

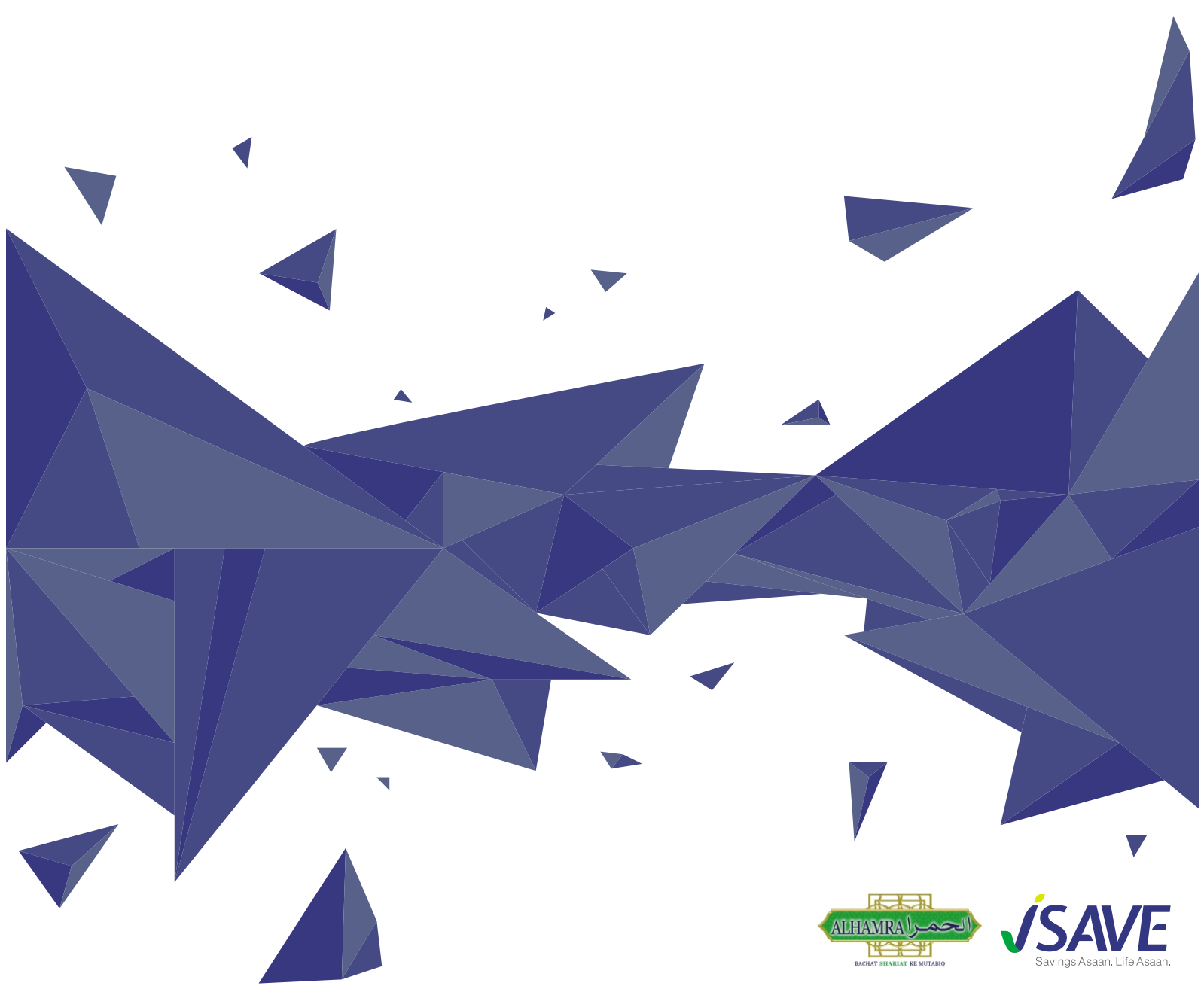


**MCB-ARIF HABIB**  
Savings and Investments Limited

# HALF YEARLY REPORT

DECEMBER  
**2022**  
(UNAUDITED)

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



# **MCB PAKISTAN SOVEREIGN FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
<b>Board of Directors</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
<b>Credit Committee</b>	Mr. Nasim Beg Mr. Ahmed Jahangir	Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Company Secretary</b>	Mr. Altaf Ahmad Faisal	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> 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	
<b>Bankers</b>	MCB Bank Limited Bank Al Habib Limited Habib Bank Limited Allied Bank Limited Bank Alfalah Limited Faysal Bank Limited Habib Metropolitan Bank Limited United Bank Limited Zarai Taraqati Bank Limited Js Bank Limited National Bank Of Pakistan	
<b>Auditors</b>	<b>Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block-7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-753550	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi.	
<b>Rating</b>	<b>AM1</b> Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2022

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Sovereign Fund** accounts review for the half year ended December 31, 2022.

## **ECONOMY AND MONEY MARKET REVIEW**

The macroeconomic landscape continued to remain challenging. The economy was jolted with the worst floods in more than a decade, which caused severe damage to the infrastructure, wiped off crops, devastated livestock and resulted in the loss of precious lives. Earlier, elevated commodity prices due to pent up demand post covid restrictions saw another upward push due to escalation of Russia-Ukraine conflict.

SBP foreign exchange reserves have fallen to critically low levels of USD 3.2 billion (import cover of less than 3 weeks) compared to USD 9.8 billion at the start of the fiscal year. Due to tough impact on vast majority of poor population, government has been reluctant to agree to harsh steps which are pre-condition to IMF loans such as increasing electricity, gas and petrol prices. Unlocking IMF funding however remains critical as the delay in the IMF program is leading to a slowdown in foreign flows from bilateral and multilateral partners.

The country posted a current account deficit (CAD) of USD 3.1 billion in first five months of the fiscal year 2023 (5MFY23) declining by 57% YoY compared to a deficit of USD 7.2 billion in the corresponding period last year. Narrowing trade deficit was the major contributor towards improving CAD as a 2.0% decrease in exports coupled with 16.2% drop in imports led to 26% contraction in trade deficit. The government initially kept a lid on imports through administrative measures such as imposing import quotas on selective imports. These import restrictions helped the Rupee gain some strength against the USD, from a low of 240 in July 2022 to PKR 226.4 at December 2022 end.

Headline inflation represented by CPI averaged 25.0% during the half as compared to 9.8% in the corresponding period last year. Higher food prices as an aftermath of floods coupled with higher electricity tariff and rising petroleum prices were the major contributors towards rising CPI. The inflationary pressures were broad based which is depicted by core inflation increasing to 16.4% compared to 12.3% at the end of last fiscal year. SBP increased the policy rate by a further 100bps to 16.0% in the latest monetary policy held in November 2022. On the fiscal side, FBR tax collection increased by 17.0% in 1HFY23 to PKR 3,428 billion compared to PKR 2,929 billion in the same period last year. This missed the target by 218 billion.

Secondary markets yields increased in the half on account of monetary tightening and an additional bout of inflationary pressures post floods. The 3,6 and 12 Month T-Bills yield increased by 171, 184 and 170 basis points (bps) respectively while 3,5 and 10 Years Bond yields rose by 219,168 and 78bps respectively during 1HFY23.

## **FUND PERFORMANCE**

During the period under review, the fund generated an annualized return of 14.99% as against its benchmark return of 16.55%. At period-end, the fund decreased its exposure in cash to 2% from 56.4%. The investment in PIBs stood at 72.6% and T-Bills were 22.3%.

The Net Assets of the Fund as at December 31, 2022 stood at Rs. 669 million as compared to Rs. 610 million as at June 30, 2022 registering a increase of 9.67%.

The Net Asset Value (NAV) per unit as at December 31, 2022 was Rs 57.50 as compared to opening NAV of Rs. 53.46 per unit as at June 30, 2022 registering an increase of Rs. 4.04 per unit.

## **ECONOMY & MARKET – FUTURE OUTLOOK**

We expect FY23 GDP growth to decline to 0.6% as monetary tightening, rupee devaluation and the prevailing uncertainty will lead to slowdown in the economy. The loss of cotton and rice crop in the

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2022

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aftermath of floods would trim agriculture growth to 0.4% while industrial growth is expected at clock at - 6.8% owing to demand slowdown and shortage of raw materials. The government is taking administrative measures to control imports, which may reduce service sector growth to 3.1%.

We expect the government to keep a tight leash on imports and discourage unnecessary dollar outflows. The imports are expected to decrease by 18% YoY to USD 59 billion as we will witness volumetric compression in several segments of the economy. Thus we expect the CAD to ease to USD 6.8 billion (2.0% of GDP) in FY23, a massive drop, when compared with USD 17.4 billion (4.5% of GDP) in FY22.

The successful resumption of IMF program will unlock funding from bilateral and multilateral sources. The aid commitment by multilateral agencies in the aftermath of floods should lend support to foreign inflows. However, our external position still remains precarious as we are unlikely to issue international Eurobond or Sukuk owing to the challenging global conditions. The proceeds from FDI and RDA are also likely to remain muted owing to the current economic challenges. Thus we would have to ensure a sustainable current account in the medium term to stave off external concerns.

The rupee has recovered from its recent low due to continuous drain in forex reserves encouraging spreads in Interbank and open market to widen significantly. We believe that restoring a market based exchange rate would bring equilibrium by incentivizing exports and remittances and discouraging imports. Thus we expect USD/PKR to close at 251 by fiscal year end on an assumed REER of 90.

We expect Average FY23 inflation to clock at 24.8% compared to 12.1% in FY22. We foresee the second round impact of the currency devaluation and expected increase in petroleum, electricity and gas prices, which will keep inflation numbers elevated for remainder of the year. SBP has increased the policy rate to 16.0% to cool aggregate demand and deescalate inflationary pressures. Given the significant economic challenges, we do not rule out a scenario where SBP further increases interest rates in the next monetary policy. We expect monetary easing cycle to begin in second half of CY23 where decline in inflation can provide some breather.

From capital market perspective, particularly equities, the correction in stock prices has further opened up valuation. The market appears to have priced in the interest rate increase and currency depreciation. Market cap to GDP ratio has declined to 9.1%, a discount of 55% from its historical average. Similarly, Earning Yield Minus Risk Free Rate are close to 7.1%, compared to historical average of 2.7% signifying deep discount at which market is trading. We believe a micro view of sectors and stock will remain important and investment selection should focus on companies which trade at a deep discount to their intrinsic value. However, we do not see this potential translating into gains, unless issues on the external fronts are dealt with. The market is currently trading at PER of 4.8x, while offering a dividend yield of 11.2%.

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. We would continue to monitor the data points and capitalize on opportunities to add government bonds in Income Funds at attractive rates to benefit from the expected monetary easing in the medium term.

### MUTUAL FUND INDUSTRY REVIEW

The Net Assets of the open end mutual funds industry increased by about 26.1% during 1HFY23 to PKR 1,531 billion. Total money market funds grew by about 34.2% since June 2022. Within the money market sphere, the conventional funds showed a growth of 19.8% to PKR 535 billion while Islamic funds increased by 62.7% to PKR 367 billion. In addition, the total fixed Income funds increased by about 24.1% since June 2022 to PKR 370 billion. Equity and related funds declined by 13.3% as market witnessed a drop in 1HFY23, eroding AUMs as concern over macroeconomic factors kept investors at bay.

In terms of the segment share, Money Market funds were the leader with a share of around 58.9%, followed by Income funds with 24.2% and Equity and Equity related funds having a share of 13.0% as at the end of 1HFY23.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2022

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### MUTUAL FUND INDUSTRY OUTLOOK

The current interest rates would encourage higher flows in the money market funds as they are ideal for investors with a short term horizon and low risk profile. However, a correction in stock prices has opened up valuations and the long term investors may look to add equity exposure at these highly attractive levels. Our operations remained seamless and given our competitive edge in digital access and online customer experience, we are prepared to get benefits of the growing number of investors available online.

### ACKNOWLEDGEMENT

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,



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**Muhammad Saqib Saleem**

Chief Executive Officer  
February 03, 2023



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**Nasim Beg**

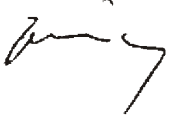
Director / Vice Chairman

## ڈائریکٹرز رپورٹ

اظہار تشکر

بورڈ فنڈ کے قابل قدر سرمایہ کاروں، سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کے مسلسل تعاون اور حمایت کے لیے شکر گزار ہے۔ نیز، ڈائریکٹرز انتظامیہ ٹیم کی کاوشوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز



نسیم بیگ  
ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
03 فروری 2023ء



## ڈائریکٹرز رپورٹ

پر مارکیٹ میں ہونے والی تجارت میں بھرپور کمی کا پتہ چلتا ہے۔ ہم سمجھتے ہیں کہ شعبہ جات اور اسٹاکس کا بہت قریبی تناظر، ہم رہے گا اور سرمایہ کاری کے انتخاب کے لیے اُن کمپنیوں پر توجہ مرکوز کی جانی چاہیے جو اپنی اصل قدر کے مقابلے میں بہت کم پرفروخت ہو رہی ہیں۔ تاہم ہمیں نہیں لگتا کہ خارجی جہات کے مسائل سے نمٹنے بغیر اس استعداد سے منافع حاصل ہوں گے۔ موجودہ حالات پر مارکیٹ میں 4.8x کے PER پر تجارت چل رہی ہے جبکہ ڈیویڈنڈ کی آمدنی 11.2 فیصد پر ہے۔

حاملین قرض کے لیے ہم توقع کرتے ہیں کہ منی مارکیٹ فنڈ سال بھر بلا رکاوٹ پالیسی شرحوں کی عکاسی جاری رکھیں گے۔ ہم ڈیٹا پوائنٹس کی نگرانی، اور پُرکشش شرحوں پر انکم فنڈز میں حکومتی بانڈز شامل کرنے کے مواقع سے استفادہ، جاری رکھیں گے تاکہ درمیانی مدت میں متوقع مالیاتی تسہیل سے فائدہ اٹھایا جاسکے۔

### میوچل فنڈ صنعت کا جائزہ

اوپن اینڈ میوچل فنڈ صنعت کے خالص اثاثہ جات مالی سال 2023ء کے نصف اول کے دوران تقریباً 26.1 فیصد بڑھ کر 1,531 بلین روپے ہو گئے۔ مجموعی منی مارکیٹ فنڈز میں جون 2022ء سے اب تک تقریباً 34.2 فیصد اضافہ ہوا ہے۔ منی مارکیٹ کے دائرہ کار میں روایتی فنڈز تقریباً 19.8 فیصد بڑھ کر 535 بلین روپے ہو گئے، جبکہ اسلامک فنڈز 62.7 فیصد بڑھ کر 367 بلین روپے ہو گئے۔ مزید برآں، مجموعی فیکسڈ انکم فنڈز جون 2022ء سے اب تک تقریباً 24.1 فیصد بڑھ کر 370 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز 13.3 فیصد کم ہو گئے جس کی وجہ مالی سال 2023ء کے نصف اول میں مارکیٹ میں انحطاط اور اثاثہ جات تحت الانظامیہ میں کمی ہے کیونکہ مجموعی معاشی عوامل سے متعلق خدشات سرمایہ کاروں کی حوصلہ شکنی کا سبب بنے۔ شعبہ جاتی اعتبار سے مالی سال 2023ء کے نصف اول کے اختتام پر منی مارکیٹ فنڈز تقریباً 58.9 فیصد حصے کے ساتھ سب سے آگے تھے، جبکہ دوسرے نمبر پر انکم فنڈز تھے جن کا 24.2 فیصد حصہ تھا، اور تیسرے نمبر پر ایکویٹی اور ایکویٹی سے متعلقہ فنڈز تھے جن کا 13.0 فیصد حصہ تھا۔

### میوچل فنڈ کی صنعت کے مستقبل کا منظر

سود کی موجودہ شرحوں سے منی مارکیٹ فنڈز میں زیادہ آمدورفت کی حوصلہ افزائی ہوگی کیونکہ یہ مختصر المیعاد سرمایہ کاروں کے لیے موزوں ترین ہیں جو خطرے کی کم سطح پر رہنا چاہتے ہیں۔ تاہم اسٹاک کی قیمتوں میں تصحیح سے تعینات قدر کھل گئی ہیں اور طویل المیعاد سرمایہ کاران پُرکشش سطحوں پر ایکویٹی میں مزید پیسہ لگانا چاہیں گے۔ ہمارے آپریشنز بلا رکاوٹ جاری رہے، اور ڈیجیٹل رسائی اور آن لائن سہولیات میں بھرپور سرمایہ کاری کے نتیجے میں ہمیں جو سہولت حاصل ہے اس کی بدولت ہم آن لائن کام کرنے والے سرمایہ کاروں کی بڑھتی ہوئی تعداد سے استفادہ کر سکتے ہیں۔

## ڈائریکٹرز رپورٹ

31 دسمبر 2022ء کو خالص اثاثہ جاتی قدر (NAV) فی یونٹ 57.50 روپے تھی جو 30 جون 2022ء کو ابتدائی خالص اثاثہ جاتی قدر (NAV) 53.46 روپے فی یونٹ کے مقابلے میں 4.04 روپے فی یونٹ اضافہ ہے۔

### معیشت اور بازار - مستقبل کے امکانات

مالی سال 2023ء میں جی ڈی پی کی ترقی میں 0.6 فیصد کمی متوقع ہے کیونکہ مالیاتی سختی، روپے کی قدر میں کمی اور موجودہ غیر یقینی صورتحال کے نتیجے میں معیشت سنست روی کا شکار ہو جائے گی۔ سیلاب کی تباہ کاریوں کے ضمن میں کپاس اور چاول کی فصلوں کے ضیاع کے باعث زراعت کی ترقی متاثر ہو کر 0.4 فیصد ہو جائے گی جبکہ صنعتی ترقی 6.8- فیصد متوقع ہے جس کی وجہ مانگ میں سنست روی اور خام مال کی قلت ہیں۔ حکومت درآمدات پر قابو پانے کے لیے انتظامی اقدامات کر رہی ہے جس کے باعث خدمات کے شعبے کی ترقی کم ہو کر 3.1 فیصد ہو جائے گی۔

ہم حکومت سے توقع کرتے ہیں کہ وہ درآمدات کی لگام مضبوطی سے کھینچ کر رکھے گی اور ڈالر کے غیر ضروری اخراجاتی بہاؤ کی حوصلہ شکنی کرے گی۔ درآمدات متوقع طور پر 18 فیصد YoY کم ہو کر 59 بلین ڈالر ہو جائیں گی کیونکہ معیشت کے متعدد گوشوں کے حجم سکڑ جائیں گے۔ چنانچہ ہمیں توقع ہے کہ مالی سال 2023ء میں کرنٹ اکاؤنٹ خسارہ (CAD) کم ہو کر 6.8 بلین ڈالر (جی ڈی پی کا 2.0 فیصد) ہو جائے گا جو مالی سال 2022ء کے 17.4 بلین ڈالر (جی ڈی پی کے 4.5 فیصد) کے مقابلے میں ایک بڑی کمی ہے۔

آئی ایم ایف پروگرام کی کامیابی بحالی ایک کلیدی مثبت پیش رفت ہے کیونکہ اس کی بدولت ہم دو جہتی اور کثیر الجہتی ذرائع سے رقم حاصل کر سکیں گے۔ سیلاب کی تباہ کاریوں کے ضمن میں کثیر الجہتی ایجنسیوں کی طرف سے امداد کے وعدے سے غیر ملکی آمدنی بہاؤ کو معاونت حاصل ہوگی۔ تاہم ہماری خارجی حالت اب بھی غیر یقینی ہے کیونکہ وقت طلب عالمی حالات کے باعث اس بات کا امکان کم ہے کہ ہم بین الاقوامی یورو بانڈ یا سنکک جاری کریں۔ ایف ڈی اور آر ڈی اے سے حاصل ہونے والی آمدنیاں بھی موجودہ معاشی مشکلات کے باعث متوقع طور پر رُک رہیں گی۔ چنانچہ ہمیں درمیانی مدت میں قابل بقاء کرنٹ اکاؤنٹ یقینی بنانا ہوگا تاکہ خارجی خدشات ختم ہو سکیں۔

غیر ملکی زرمبادلہ کے ذخائر میں مسلسل کمی کی وجہ سے روپیہ اپنی حالیہ کم ترین سطح سے بحال ہوا ہے جس سے انٹریٹک اور اوپن مارکیٹ میں فرق کو نمایاں طور پر وسیع کرنے کی حوصلہ افزائی ہوئی ہے۔ ہم سمجھتے ہیں کہ مارکیٹ پر مبنی شرح زرمبادلہ سے توازن پیدا ہوگا کیونکہ برآمدات اور ترسیلات زر میں ترغیبات پیدا ہوں گی اور درآمدات کی حوصلہ شکنی ہوگی۔ چنانچہ ہماری توقع ہے کہ 90 کے مفروضہ REER پر مالی سال کے اختتام پر ڈالر/روپیہ تقریباً 251 روپے پر ہوگا۔

مالی سال 2023ء میں اوسط مہنگائی 24.8 فیصد متوقع ہے، بالمقابل مالی سال 2022ء میں 12.1 فیصد کے روپے کی قدر میں کمی کے اثر کا دوسرا دور، اور پٹرول، بجلی اور گیس کی قیمتوں میں اضافہ بھی متوقع ہے، جس کے باعث سال کے بقیہ حصے کے دوران مہنگائی کے عدد بلند سطح پر رہیں گے۔ ایس بی پی نے پالیسی شرح کو بڑھا کر 16.0 فیصد کر دیا ہے تاکہ مجموعی مانگ اور مہنگائی کے دباؤ سے نمٹا جاسکے۔ معیشت میں قابل ذکر سنست روی اور مانگ میں کمی کے باعث اس بات کا امکان خارج از بحث نہیں ہے کہ ایس بی پی اگلی مائٹری پالیسی میں شروع سود میں مزید اضافہ کرے۔ ہمیں اُمید ہے کہ مالی سال 2023ء کی دوسری ششماہی میں مالیاتی تسہیل کا دور شروع ہوگا، اور مہنگائی میں کمی سے حالات میں بہتری آئے گی۔

کیپیٹل مارکیٹ، خصوصاً ایکویٹیز، کے نقطہ نظر سے اسٹاک کی قیمتوں میں تصحیح سے تعین قدر مزید کھل گئی ہے۔ مارکیٹ نے بظاہر شرح سود میں اضافے اور روپے کی قدر میں کمی کو مد نظر رکھا ہے۔ مارکیٹ کی قدر کا جی ڈی پی کے ساتھ تناسب کم ہو کر 9.1 فیصد ہو گیا ہے جو اس کے قدیم اوسط سے 55 فیصد کمی ہے۔ اسی طرح، Earning Yield Minus Risk Free Rate تقریباً 7.1 فیصد ہیں، اور ان کے قدیم اوسط 2.7 فیصد سے موازنہ کرنے

## ڈائریکٹرز رپورٹ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان Sovereign فنڈ کے اکاؤنٹس مختتمہ 31 دسمبر 2022ء کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار کا جائزہ

ملک کا مجموعی معاشیاتی منظر بدستور ناخوشگوار رہا۔ معیشت گزشتہ دہائی سے زیادہ کے بدترین سیلاب کے باعث شدید متاثر ہوئی جس سے انتظامی ڈھانچے کو گھمبیر نقصان پہنچا، فصلوں کا صفایا ہو گیا، مویشی ہلاک ہوئے اور قیمتی جانیں ضائع ہوئیں۔ اس سے قبل، کووڈ پابندیوں کے بعد اجناس کی بڑھتی ہوئی مانگ کی وجہ سے اشیاء کی قیمتوں میں روس-یوکرین کے تنازعہ کی وجہ سے مزید اضافہ دیکھا گیا۔

ایس بی پی کے زرمبادلہ کے ذخائر کم ہو کر 3.2 بلین ڈالر ہو گئے ہیں (جو صرف تین ہفتوں کا درآمدی ادائیگیوں کو پورا کر سکتے ہیں) یا مقابلہ مالی سال کے آغاز پر جو 9.8 بلین ڈالر تھے۔ غریب آبادی کی اکثریت پر کڑے اثرات کی وجہ سے حکومت سخت اقدامات پر راضی ہونے سے گریزاں ہے جو آئی ایم ایف کے قرضوں کی پیشگی شرط ہیں جیسے بجلی، گیس اور پیٹرول کی قیمتوں میں اضافہ۔ تاہم آئی ایم ایف کی فنڈنگ کو غیر مقفل کرنا بہت اہم ہے کیونکہ آئی ایم ایف پروگرام میں تاخیر و طرفہ اور کثیر جہتی شراکت داروں سے غیر ملکی بہاؤ میں سست روی کا باعث بن رہی ہے۔

ملک نے مالی سال 2023 کے پہلے پانچ ماہ میں 3.1 بلین ڈالر کرنٹ اکاؤنٹ خسارہ (CAD) پوسٹ کیا جو 57 سال در سال کم تھا، یا مقابلہ گزشتہ سال مماثل مدت میں 7.2 بلین ڈالر۔ تجارتی خسارے میں کمی کرنٹ اکاؤنٹ خسارے (CAD) میں بہتری کا اہم ترین سبب تھی کیونکہ برآمدات میں 2 فیصد کمی کے ساتھ ساتھ درآمدات میں 16.2 فیصد کمی کے نتیجے میں تجارتی خسارہ 26 فیصد سنکڑ گیا۔ حکومت نے انتظامی اقدامات مثلاً منتخب اشیاء پر درآمدی کوٹے عائد کرنے کے ذریعے درآمدات کو قابو میں رکھا۔ ان درآمدی پابندیوں سے روپے کو بمقابلہ ڈالر کچھ تقویت حاصل ہوئی اور روپے کی قدر جولائی 2022ء میں 240 کی پست سطح سے اٹھ کر دسمبر 2022ء کے اختتام تک 226.4 ہو گئی۔

ہیڈ لائن مہنگائی، جس کی ترجمانی CPI یعنی صارفی قیمت کے انڈیکس سے ہوتی ہے، کا اوسط دورانِ ششماہی 25.0 فیصد تھا جبکہ گزشتہ سال مماثل مدت میں 9.8 فیصد تھا۔ سیلابوں کے نتیجے میں اشیاء خورد و نوش کی قیمتوں میں اضافے کے ساتھ ساتھ بجلی کے نرخ میں اضافہ اور پیٹرول کی بڑھتی ہوئی قیمتیں CPI میں اضافے کے اہم ترین اسباب تھے۔ مہنگائی کا دباؤ وسیع پیمانے پر تھا جس کا اظہار بنیادی افراط زر (core inflation) میں 16.4 فیصد کمی تک اضافے سے ہوا جو گزشتہ مالی سال کے اختتام پر 12.3 فیصد تھا۔ ایس بی پی نے نومبر 2022ء کی تازہ ترین مانیٹری پالیسی میں پالیسی شرح کو مزید 100 بیسیس پوائنٹس (بی پی ایس) بڑھا کر 16.0 فیصد کر دیا۔ مالیاتی جہت میں ایف بی آر کی ٹیکس وصولی میں مالی سال 2023ء کی پہلی ششماہی میں 17.0 فیصد اضافہ ہوا اور 3,428 بلین روپے ٹیکس جمع ہوا، جبکہ گزشتہ سال مماثل مدت میں 2,929 بلین روپے تھا۔ اس طرح ہدف سے 218 بلین روپے کم ٹیکس وصول ہوا۔

ثانوی مارکیٹوں کی پیداوار میں دورانِ ششماہی اضافہ ہوا جس کے اسباب مالیاتی سختی اور بعد از سیلاب مہنگائی کے دباؤ کی نئی لہر ہیں۔ دورانِ ششماہی 3، 6 اور 12 ماہانہ ٹی-بلنز کے منافع جات میں بالترتیب 171، 184 اور 170 بی پی ایس، جبکہ 3، 5 اور 10 سالہ بانڈز کے منافع جات میں بالترتیب 168، 219 اور 78 بی پی ایس کا اضافہ ہوا۔

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 14.99 فیصد تھا، جبکہ مقررہ معیار کا منافع 16.55 فیصد تھا۔ اختتام مدت پر فنڈ نے نقد کی شمولیت 56.4 فیصد سے کم کر کے 2 فیصد کر دی۔ پی آئی بی میں سرمایہ کاری 72.6 فیصد اور ٹی بلز 22.3 فیصد رہی۔

31 دسمبر 2022ء کو فنڈ کے خالص اثاثہ جات 669 ملین روپے تھے جو 30 جون 2022ء کی سطح 610 ملین روپے کے مقابلے میں 9.67 فیصد اضافہ ہے۔

# 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) 34326021 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



## TRUSTEE REPORT TO THE UNIT HOLDERS

### MCB PAKISTAN SOVEREIGN FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Sovereign 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, 2022 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, 2022



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



**Yousuf Adil**  
Chartered Accountants

Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21- 3454 1314  
www.yousufadil.com

## INDEPENDENT AUDITORS' REVIEW REPORT TO THE UNIT HOLDERS OF MCB PAKISTAN SOVEREIGN FUND

### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Sovereign Fund** ("the Fund") as at December 31, 2022, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim statement of cash flow and notes to the condensed interim financial information (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2022. The Board of the Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed 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 and reporting standards as applicable in Pakistan for interim financial reporting.

### Other Matters

The figures of the condensed interim financial information for the quarter ended December 31, 2022, have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2022.

The engagement partner on the review resulting in this independent auditor's review report is Hena Sadiq.

  
Chartered Accountants

Place: Karachi  
Dated: February 17, 2023

UDIN: RR202210057N2aC0kUfb

**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT DECEMBER 31, 2022**

	(Un-audited) December 31, 2022	(Audited) June 30, 2022
Note	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Bank balances	14,013	637,844
Investments	668,946	473,654
Profit receivable	18,194	16,148
Advances, prepayments and other receivables	3,414	3,089
<b>Total assets</b>	<b>704,567</b>	<b>1,130,735</b>
<b>LIABILITIES</b>		
Payable to MCB-Arif Habib Savings and Investments Limited – Management Company	1,109	1,208
Payable to Central Depository Company of Pakistan Limited - Trustee	36	32
Payable to Securities and Exchange Commission of Pakistan	69	139
Payable against purchase of investments	-	483,428
Dividend payable	1	1
Accrued expenses and other liabilities	34,402	35,556
<b>Total liabilities</b>	<b>35,617</b>	<b>520,364</b>
<b>NET ASSETS</b>	<b>668,950</b>	<b>610,371</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>	<b>668,950</b>	<b>610,371</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		
	----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>	<b>11,634,418</b>	<b>11,417,720</b>
	----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>	<b>57.50</b>	<b>53.46</b>

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

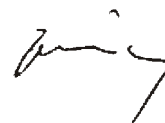
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2022**

	Note	Half year ended December 31,		Quarter ended December 31,	
		2022	2021	2022	2021
(Rupees in '000)					
<b>INCOME</b>					
Income from government securities		42,085	27,694	25,370	14,217
Capital gain / (loss) on sale of investments - net		6,965	(863)	1,563	(1,158)
Profit on bank deposits		12,706	3,815	4,188	1,755
Unrealised (loss) on re-measurement of investments at fair value through profit or loss' -net	6.4	(4,239)	(519)	(2,038)	(670)
<b>Total income</b>		<b>57,517</b>	<b>30,127</b>	<b>29,083</b>	<b>14,144</b>
<b>EXPENSES</b>					
Remuneration of MCB-Arif Habib Savings and Investments Limited – Management Company	7.1	2,227	3,644	831	1,753
Sindh Sales Tax on remuneration of the Management Company		291	474	110	228
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		190	224	101	100
Sindh Sales Tax on remuneration of the Trustee		25	29	13	13
Annual fee of Securities and Exchange Commission of Pakistan		69	75	37	37
Allocated expenses	7.3	467	373	275	183
Marketing and selling expenses	7.4	1,066	1,470	652	511
Brokerage expenses		276	66	134	28
Legal and professional expenses		82	1,429	(114)	(6)
Auditors' remuneration		341	277	189	139
Other expenses		482	398	348	179
<b>Total expenses</b>		<b>5,516</b>	<b>8,459</b>	<b>2,576</b>	<b>3,165</b>
<b>Net income from operating activities</b>		<b>52,001</b>	<b>21,668</b>	<b>26,507</b>	<b>10,979</b>
Reversal against Sindh Workers' Welfare Fund		-	13,419	-	-
<b>Net income for the period before taxation</b>		<b>52,001</b>	<b>35,087</b>	<b>26,507</b>	<b>10,979</b>
Taxation	10	-	-	-	-
<b>Net income for the period after taxation</b>		<b>52,001</b>	<b>35,087</b>	<b>26,507</b>	<b>10,979</b>
<b>Allocation of net income for the period:</b>					
Net income for the period after taxation		52,001	35,087	26,507	10,979
Income already paid on units redeemed		(7,834)	(3,017)	(5,116)	(1,752)
		<b>44,167</b>	<b>32,070</b>	<b>21,391</b>	<b>9,227</b>
<b>Accounting income available for distribution:</b>					
- Relating to capital gains		46	-		
- Excluding capital gains		44,121	32,070		
		<b>44,167</b>	<b>32,070</b>		
<b>Earnings per unit</b>	11				

The annexed notes from 1 to 16 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 OTHER COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2022**

	Half year ended December 31,		Quarter ended December 31,	
	2022	2021	2022	2021
	----- (Rupees in '000) -----			
Net income for the period after taxation	52,001	35,087	26,507	10,979
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>52,001</b>	<b>35,087</b>	<b>26,507</b>	<b>10,979</b>

The annexed notes from 1 to 16 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 MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

	Half year ended December 31,					
	2022			2021		
	Capital Value	Accumulated loss	Total	Capital Value	Accumulated loss	Total
----- (Rupees in '000) -----						
Net assets at beginning of the period	1,316,281	(705,910)	610,371	1,445,573	(707,643)	737,930
Issue of 17,402,733 units (2021: 5,367,427 units):						
- Capital value (at net asset value per unit at the beginning of the period)	930,319	-	930,319	286,191	-	286,191
- Element of income	31,737	-	31,737	9,537	-	9,537
	962,056	-	962,056	295,728	-	295,728
Redemption of 17,186,035 units (2021: 6,544,855 units):						
- Capital value (at net asset value per unit at the beginning of the period)	(918,735)	-	(918,735)	(348,972)	-	(348,972)
- Amount paid out of element of Income relating to net income for the period after taxation	(28,909)	(7,834)	(36,743)	(8,884)	(3,017)	(11,901)
	(947,644)	(7,834)	(955,478)	(357,856)	(3,017)	(360,873)
Total comprehensive income for the period	-	52,001	52,001	-	35,087	35,087
<b>Net assets as at the end of the period</b>	<b>1,330,693</b>	<b>(661,743)</b>	<b>668,950</b>	<b>1,383,445</b>	<b>(675,573)</b>	<b>707,873</b>
Undistributed loss brought forward						
- Realised		(704,872)			(707,648)	
- Unrealised		(1,038)			5	
		(705,910)			(707,643)	
Accounting income available for distribution						
- Relating to capital gains	46			-		
- Excluding capital gains	44,121			32,070		
	44,167			32,070		
	(661,743)			(675,573)		
Undistributed loss carried forward						
- Realised		(657,504)			(675,054)	
- Unrealised		(4,239)			(519)	
		(661,743)			(675,573)	
		--- (Rupees) ---			--- (Rupees) ---	
Net assets value per unit as at beginning of the period	53.46			53.32		
Net assets value per unit as at end of the period	57.50			55.91		

The annexed notes from 1 to 16 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 CASH FLOW (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

	Half year ended December 31,	
	2022	2021
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	52,001	35,087
<b>Adjustments for non cash and other items:</b>		
Unrealised gain in fair value of investments classified 'at fair value through profit or loss' - net	4,239	519
Reversal for Sindh Workers' Welfare Fund	-	(13,419)
	56,240	22,187
<b>(Increase)/ decrease in assets</b>		
Investments	(199,531)	(71,345)
Profit receivable	(2,046)	(3,725)
Advances and prepayments	(325)	166
	(201,902)	(74,904)
<b>(Decrease)/ Increase in liabilities</b>		
Payable to MCB-Arif Habib Savings and Investments Limited – Management Company	(99)	267
Payable to Central Depository Company of Pakistan Limited - Trustee	4	(9)
Payable to Securities and Exchange Commission of Pakistan	(70)	(178)
Payable against purchase of investments	(483,428)	76,155
Accrued expenses and other liabilities	(1,154)	1,168
	(484,747)	77,403
<b>Net cash (used in)/ generated from operating activities</b>	(630,409)	24,687
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issuance of units	962,056	295,728
Amount paid against redemption of units	(955,478)	(360,873)
<b>Net cash generated / (used in) financing activities</b>	6,578	(65,145)
<b>Net decrease in cash and cash equivalents during the period</b>	(623,831)	(40,458)
Cash and cash equivalents at beginning of the period	637,844	776,052
	14,013	735,594

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

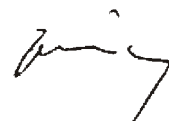
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

## 1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited as Management Company and Habib Metropolitan Bank Limited as Trustee. Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investments Limited to MCB–Arif Habib Savings and Investments Limited with effect from June 27, 2011. During the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 07, 2003 in accordance with the Asset Management Companies Rules, 1995, [repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules). The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely “Sindh Trusts Act, 2020” (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on August 13, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company situated at 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi, Pakistan.

The Board of Directors have approved that the Fund should be categorised as 'Income Scheme' as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated March 06, 2009. The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

MCB Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the Government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Fund can also invest in sub-scheme of the Fund.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM1 dated October 06, 2022 to the Management Company and has assigned stability rating of "AA-(f)" dated September 9, 2022 to the Fund.

The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the Trustee of the Fund.

## 2. BASIS OF PREPARATION

### Statement of compliance

This condensed interim financial information of the Fund has been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:

- International Accounting Standard (IAS) 34, Interim Financial Reporting, 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 IAS 34, 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.

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

The disclosures made in this condensed interim financial information are limited, based on the requirements of the IAS 34. 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, 2022.

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, 2022.

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 audited financial statements of the Fund as at and for the year ended June 30, 2022.

The preparation of this 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 audited financial statements as at and for the year ended June 30, 2022.

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.

### 4. FINANCIAL RISK MANAGEMENT

The Fund's risk management objective and policies are consistent with those disclosed in the annual audited financial statements of the Fund as at and for the year ended June 30, 2022.

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	----- (Rupees in '000) -----	
<b>5. BANK BALANCES</b>			
Savings accounts	5.1	9,545	633,349
Current accounts	5.2	4,468	4,495
		<b>14,013</b>	637,844

5.1 These carry mark-up at rates ranging between 12.25% to 17.5% (June 30, 2022: 5.50% to 17.5%) per annum and include bank balance of Rs. 0.60 million (June 30, 2022: Rs.0.701 million) maintained with MCB Bank Limited (a related party) which carries profit rate 12.25% (June 30, 2022: 12.25%) per annum .

5.2 These include a balance of Rs. 4.46 million (June 30, 2022: Rs 4.488 million) held with MCB Bank Limited (a related party).

		(Un-audited) December 31, 2022	(Audited) June 30, 2022
	Note	----- (Rupees in '000) -----	
<b>6. INVESTMENTS</b>			
<b>Financial assets 'at fair value through profit or loss'</b>			
<b>Government Securities</b>			
Pakistan investment bonds	6.1	5,045	86,024
Pakistan investment bonds - Floating Rate Bond (FRB)	6.2	506,500	387,630
Market treasury bills	6.3	157,401	-
		<b>668,946</b>	473,654

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

6  
6.1 Financial assets 'at fair value through profit or loss'  
Government securities - Pakistan Investment Bonds

Name of security	Date of issue	Face value			As at December 31, 2022			Market value	
		As at July 01, 2022	Purchased during the period	Sold / matured during the period	As at December 31, 2022	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
Pakistan Investment Bonds - 3 years	04-Aug-22	-	1,700,000	1,700,000	-	-	-	-	-
Pakistan Investment Bonds - 3 years	05-Aug-21	-	250,000	250,000	-	-	-	-	-
Pakistan Investment Bonds - 3 years	20-Aug-20	-	187,000	187,000	-	-	-	-	-
Pakistan Investment Bonds - 5 years	29-Apr-22	100,000	800,000	900,000	-	-	-	-	-
Pakistan Investment Bonds - 5 years	12-Jul-18	-	88,000	88,000	-	-	-	-	-
Pakistan Investment Bonds - 5 years	19-Sep-19	-	27,000	27,000	-	-	-	-	-
Pakistan Investment Bonds - 5 years	13-Oct-22	-	850,000	850,000	-	-	-	-	-
Pakistan Investment Bonds - 10 years	12-Jul-18	-	70,500	70,500	-	-	-	-	-
Pakistan Investment Bonds - 20 years	10-Jun-04	5,500	-	-	5,500	5,237	5,045	5,237	0.75
<b>As at December 31, 2022</b>					<b>5,237</b>	<b>5,045</b>	<b>(193)</b>		
As at June 30, 2022					86,751	86,024	(727)		

6.2 Government securities - Pakistan Investment Bonds - Floating rate bond -FRB

Name of security	Date of issue	Face value			As at December 31, 2022			Market value	
		As at July 01, 2022	Purchased during the period	Sold / matured during the period	As at December 31, 2022	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
Pakistan Investment Bonds FRB - 2 years	26-Aug-21	100,000	100,000	200,000	-	-	-	-	-
Pakistan Investment Bonds FRB - 2 years	08-Sep-22	-	200,000	-	200,000	197,968	197,940	29.59	29.59
Pakistan Investment Bonds FRB - 5 years	06-May-21	100,000	125,000	100,000	125,000	122,734	120,838	18.06	18.06
Pakistan Investment Bonds FRB - 5 years	17-Nov-22	-	50,000	50,000	-	-	-	-	-
Pakistan Investment Bonds FRB - 10 years	25-Jul-19	100,000	-	-	100,000	100,000	98,820	14.77	14.77
Pakistan Investment Bonds FRB - 10 years	22-Aug-19	90,000	-	-	90,000	90,000	88,902	13.29	13.29
<b>As at December 31, 2022</b>					<b>510,702</b>	<b>506,500</b>	<b>(4,202)</b>		
As at June 30, 2022					387,941	387,630	(311)		

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

**6.3 Government securities - Market Treasury Bills**

Tenor	Date of issue	Face value				As at December 31, 2022			Market value	
		As at July 01, 2022	Purchased during the period	Sold / matured during the period	As at December 31, 2022	Carrying value	Market value	Unrealized Gain	As a percentage of net assets	As a percentage of total investments
Market Treasury Bills - 03 Months	19-May-22	-	60,000	60,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	16-Jun-22	-	25,000	25,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	30-Jun-22	-	45,000	45,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	14-Jul-22	-	400,000	400,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	28-Jul-22	-	1,000,000	1,000,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	25-Aug-22	-	100,000	100,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	22-Sep-22	-	90,000	90,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	06-Oct-22	-	685,000	685,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	20-Oct-22	-	173,000	173,000	-	-	-	-	-	-
Market Treasury Bills - 03 Months	17-Nov-22	-	660,000	500,000	160,000	157,245	157,401	156	23.53	23.53
Market Treasury Bills - 03 Months	01-Dec-22	-	50,000	50,000	-	-	-	-	-	-
Market Treasury Bills - 06 Months	10-Feb-22	-	225,000	225,000	-	-	-	-	-	-
Market Treasury Bills - 06 Months	21-Apr-22	-	200,000	200,000	-	-	-	-	-	-
Market Treasury Bills - 06 Months	06-Oct-22	-	500,000	500,000	-	-	-	-	-	-
Market Treasury Bills - 12 Months	06-Oct-22	-	450,000	450,000	-	-	-	-	-	-
Market Treasury Bills - 12 Months	20-Oct-22	-	300,000	300,000	-	-	-	-	-	-
<b>As at December 31, 2022</b>						<b>157,245</b>	<b>157,401</b>	<b>156</b>		
As at June 30, 2022						-	-	-		

**6.4 Net unrealised (loss) / gain on revaluation of investments at fair value through profit or loss'**

Market value of investments	639,958	668,945	639,958
Carrying value of investments	(640,476)	(673,184)	(640,476)
	<b>(4,239)</b>	<b>(4,239)</b>	<b>(519)</b>

(Un-audited) (Un-audited)  
December 31, December 31,  
2022 2021  
----- (Rupees in '000) -----  
Note

6.1, 6.2, & 6.3  
6.1, 6.2, & 6.3

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2021
----- (Rupees in '000) -----			
<b>7. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED – MANAGEMENT COMPANY</b>			
Management remuneration payable	7.1	255	632
Sindh Sales Tax on management remuneration payable	7.2	34	82
Sales load payable		83	-
Payable against allocated expenses	7.3	85	50
Payable against marketing and selling expenses	7.4	652	444
		<b>1,109</b>	<b>1,208</b>

**7.1** As per regulation 61 of the NBFC and Notified Entities Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of the management fee as disclosed in the Offering Document subject to the total expense ratio limit. As per offering document, the Management Company can charge management fee up to 10% of the gross earnings of the fund, calculated on daily basis. The remuneration is payable to the Management Company monthly in arrears.

**7.2** Sales tax on management remuneration has been charged at the rate of 13% (2021: 13%).

**7.3 ALLOCATED EXPENSES**

In accordance with NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS). The Management Company has charged actual expenses related to registrar services, accounting, operations and valuation services to the fund to the extent as it has think expedient on its discretion subject to not being higher than actual expenses.

**7.4 SELLING AND MARKETING EXPENSES**

The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds). The Management Company has charged selling and marketing expenses to the fund to the extent as it has think expedient on its discretion subject to not being higher than actual expenses.

	Note	(Un-audited) December 31, 2022	(Audited) June 30, 2022
----- (Rupees in '000) -----			
<b>8. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Federal Excise Duty and related tax on			
- Management fee	8.1	29,028	29,028
- Sales load		4,170	4,170
Withholding tax payable		100	1,172
Auditors' remuneration payable		303	383
Brokerage payable		29	6
Payable to legal advisor		741	734
Others		31	63
		<b>34,402</b>	<b>35,556</b>

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

### 8.1 Federal Excise Duty (FED) 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 audited annual financial statements of the Fund for the year ended June 30, 2022. Had the said provision for FED not been recorded in this condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2022 would have been higher by Rs. 2.85 per unit (June 30, 2022: Rs 2.91 per unit).

### 9. CONTINGENCIES AND COMMITMENTS

As reported in the annual audited financial statements of the Fund for the year ended June 30, 2022, an ex-parte Income Tax Order was passed for Tax Year 2015 through which a tax demand of Rs. 309,896,010 was raised by the concerned Additional Commissioner Inland Revenue (ACIR) of Federal Board of Revenue (FBR) by rejecting the Fund's claim for income tax exemption as per Clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001. The Management Company on behalf of the Fund filed an appeal for stay application in front of Commissioner Appeals (CIRA); stay order was duly granted by CIRA.

On November 25, 2021, the assessment order as issued by ACIR was remanded back by Commissioner Appeals (CIRA) and ACIR have restarted proceedings. The Management Company, in consultation with its advisor, anticipates a favorable outcome of the case.

### 10. TAXATION

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. The Fund has not recorded any tax liability in respect of income relating to current period as the Management Company intends to distribute in cash the required minimum percentage of the Fund's accounting income for the period ending June 30, 2023 as reduced by capital gains (whether realised or unrealised) to its unitholders in the form of cash.

### 11. EARNINGS PER UNIT

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

### 12. TOTAL EXPENSE RATIO

The total annualized expense ratio of the fund from July 01, 2022 to December 31, 2022 1.6% as on December 31, 2022 (December 31, 2021: 2.26%) and this includes 0.11% (December 31, 2021: 0.16%) representing government levy.

### 13. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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 to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund.



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

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

	For the half year ended December 31, 2022					For the half year ended December 31, 2021				
	As at July 01, 2022	Issued for cash	Redeemed	As at December 31, 2022	Units	As at July 01, 2021	Issued for cash	Redeemed	As at December 31, 2021	Units
DG Khan Cement Company Limited	8	-	-	8		-	-	-	-	
MCB-Arif Habib Savings and Investments Limited	-	9,307,195	9,307,195	-		-	510,359	514,770	-	
Adamjee Insurance Co.Ltd. Employees Gratuity Fund	-	313,845	313,845	-		-	17,500	17,588	-	
Adamjee Insurance Co.Ltd Employees Provident Fund	-	627,690	627,690	-		-	35,000	35,176	-	
Mandate under discretionary portfolio services	75,002	1,853,846	1,928,848	-		4,010	103,370	103,890	-	
Key management personnel	1	896,239	896,237	3		-	50,296	50,370	-	
Unitholders holding 10% or more	3,423,889	-	-	3,423,889		183,041	-	-	196,874	
DG Khan Cement Company Limited	7	-	-	7		-	-	-	-	
MCB-Arif Habib Savings and Investments Limited	-	1,802,776	1,802,776	-		-	100,000	100,054	-	
Security General Insurance Co. Ltd. Employees Provident Fund Trust	105,833	-	-	105,833		5,643	-	-	5,917	
Key management personnel	2,849	77,732	80,581	1		152	4,273	4,438	-	
Unitholders holding 10% or more	2,067,358	-	-	2,067,358		110,232	-	-	115,586	

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

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

	(Unaudited) December 31, 2022	(Unaudited) December 31, 2021
	----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration of the Management Company including indirect taxes	2,518	4,118
Expenses allocated by the Management Company	467	373
Marketing and Selling expenses	1,066	1,470
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration including indirect taxes	215	253
<b>MCB Bank Limited - Parent of the Management Company</b>		
Mark-up on bank deposits	50	5
Bank charges	4	8
Sale of securities - face value Rs 250 million (2021: NIL million)	250,000	-
<b>Arif Habib Limited</b>		
Brokerage expense	63	-

### 13.3 Balances outstanding at period / year end:

	(Unaudited) December 31, 2022	(Audited) June 30, 2022
	----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration payable to Management Company	255	632
Sales tax payable on remuneration to Management Company	34	82
Expenses allocated by Management Company	85	50
Selling and marketing payable	652	444
Sales load payable	83	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable to Trustee	31	28
Sales tax payable on remuneration to Trustee	4	4
<b>MCB Bank Limited - Parent of the Management Company</b>		
Bank balance	5,060	5,189

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

## 14. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the close of trading i.e. period end date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value as these are short term in nature.

The following table shows financial instruments recognized at fair value based on:

- Level 1:** quoted prices in active markets for identical assets or liabilities;
- Level 2:** those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3:** those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

The following table show the carrying amount and fair values of financial assets and financial liabilities including the levels in the fair value hierarchy.

	December 31, 2022 (Un-audited)						
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
<b>Financial assets measured at fair value</b>							
Pakistan Investment Bonds	5,045	-	5,045	-	5,045	-	5,045
Pakistan Investment Bonds - Floating Rate Bond	506,500	-	506,500	-	506,500	-	506,500
Market treasury bills	157,401	-	157,401	-	157,401	-	157,401
	<u>668,946</u>	<u>-</u>	<u>668,946</u>	<u>-</u>	<u>668,946</u>	<u>-</u>	<u>668,946</u>
<b>Financial assets not measured at fair value</b>							
Bank balances	-	14,013	14,013				
Profit receivable	-	18,194	18,194				
Other receivables	-	50	50				
	<u>-</u>	<u>32,257</u>	<u>32,257</u>				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	1,109	1,109				
Payable to the Trustee	-	36	36				
Dividend payable	-	1	1				
Accrued and other liabilities	-	1,104	1,104				
	<u>-</u>	<u>2,250</u>	<u>2,250</u>				
----- (Rupees in '000) -----							
June 30, 2022 (Audited)							
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----							
<b>Financial assets measured at fair value</b>							
Pakistan investment bonds FRB	387,630	-	387,630	-	387,630	-	387,630
Pakistan investment bonds	86,024	-	86,024	-	86,024	-	86,024
	<u>473,654</u>	<u>-</u>	<u>473,654</u>	<u>-</u>	<u>473,654</u>	<u>-</u>	<u>473,654</u>
<b>Financial assets not measured at fair value</b>							
Bank balances	-	637,844	637,844				
Profit receivable	-	16,148	16,148				
Other receivables	-	1	1				
	<u>-</u>	<u>653,993</u>	<u>653,993</u>				
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	1,126	1,126				
Payable to the Trustee	-	28	28				
Dividend Payable	-	1	1				
Payable against purchase of investments	-	483,428	483,428				
Accrued and other liabilities	-	1,186	1,186				
	<u>-</u>	<u>485,769</u>	<u>485,769</u>				

During the period ended December 31, 2022, there were no transfers between levels of fair value measurements, and no transfer into and out of level 3 fair value measurements.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2022**

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**15 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison.

**16. DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information was authorised for issue on February 03, 2023 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**

**Head Office:** 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi

**UAN:** (+92-21) 11-11-622-24 (11-11-MCB-AH)

**URL:** [www.mcbah.com](http://www.mcbah.com), **Email:** [info@mcbah.com](mailto:info@mcbah.com)