر حکومت کی بھرپور توجہ کی بدولت برآمداتی شعبوں مثلاً ٹیکسٹائل اور IT کے لیے مستقبل کے امکانات روشن ہوں گے۔ گردش شعبوں کے حوالے سے منفی سوچ کے باوجود ہم سمجھتے ہیں کہ کچھ اثاثہ جاتی اور quality کمپنیاں مشکلات سے دو چار ہوں گی جن پر توجہ دی جانی چاہیے کیونکہ یہ غیر معمولی منافع کی صلاحیت رکھتی ہیں۔

اظہار تشکر

بورڈ فنڈ کے قابل قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، اور فنڈ کے ٹرسٹیز کی مسلسل پشت پناہی اور تعاون کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹر مینجمنٹ ٹیم کی کاوشوں کو بھی سراہتے ہیں۔
من جانب ڈائریکٹرز،



نسیم بیگ
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
18 فروری، 2019ء

پاکستان نے Bai Muajjal کی نیلامی منعقد کی جس میں 76.55 بلین کی کل شرکت میں سے 72.55 بلین قبول کیے گئے۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 6.70% تھا، جو 2.86% منافع کے مقابلے میں 3.84% بہتر کارکردگی تھی۔ دوران مدت فنڈ کی سسٹمک میں سرمایہ کاری کو کم کر کے 18.6% کر دیا گیا جو 30 جون 2018ء کو 25% تھی۔ فنڈ کی 17.9% سرمایہ کاری شریعہ کمپلائنسٹ کمرشل پیپر میں، جبکہ بقیہ کے اکثر حصے کی سرمایہ کاری نقد اور شریعہ کمپلائنسٹ ٹرم ڈپازٹ Receipts میں نسبتاً پُرکشش شرحوں پر تھی۔ 31 دسمبر 2018ء کو فنڈ کے net اثاثہ جات 3,226 ملین روپے تھے، جو 30 جون 2018ء کی سطح 2,715 ملین روپے کے مقابلے میں 18.82% اضافہ ہے۔

31 دسمبر 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 104.5447 روپے تھی، جو 30 جون 2018ء کو 106.0918 روپے فی یونٹ ابتدائی NAV کے مقابلے میں 1.5471 روپے فی یونٹ کمی ہے۔

بازار اور معیشت - مستقبل کا منظر

حکومت اگلی ششماہی کے لیے خاطر خواہ مالیاتی فراہمی کا انتظام کر پائی ہے جس کی معاونت دوست ممالک کی طرف سے تاخیر سے ادائیگی کی سہولیات، قرضوں اور deposits سے ہوتی ہے۔ تاہم کارجی اکاؤنٹ کے توازن میں مزید بہتری درکار ہے تاکہ مستقبل میں مالیات کی فراہمی اور خساروں کی قابل بقاء سطحوں تک رسائی ہو سکے۔ برآمدات میں بہتری کا رجحان متوقع ہے جس کی معاونت روپے کی قدر میں کمی، برآمد کاروں کو ٹیکس کی واپسی، توانائی کی بہتر فراہمیوں اور توانائی کی قیمتوں میں علاقائی فریقوں سے مساوات کے سبب اثر سے ہوگی۔ درآمدات میں سال کے نصف آخر میں سبب روی متوقع ہے کیونکہ یکبارگی کی پیشیوں اور تیل کی قیمتوں کے اثرات توازن پیدا کریں گے، اور ساتھ ساتھ روپے کی قدر میں کمی کا اثر مزید واضح ہوگا۔ مالی سال 2019ء میں کرنٹ اکاؤنٹ کا متوقع خسارہ 13 بلین ڈالر ہے، اور اگلے نصف سال کے لیے CAD نصف اوّل کے 8 بلین ڈالر کے مقابلے میں سبب روی کا شکار ہو کر 5 بلین ڈالر رہ جائے گا۔ بعد ازاں، اگلے نصف سال میں REER کے بنیادی قدر کے قریب ہونے کی صورت میں پاکستانی روپے / امریکی ڈالر میں تقریباً 5% ایڈجسٹمنٹ متوقع ہے۔

حکومت نے اعلان کیا ہے کہ ادائیگیوں کے توازن میں معاونت کے معاشی پروگرام کے لئے آئی ایم ایف سے رجوع کیا جائے گا۔ آئی ایم ایف پروگرام کی بدولت پالیسی کے انتظام میں بہتری ہوگی جس سے معیشت کی ساخت سے متعلق مسائل سے نمٹا جاسکے گا اور زمرہ دارانہ مالیاتی انتظام ممکن ہو سکے گا۔ علاوہ ازیں، آئی ایم ایف پروگرام میں داخل ہونے سے پاکستان کو دیگر کثیر الجہت ایجنسیوں سے مالیات حاصل کرنے میں مدد ملے گی جس کی بدولت خارجی اکاؤنٹ کا بہتر انتظام ممکن ہو سکے گا۔ افراط زر کے دہائے سال کے نصف آخر میں مزید واضح ہونے کی توقع ہے کیونکہ کرنسی کی قدر میں کمی، گیس کی قیمت میں اضافے اور بجلی کی قیمتوں میں کمی بڑھنے کے سبب اثرات کا احاطہ کیا جائے گا۔ تاہم مالیاتی تنگی کا اکثر حصہ مکمل کیا جا چکا ہے جس میں آنے والے افراط زر کے دہائے کی عکاسی ہوتی ہے، اور مزید تنگی 50 bps کی حد میں رہے گی۔

سال کے باقی حصے میں معاشی ترقی متوقع طور پر نسبتاً سبب روی کا شکار رہے گی کیونکہ کرنسی میں کمی پیشی اور مالیاتی پالیسی میں مزید تنگی صرفی رجحان پر حاوی رہے گی۔ تاہم بجلی کی پہلے سے زیادہ فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس مشکل موڈ پر معاشی منتظمین کو سہولت فراہم ہوگی۔ نئی حکومت معاشی میدان کے دیرینہ مسائل کے حل پر توجہ دینے کی زیادہ مرکوز اور مخلص کاوشیں کر رہی ہے، چنانچہ ہم بہتر حکومت داری اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں؛ تاہم راستہ متوقع طور پر دشوار اور ممکنہ ناپسندیدہ پالیسی اقدامات سے پُر ہوگا۔

ہم سمجھتے ہیں کہ ایکویٹی مارکیٹس نے معاشی حالات کی قبل از وقت حفاظت کی؛ چنانچہ یہ دیکھنا ضروری ہے کہ تمام معاشی ترقیات قیمت شدہ ہیں یا نہیں۔ لہذا مجموعی تخمینہ جات اور عالمگیر کمپنیوں کی بنیاديات اہم کردار ادا کرتی ہیں۔ مجموعی لانچ عمل کا جھکاؤ دفاعی شعبوں کی طرف ہونا چاہیے (E&Ps، بجلی، کھاد)، جبکہ وہ شعبے جو

ڈائریکٹر رپورٹ برائے ششماہی اختتام پذیر 31 دسمبر 2018ء

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے الحمد للہ اسلامک انکم فنڈ کی 31 دسمبر 2018ء کو اختتام پذیر ہونے والی مدت کی ششماہی رپورٹ پیش خدمت ہے۔

بازار اور معیشت کا جائزہ

معیشت اور بازار کا جائزہ

مالی سال 2019ء کا آغاز مثبت فضا سے ہوا کیونکہ انتخابی عمل کی بلار کاوٹ تکمیل کے نتیجے میں مارکیٹ کے فریقوں نے اطمینان کا سانس لیا۔ نئی حکومت کو متعدد معاشی مسائل وراثت میں ملے، خاص طور پر خارجی میدان میں۔ درپیش مشکلات سے نہرو آزماتے ہوئے اہم پالیسی اقدامات کیے گئے (روپے کی قدر میں 15% کمی کے ساتھ ساتھ انٹریسٹ کی شرح میں 250 bps اضافہ) تاکہ عدم توازن سے نمٹا جاسکے۔ مزید برآں، اہم ترین کامیابی دوست اتحادیوں سے سفارتی تعلقات قائم کرنے سے حاصل ہوئی۔ نتیجتاً، پاکستان کو سعودی عرب، متحدہ عرب امارات اور چین سے ادائیگیوں کے توازن میں معاونت کے لیے 14 بلین ڈالر کے ہیکل حاصل ہوئے، جبکہ سعودی عرب اور متحدہ عرب امارات نے 20 سے 30 بلین ڈالر کی براہ راست غیر ملکی سرمایہ کاری کا وعدہ کیا۔

موجودہ مالی سال کی پہلی ششماہی کے لیے CPI کا اوسط 6% تھا۔ لیکن دوسری ششماہی میں پست base effect اور کرنسی میں کمی بیشی کے سبب اثر کے باعث اس اوسط میں اضافہ متوقع ہے۔ مزید برآں، حکومت کی طرف سے بجلی کی قیمتوں میں کمی بیشی ہونا باقی ہے کیونکہ پیداوار کی بنیادی جنگی اور اصل قیمت کے درمیان فاصلے میں اچھا خاصا اضافہ ہو گیا ہے۔ مالی سال 2019ء کی دوسری ششماہی کے لیے CPI کا اوسط بجلی میں کمی بیشی کے اثر کا احاطہ کرنے کے بعد 8.5% متوقع ہے۔

پہلے چھ ماہ میں کرنٹ اکاؤنٹ کا خسارہ 8 بلین ڈالر تھا، جو گزشتہ سال کی مماثل مدت کے مقابلے میں 4.4% بہتری ہے۔ CAD کو ترسیل زر میں 10% اضافے کی بھرپور معاونت حاصل ہوئی۔ تاہم تیل کی بلند قیمتیں اور موجودہ اکاؤنٹس میں سابقہ مدتوں کی ادائیگیوں کی عکاسی خارجی صورتحال میں بہتری کی بھرپور اثر پذیری میں رکاوٹ بنے۔ Non-oil درآمدات میں گزشتہ سال کی نسبت 5% کمی حوصلہ افزا رہا۔ تیل کی بلند قیمتوں اور محدود مالی بہاؤ کی عکاسی کرتے ہوئے دوران مدت ذخائر میں 2.7 بلین ڈالر کمی، اور اس کے نتیجے میں روپے کی قدر میں 13.7% کمی ہوئی۔

مجموعی مانگ کو مستحکم کرنے کی حکومتی توجہ کے نتیجے میں بڑے پیمانے پر ہونے والی مینوفیکچرنگ (LSM) متاثر ہوئی جس میں مالی سال 2019ء کے ابتدائی پانچ ماہ میں YoY 0.9% کمی ہوئی۔ اس کمی کی وجہ تیل کی مصنوعات کی پیداوار میں کمی اور اس کے باعث گاڑیوں، دواسازی اور صارفی مصنوعات میں سبب رومی ہے۔ LSM میں ترقی معیشت میں مجموعی سبب رومی کی عکاسی کر رہی ہے جس کی پیش بینی خارجی عدم توازن پر قابو پانے کے لیے حکام کے اقدامات سے ہوتی ہے۔ دوران ششماہی مالیاتی تنگی میں اضافے کے حوالے سے مارکیٹ کے فریقوں کی توقع برقرار رہی، چنانچہ پیداواری خم بلندی کی طرف مائل ہوا۔ ابتدائی چھ ماہ کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی کی شرح کو بازار کے زیادہ تر حصے کی توقعات کے مطابق بڑھا کر 350 bps کر دیا۔ زیر جائزہ مدت کے دوران پاکستان انویسٹمنٹ بانڈز (PIB) کی اکثر نیلامیوں کو اسٹیٹ بینک آف پاکستان نے کمزور حجم اور بلند سطح پر شرکت کے باعث مسترد کر دیا۔ تین سال، پانچ سال اور دس سال PIB کو دسمبر 2018ء میں ہونے والی نیلامی میں بالترتیب 12.25%، 12.70% اور 13.15% پر قبول کیا گیا۔ مالی سال 2019ء کی پہلی ششماہی کے دوران Two Floater شرح کے PIB کی نیلامیاں منعقد ہوئیں۔ پہلی کوچنگ مارک شرح 70 bps + پر قبول کیا گیا۔ دوسری کو شرکت کی بلند سطح کے باعث مسترد کر دیا گیا۔ خارجی صورتحال پر خدشات کے باعث طویل ترمیم کے ٹریڈری انسٹرومنٹس میں بازار کی شرکت متاثر ہوئی اور 3 ماہ یا اس سے کم مدت کے دستاویزات میں بدستور اضافہ ہوا۔

اسٹیٹ بینک آف پاکستان کے باقاعدگی سے منعقدہ OMOs کی بدولت نقدیت پوری مدت کے دوران سہل سطح پر رہی۔ دوسری سہ ماہی کے دوران 117.7 بلین مالیت کے حکومت پاکستان کے فلوٹر ریٹ اجارہ سلک کی مدت مکمل ہوئی۔ حکومت پاکستان کے تازہ اجارہ سلک کا اجراء نہیں کیا گیا جبکہ اسٹیٹ بینک آف

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office

CDC House, 99-B, Block 'B'
S.M.C.H.S. Main Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
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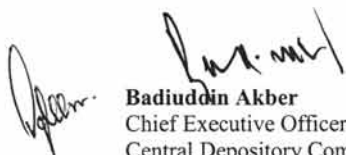
TRUSTEE REPORT TO THE UNIT HOLDERS

ALHAMRA ISLAMIC INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Alhamra Islamic Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2018 in accordance with the provisions of the following:

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



Badiuddin Akber
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: February 20, 2019





Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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**AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF
CONDENSED INTERIM FINANCIAL INFORMATION**

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Alhamra Islamic Income Fund** (the Fund) as at December 31, 2018, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the half year ended December 31, 2018. The Board of the Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement for the quarters ended December 31, 2018 and 2017 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2018.

Scope of Review

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

Conclusion

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


Chartered Accountants

Engagement Partner
Hena Sadiq

Dated: February 20, 2019
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2018

	Note	(Un-audited) December 31, 2018 ----- (Rupees in '000) -----	(Audited) June 30, 2018
ASSETS			
Balance with banks	5	1,701,105	1,981,855
Investments	6	1,521,887	722,449
Profit receivable		27,593	32,048
Advances, deposits and prepayments		489	1,970
Total assets		3,251,074	2,738,323
LIABILITIES			
Payable to the Management Company		3,591	2,420
Payable to the Central Depository Company of Pakistan Limited - Trustee		346	317
Payable to the Securities and Exchange Commission of Pakistan		1,017	2,081
Accrued expenses and other liabilities	7	19,714	18,853
Total liabilities		24,668	23,671
NET ASSETS		3,226,406	2,714,652
Unit holders' fund (as per statement attached)		3,226,406	2,714,652
Contingencies and commitments	8		
(Number of units)			
Number of units in issue		30,861,497	25,587,761
(Rupees)			
NET ASSET VALUE PER UNIT		104.5447	106.0918

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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018

		Half year ended December 31,		Quarter ended December 31,	
		2018	2017	2018	2017
	Note	(Rupees in '000)			
INCOME					
Income from government securities		543	5,467	23	491
Capital (loss) / gain on sale of investments - net		(589)	(1,162)	(586)	2,038
Income from term finance certificates		28,258	19,048	15,469	12,294
Profit on bank deposits		65,360	35,207	33,310	13,990
Income on musharka certificate		274	17,050	-	17,050
Income on commercial paper		8,540	89	396	89
Amortization on commercial papers		11,757	-	11,757	-
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' - net		(3,848)	(1,481)	(2,065)	(2,394)
Total income		110,295	74,218	58,304	43,558
EXPENSES					
Remuneration of the Management Company		11,123	7,584	5,950	4,306
Sindh Sales Tax and Federal Excise Duty on remuneration of the Management Company		1,446	986	773	560
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		1,581	1,522	773	822
Sindh Sales Tax on remuneration of Trustee		206	198	101	107
Securities and Exchange Commission of Pakistan - annual fee		1,017	965	493	536
Allocated expense		1,532	1,453	742	807
Securities transaction cost		23	105	23	44
Provision for Sindh Workers' Welfare Fund	7.1	1,843	1,205	977	717
Settlement and bank charges		108	113	46	52
Fees and subscriptions		198	140	91	9
Legal and professional charges		110	91	55	37
Shariah advisory fee		453	450	225	225
Auditors' remuneration		328	339	183	164
Printing and related costs		24	-	(1)	-
Total expenses		19,992	15,151	10,431	8,386
Net income for the period before taxation		90,303	59,067	47,873	35,172
Taxation	9	-	-	-	-
Net income for the period		90,303	59,067	47,873	35,172
Allocation of net income for the period:					
Net income for the period		90,303		47,873	
Income already paid on units redeemed		(45,955)		(39,931)	
		44,348		7,942	
Accounting income available for distribution					
- Relating to capital gains		-		-	
- Excluding capital gains		44,348		7,942	
		44,348		7,942	
Earnings per unit					

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 COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2018**

	<u>Half year ended December 31,</u>		<u>Quarter ended December 31,</u>	
	2018	2017	2018	2017
	----- (Rupees in '000) -----			
Net income for the period after taxation	90,303	59,067	47,873	35,172
Other comprehensive income for the period				
Unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through other comprehensive income' - net	-	-	-	-
Total comprehensive income for the period	90,303	59,067	47,873	35,172

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 HALF YEAR ENDED DECEMBER 31, 2018

	Half year ended December 31, 2018 (Rupees in '000)			2017
	Capital Value	Undistributed income	Total	Total
Net assets at beginning of the period	2,650,584	64,067	2,714,651	1,981,140
Issue of 41,101,447 units (2017: 36,232,231 units)				
- Capital value (at net asset value per unit at the beginning of the period)	4,156,573	-	4,156,573	3,662,194
- Element of income	79,390	-	79,390	29,224
Total proceeds on issuance of units	4,235,963	-	4,235,963	3,691,418
Redemption of 35,827,711 units (2017: 27,799,473 units)				
- Capital value (at net asset value per unit at the beginning of the period)	(3,623,242)	-	(3,623,242)	2,809,849
- Amount paid out of element of income	(18,343)	(45,955)	(64,298)	23,534
- Relating to 'Net income for the period after taxation'	(3,641,585)	(45,955)	(3,687,540)	2,833,383
Total payments on redemption of units				
Total comprehensive income for the period	-	90,303	90,303	59,067
Final distributions for the year ended June 30, 2018 (including additional units) at the rate of Rs. 4.9622 per unit (Declared on July 04, 2018)	(84,516)	(42,455)	(126,971)	-
Net income / (loss) for the period less distribution	(84,516)	47,848	(36,668)	59,067
Net assets at end of the period	3,160,446	65,960	3,226,406	8,565,008
Undistributed income brought forward				
- Realised		67,904		9,278
- Unrealised		(3,837)		12,325
		64,067		21,603
Accounting income available for distribution				
- Relating to capital gains		-		-
- Excluding capital gains		44,348		43,604
		44,348		43,604
Net income for the period after taxation		-		59,121
Cash distribution during the period		(42,455)		-
Undistributed income carried forward		65,960		80,724
Undistributed income carried forward				
- Realised		69,808		66,688
- Unrealised		(3,848)		(1,481)
		65,960		65,207
		(Rupees)		(Rupees)
Net assets value per unit at beginning of the period		106.0918		101.0756
Net assets value per unit at end of the period		104.5447		103.3855

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 HALF YEAR ENDED DECEMBER 31, 2018

Half year ended December 31,	
2018	2017
----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period before taxation	90,303 59,067
Adjustments for non cash and other items:	
Unrealised diminution / (appreciation) in value of investments classified as 'at fair value through profit or loss' - net	3,848 1,481
	94,151 60,548
(Increase) / decrease in assets	
Investments	(803,286) (704,234)
Profit receivable	4,455 (21,945)
Advances, deposit and prepayments	1,481 (227)
	(797,350) (726,406)
Increase / (decrease) in liabilities	
Payable to the Management Company	1,171 1,005
Payable to the Central Depository Company of Pakistan Limited - Trustee	29 138
Payable to the Securities and Exchange Commission of Pakistan	(1,064) 186
Payable against redemption of units	- (54,583)
Accrued expenses and other liabilities	861 976
	997 (52,278)
Net cash used in operating activities	A (702,202) (718,136)
CASH FLOWS FROM FINANCING ACTIVITIES	
Receipts from issuance of units	4,235,963 3,691,418
Payments on redemption of units	(3,687,540) (2,833,383)
Distribution made during the period	(126,971) -
Net cash generated from financing activities	B 421,452 858,035
Net (decrease) / increase in cash and cash equivalents during the period	A + B (280,750) 139,899
Cash and cash equivalents at beginning of the period	1,981,855 971,901
Cash and cash equivalents at end of the period	1,701,105 1,111,800

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 STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** 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 (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/ACMW/MCBAHSIL/MCBIIIF/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.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off. Shaheed-e-Millat Expressway, near KPT interchange, Karachi, Pakistan.
- 1.3** The Fund is an open-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.
- 1.4** 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.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated October 08, 2018 to the Management Company and "AA-(f)" as stability rating dated December 28, 2018 to the Fund.
- 1.6** 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. STATEMENT OF COMPLIANCE

- 2.1** This condensed interim financial information has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Companies Act 2017 along with part VIIIA of the repealed Companies ordinance, 1984 ; and
 - the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

- 2.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2018.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

2.3 In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2018.

2.4 This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of financial statements of the Fund as at and for the year ended June 30, 2018, except as described in note 3.1 below.

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the financial statements as at and for the year ended June 30, 2018.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not disclosed in this condensed interim financial information.

3.1 Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after July 01, 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments. The comparatives in the condensed half year statement of assets and liabilities presented in the condensed half year financial information as at December 31, 2018 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2018, whereas the comparatives in the condensed half year income statement, condensed half year statement of movement in unit holders' fund and condensed half year cash flow statement have been extracted from the unaudited condensed half year financial information of the Fund for the half year ended December 31, 2017.

Additionally, the Fund adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;
- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Fund has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- there is no change in the measurement of the Fund's investments in corporate bonds that were held for trading under IAS 39; those instruments were and continue to be measured at FVTPL;
- there is no change in the measurement of the Fund's investments in government securities that were held for trading under IAS 39; those instruments were and continue to be measured at FVTPL;
- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Para (d) below tabulates the change in classification of the Fund's financial assets upon application of IFRS 9.

None of the other reclassifications of financial assets have had any impact on the Fund's financial position, profit or loss, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

Profit and other comprehensive income reported for half year ended December 31, 2018 have not been affected as the Fund did not have any financial liabilities designated as at FVTPL.

Apart from the above, the application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities.

Please refer to para (d) below for further details regarding the change in classification upon the application of IFRS 9.

(d) Disclosures in relation to the initial application of IFRS 9

There were no financial assets or financial liabilities which the Fund had previously designated as at FVTPL under IAS 39 that were subject to reclassification or which the Fund has elected to reclassify upon the application of IFRS 9. There were no financial assets or financial liabilities which the Fund has elected to designate as at FVTPL at the date of initial application of IFRS 9.

There has been no change in the classification of the financial instruments of the Fund due to transition to IFRS 9.

4. FINANCIAL RISK MANAGEMENT

The Fund's risk management policies are consistent with those disclosed in the financial statements of the Fund as at and for the year ended June 30, 2018.

		(Un-audited) December 31, 2018 ---- (Rupees in '000) ----	(Audited) June 30, 2018
5.	BALANCE WITH BANKS	Note	
	- in saving accounts	5.1	1,698,245
	- in current accounts	5.2	2,860
			<u>1,701,105</u>
5.1	These carry profit at the rates ranging between 6% to 10.8% (June 30, 2018: 2.75% to 7.35%) per annum and include Rs. 0.298 million maintained with Silk Bank Limited (a related party) which carries profit at the rate of 8.4% per annum.		
5.2	These include Rs 1.877 million (June 30, 2018: Rs 5.355 million) maintained with MCB Bank Limited, a connected person / related party.		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

		(Un-audited) December 31, 2018	(Audited) June 30, 2018
	Note	---- (Rupees in '000) ----	
6. INVESTMENTS			
<i>At fair value through profit or loss</i>			
Sukuk certificates- Unlisted	6.1	605,897	685,308
Government securities - Government of Pakistan (GoP) Ijara sukuks	6.2	-	37,141
		605,897	722,449
<i>At amortized cost</i>			
Term deposit receipt	6.3.1	335,000	-
Commercial papers	6.3.2	580,990	-
		915,990	-
		1,521,887	722,449

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

6.1 Sukuk certificates - Unlisted

Certificates have a face value of Rs 100,000 each unless stated otherwise

Name of investee company	Number of certificates				As at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2018	Purchased during the period	Matured during the period	Disposed off during the period	As at December 31, 2018	Carrying value	Market value / (diminution)		
								(Rupees in '000)	%
Fertilizer									
Engro Fertilizers Limited (09-Jul-14 issue)*	23,600	-	-	23,600	-	-	-	-	-
Chemical									
Ghani Gases Limited (02-Feb-17 issue)	1,000	-	-	-	1,000	70,770	70,816	2.19	4.65
Pharmaceutical									
Aspin Pharma (Pvt) Ltd (30-Nov-17 issue)	2,000	-	-	47	1,953	193,975	194,492	6.03	12.78
Miscellaneous									
International Brands Limited (15-Nov-17 issue)	3,450	-	-	-	3,450	345,000	340,589	10.56	22.38
As at December 31, 2018						609,745	605,897	(3,848)	
As at June 30, 2018						689,176	685,308	(3,868)	

* Face value of the investment is Rs. 5,000

6.2 Government securities - Government of Pakistan (GoP) Ijara sukuk

Name of investee company	Number of certificates				As at December 31, 2018			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2018	Purchased during the period	Matured during the period	Disposed off during the period	As at December 31, 2018	Carrying value	Market value / (diminution)		
								(Rupees in '000)	%
GoP Ijarah Sukuks (18-Dec-15 issue)-3 years	37000	-	-	37,000	-	-	-	-	-
As at December 31, 2018						-	-	-	
As at June 30, 2018						37,110	37,141	31	

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

6.3 At amortized cost

6.3.1 Term deposit receipt

Particulars	Profit / mark-up rates	Issue Date	Maturity Date	Face value	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
				----- (Rupees in '000) ----- % -----		
Bank Islami Pakistan Limited	10.50%	12-Dec-18	12-Mar-19	335,000	10.38	22.01
Total as at December 31, 2018				335,000		
Total as at June 30, 2018				-		

6.3.2 Commercial papers

Particulars	Profit / mark-up rates	Issue date	Maturity date	Face value	Amortised cost	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
					----- (Rupees in '000) ----- % -----		
K Electric Limited	8.95%	29-Aug-18	1-Mar-19	275,000	271,193	8.52	18.07
Hascol Petroleum Limited	8.29%	4-Jul-18	4-Jan-19	310,000	309,797	9.61	20.37
Total as at December 31, 2018				585,000	580,990		
Total as at June 30, 2018				-	-		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

		(Un-audited) December 31, 2018 (Rupees in '000)	(Audited) 30 June 2018
7. ACCRUED EXPENSES AND OTHER LIABILITIES	Note		
Provision for Sindh Workers' Welfare Fund	7.1	6,565	4,722
Provision for Federal Excise Duty and related tax on	7.2		
- Management fee		8,639	8,639
- Sales load		3,028	3,028
Sale load Payable		34	8
Brokerage		18	5
Capital gain tax		233	1,165
Auditors' remuneration		279	437
Printing and related expenditure		30	40
Zakat		-	1
Other		888	808
		19,714	18,853

7.1 Provision for Sindh Workers' Welfare Fund

There is no change in the status of the SWWF as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the provision for SWWF not been recorded in the condensed half year financial information of the Fund, the net asset value of the Fund as at December 31, 2018 would have been higher by Re.0.21 per unit (June 30, 2018 Re.0.1845 per unit).

7.2 Federal Excise Duty and related tax payable

There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in the annual financial statements of the Fund for the year ended June 30, 2018. Had the said provision for FED not been recorded in the condensed half year financial information of the Fund, the net asset value of the Fund as at December 31, 2018 would have been higher by Re.0.38 per unit (June 30, 2018: Re.0.3376 per unit).

8. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2018 (June 30, 2018: Nil).

9. TAXATION

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. 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 management intends to distribute at least 90% of income to be earned during current year to the unit holders, therefore, no provision for taxation has been recorded in this condensed interim financial information.

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.

11. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and unit holders holding more than 10% units of the Fund.

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

11.1 Transactions during the period with connected persons / related parties in units of the Fund:

For the six months ended December 31, 2018						
As at July 01, 2018	Issued for cash	Bonus	Redeemed	As at December 31, 2018	As at July 01, 2018	Issued for cash
Units						
(Rupees in '000)						
Associated Companies:						
Alhamra Islamic Active Allocation Fund (Plan I)	6,816,335	18,959,538	-	14,946,280	10,829,593	723,157
Alhamra Islamic Active Allocation Fund (Plan II)	3,965,839	6,134,070	-	5,524,062	4,575,847	1,927,899
						616,452
Mandate Under Discretionary Portfolio Services	1,525,124	776,890	-	1,184,035	1,117,979	202,234
						76,349
Key management personnel	40,361	52,599	-	56,990	35,970	4,282
						5,265
						-
						5,840
						3,760
For the six months ended December 31, 2017						
As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at December 31, 2017	As at July 01, 2017	Issued for cash
Units						
(Rupees in '000)						
Associated Companies:						
Adanijee Life Assurance Company Limited (Amanat Fund)	119,318	1,362,049	-	977,605	503,762	139,600
Alhamra Islamic Active Allocation Fund (Plan I)	6,151,984	6,279,296	-	5,672,021	6,759,259	640,000
Alhamra Islamic Active Allocation Fund (Plan II)	495,648	9,004,821	-	4,486,868	5,033,601	915,500
Adanijee Life Assurance Company Limited (Tameen)	-	52,994	-	-	52,994	5,450
Adanijee Life Assurance Company Limited (MAZAAF)	-	360,167	-	73,070	287,097	37,000
						-
Mandate Under Discretionary Portfolio Services	661,137	334,224	-	299,044	696,317	34,050
						-
Key management personnel	92,783	344,196	-	338,277	98,702	35,256
						-
						34,702
						10,204

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

11.2 Details of transactions with the connected persons / related parties during the period are as follows:

	(Unaudited) December 31, 2018	(Unaudited) December 31, 2017
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration including indirect taxes	12,569	8,570
Allocated expenses including indirect taxes	1,532	1,453
Central Depository Company of Pakistan Limited		
Remuneration of the trustee (including indirect taxes)	1,787	1,522
CDC settlement charges	4	198
MCB Bank Limited		
Profit on bank deposits	-	29
Bank charges	24	20
Silk Bank Limited		
Profit on bank deposits	21,927	-
Bank charges	23	-
MCB Islamic Bank Limited		
Profit on bank deposits	9	-
Bank charges	10	-
Next Capital Limited		
Brokerage expense	13	-

11.3 Amount outstanding as at period end / year end

	(Unaudited) December 31, 2018	(Audited) June 30, 2018
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
MCB - Arif Habib Savings & Investment Limited - Management Company		
Management remuneration payable	2,762	1,788
Sindh sales tax payable on management remuneration	359	232
Front-end load payable	104	68
Sales tax on front end load	13	10
Payable against Shariah advisory fee	78	75
Payable against allocated expenses	275	247
Receivable against sale of units	-	1,495
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	306	281
Sindh Sales tax payable on remuneration of Trustee	40	36
Security deposits	100	100
MCB Bank Limited		
Bank deposit held	1,877	5,355
Front-end payable	34	8
MCB Islamic Bank Limited		
Bank balances	16	16.35446
Profit receivable on bank balances	-	8.7931
Silkbank Limited		
Bank balances	298	814,236
Profit receivable on bank balances	366	9,497

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2018

12. EXPENSE RATIO

The expense ratio of the Fund from July 1 2018 to December 31 2018 is 0.74%, the total expense ratio includes 0.17% representing government levy and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as a "Shariah Compliant (Islamic) Income" Scheme.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values. Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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

Financial assets which are trade able in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7 - Financial Instruments : Disclosure requires an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

-----December 31, 2018 (Unaudited)-----				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Investment classified				
- at fair value through profit or loss	605,897	-	915,990	1,521,887
	<u>605,897</u>	<u>-</u>	<u>915,990</u>	<u>1,521,887</u>
-----June 30, 2018 (Audited)-----				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Investment classified				
- at fair value through profit or loss	-	722,449	-	722,449
	<u>-</u>	<u>722,449</u>	<u>-</u>	<u>722,449</u>

The following table shows the carrying amounts of financial assets and financial liabilities:

December 31, 2018 (Un-audited)				
Carrying amount				
	Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Other financial assets / liabilities
	----- (Rupees in '000) -----			
On-balance sheet financial instruments				
Financial assets measured at fair value				
Investments				
- Unlisted debt securities				
- Sukuks Certificates	605,897	-	-	-
- Government securities	-	-	-	-
- Term deposit receipt	-	-	335,000	-
- Commercial papers	-	-	580,990	-
	<u>605,897</u>	<u>-</u>	<u>915,990</u>	<u>-</u>
				<u>1,521,887</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

December 31, 2018 (Un-audited)				
Carrying amount				
Fair value through profit or loss	Fair value through other comprehensive income	At amortised cost	Other financial assets / liabilities	Total
(Rupees in '000)				

Financial assets not measured at fair value

Balance with banks	-	-	-	1,701,105	1,701,105
Profit receivable	-	-	-	27,593	27,593
Advances, deposits and prepayments	-	-	-	489	489
	-	-	-	1,729,187	1,729,187

Financial liabilities not measured at fair value

Payable to the Management Company	-	-	-	3,591	3,591
Payable to the Trustee	-	-	-	346	346
Payable to the Securities and Exchange Commission of Pakistan	-	-	-	1,017	1,017
Accrued expenses and other liabilities	-	-	-	19,714	19,714
	-	-	-	24,668	24,668

June 30, 2018 (Audited)				
Carrying amount				
Held for trading	Available for sale	Loans and receivables	Other financial assets / liabilities	Total
(Rupees in '000)				

On-balance sheet financial instruments

Financial assets measured at fair value

Investments					
- Unlisted debt securities					
- Sukuks Certificates	685,308	-	-	-	685,308
- Government securities	37,141	-	-	-	37,141
	722,449	-	-	-	722,449

Financial assets not measured at fair value

Balance with banks	-	-	-	1,981,855	1,981,855
Profit receivable	-	-	-	32,048	32,048
Advances, deposits and prepayments	-	-	-	1,970	1,970
	-	-	-	2,015,873	2,015,873

Financial liabilities not measured at fair value

Payable to the Management Company	-	-	-	2,420	2,420
Payable to the Trustee	-	-	-	317	317
Payable to the Securities and Exchange Commission of Pakistan	-	-	-	2,081	2,081
Accrued expenses and other liabilities	-	-	-	18,853	18,853
	-	-	-	23,671	23,671

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2018**

14. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 18, 2019 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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