

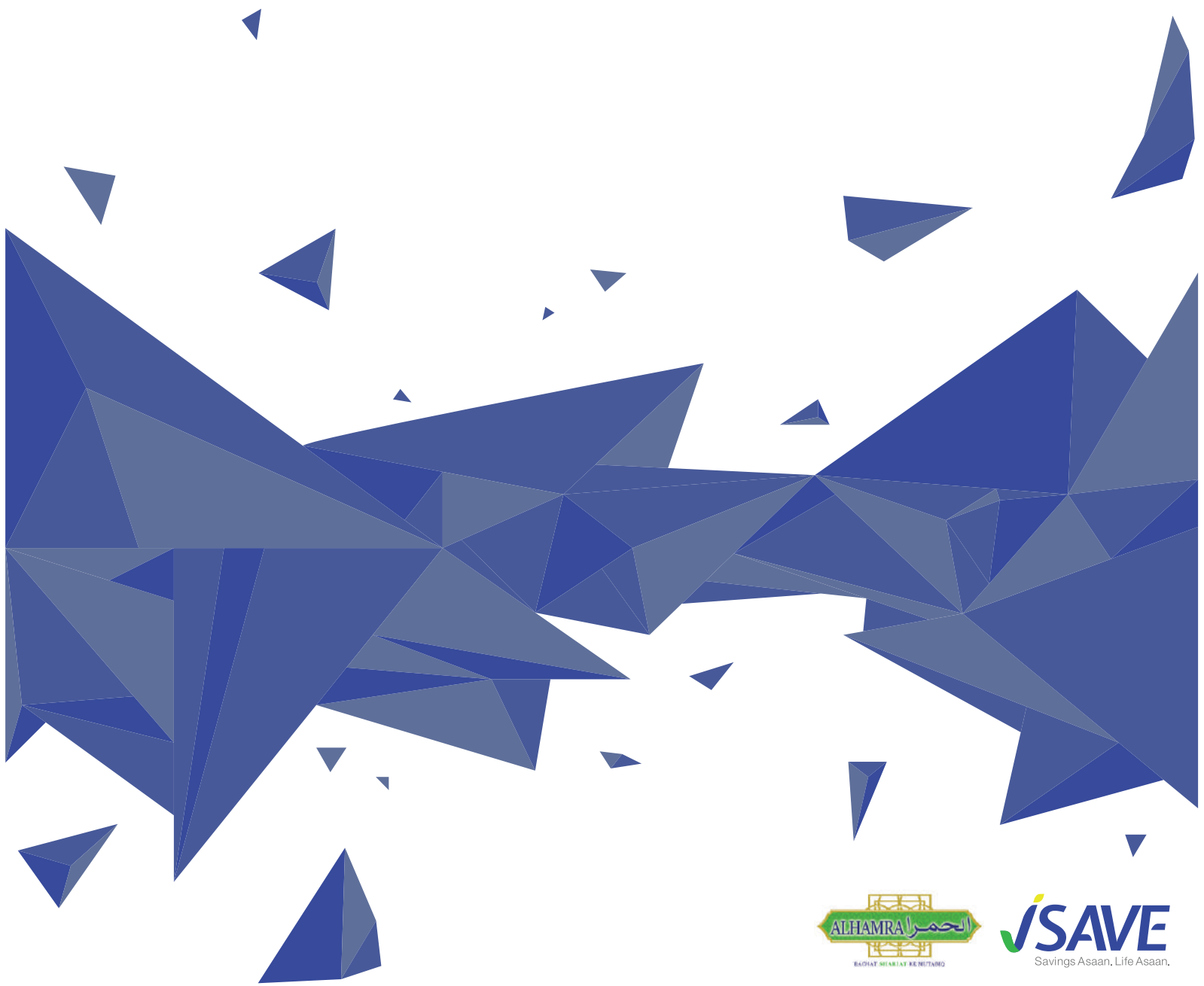


**MCB-ARIF HABIB**  
Savings and Investments Limited

# HALF YEARLY REPORT

DECEMBER  
**2021**  
(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><br>Adamjee House, 2nd Floor,<br>I.I. Chundrigar Road, Karachi.                                                                                                                                                         |                                                                                                                  |
| <b>Board of Directors</b>                                    | Mr. Haroun Rashid<br>Mr. Nasim Beg<br>Mr. Muhammad Saqib Saleem<br>Mr. Ahmed Jahangir<br>Mr. Kashif A. Habib<br>Mirza Qamar Beg<br>Syed Savail Meekal Hussain<br>Ms. Mavra Adil Khan                                                                                           | Chairman<br>Vice Chairman<br>Chief Executive Officer<br>Director<br>Director<br>Director<br>Director<br>Director |
| <b>Audit Committee</b>                                       | Mirza Qamar Beg<br>Mr. Nasim Beg<br>Mr. Ahmed Jahangir<br>Mr. Kashif A. Habib<br>Syed Savail Meekal Hussain                                                                                                                                                                    | Chairman<br>Member<br>Member<br>Member<br>Member                                                                 |
| <b>Human Resource &amp; Remuneration Committee</b>           | Mirza Qamar Beg<br>Mr. Nasim Beg<br>Mr. Ahmed Jahangir<br>Syed Savail Meekal Hussain<br>Ms. Mavra Adil Khan<br>Mr. Muhammad Saqib Saleem                                                                                                                                       | Chairman<br>Member<br>Member<br>Member<br>Member<br>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><br>CDC House, 99-B, Block 'B'S.M.C.H.S<br>Main Shahra-e-Faisal Karachi<br>Tel: (92-21) 111-111-500<br>Fax: (92-21) 34326053<br>Web: www.cdcpakistan.com                                                                     |                                                                                                                  |
| <b>Bankers</b>                                               | MCB Bank Limited<br>Bank Al Habib Limited<br>Habib Bank Limited<br>Allied Bank Limited<br>Bank Alfalah Limited<br>Faysal Bank Limited<br>Habib Metropolitan Bank Limited<br>United Bank Limited<br>Zarai Taraqati Bank Limited<br>Js Bank Limited<br>National Bank Of Pakistan |                                                                                                                  |
| <b>Auditors</b>                                              | <b>Yousuf Adil</b><br>Chartered Accountants<br>Cavish Court, A-35, Block-7 & 8<br>KCHSU, Shahrah-e-Faisal, Karachi-753550                                                                                                                                                      |                                                                                                                  |
| <b>Legal Advisor</b>                                         | <b>Bawaney &amp; Partners</b><br>3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area<br>Phase VI, D.H.A., Karachi                                                                                                                                                          |                                                                                                                  |
| <b>Transfer Agent</b>                                        | <b>MCB-Arif Habib Savings &amp; Investments Limited</b><br>Adamjee House, 2nd Floor<br>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, 2021

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Dear Investor,

On behalf of the Board of Directors, we are pleased to present **MCB Pakistan Sovereign Fund** accounts review for the half year ended December 31, 2021.

### **Economy and Money Market Review**

The fiscal year started on strong note with government's renewed focus on reviving growth, as new finance minister announced several incentives in fiscal year 2022 (FY22) budget to spur growth. This was in addition to lagged impact of monetary easing (6.25% drop since start of covid lockdowns), low inflation and incentives on capital investment at lower rates (TERF), which further supported to growth premise. However, the sharp recovery in domestic demand, coupled with rising international commodity prices, led to a strong pick-up in imports and a commensurate increase in the current account deficit. Widening deficit also reflected on the exchange rate as the rupee depreciated by 10.4% against USD during first half of fiscal year ending June 2022 (1HFY22).

The country posted a current account deficit of USD 9.1bn in 1HFY22 compared to a surplus of USD 1.3bn in the corresponding period last year. This was the largest CAD since FY18, when country witnessed a deficit of USD 8.7bn in first half of the fiscal year. The deterioration came in primarily on the back of higher imports which grew by 56.9% in 1HFY22 compared to export growth of 29.0%. Trade Deficit increased by 86.0% to USD 21.2bn compared to USD 11.4bn in same period last year. The unprecedented increase in imports mainly came from historic high prices of our commodity basket including crude oil, palm oil, coal coupled with one time vaccines imports. As per our estimates, prices contributed more than two-third of the increase in import bill.

Foreign exchange reserves of central bank saw an increase of USD 0.4bn as Pakistan received USD 2.75 billion from the IMF under its new SDR allocation and USD 3bn from Saudi Arabia for reserve support. The inflows helped in stabilizing forex reserves despite the huge current account deficit and due repayments.

Inflation remained a concern as rising commodities continued to create challenges for policy makers. Headline inflation represented by CPI averaged 9.8% in 1HFY22 compared to 8.6% in 1HFY21. The rise mainly came from higher food prices, elevated energy costs (both electricity and fuel) and second round impact of PKR depreciation, which keeps the prices of imported commodities high. Core inflation as measured by Non Food Non Energy also depicted an upward trend as it increased to 8.5% in December 2021 compared to 6.9% in June 2021. The SBP increased policy rate by a cumulative 275bps to 9.75% in this half to counter inflationary pressures and slow aggregate demand.

On the fiscal side FBR tax collection increased by 32.5% in 1HFY22 to PKR 2,920bn compared to PKR 2,204bn during same period last year. This exceeded the target of 2,633bn by 287bn. The improved tax collection was primarily on the back of higher custom duty and sales tax collected due to higher imports.

Secondary markets yields have increased significantly in the half as SBP started the monetary tightening cycle. The recent depreciation in rupee along with persistently high commodity prices will add pressure to inflation and we expect average FY22 inflation to clock at 11.7% above the range of 9-11% forecasted by SBP. Bond yields for tenors of 3 years, 5 years and 10 years witnessed a rise of 1.7%, 1.5% and 1.2%, respectively during the period.

### **FUND PERFORMANCE**

During the period under review, the fund generated an annualized return of 9.64% as against its benchmark return of 8.74%. At period-end, the fund decreased its exposure in cash to 52.9% from 57.2%. The Net Assets of the Fund as at December 31, 2021 stood at Rs. 708 million as compared to Rs. 738 million as at June 30, 2021 registering a decline of 4.07%.

The Net Asset Value (NAV) per unit as at December 31, 2021 was Rs. 55.91 as compared to opening NAV of Rs. 53.32 per unit as at June 30, 2021 registering an increase of Rs. 2.59 per unit.

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2021

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## Economy & Market – Future Outlook

The policy makers have moved their focus from growth to macroeconomic consolidation in view of elevated current account deficit and higher inflation trajectory. The SBP took a number of measures to curtail aggregate demand and imports including monetary tightening, raising cash reserve requirement and discouraging auto financing by banning financing of imported vehicle while capping financing requirement to PKR 3mn for locally assembled cars. These steps have started yielding results with imports receding from their historic high and currency depicting relative stability.

We expect GDP to grow by 4.6% this year slightly lower than the government target of 4.8%. We expect Agriculture, Industrial and Services Sector to grow by 5.0%, 4.1% and 4.6% respectively. Industrial Sector growth is likely to remain robust but below government target due to some demand compression as a result of monetary tightening. Agriculture sector growth on the other hand is likely to exceed government estimates due to expected bumper wheat and cotton crop. The Covid Vaccination roll out has been quite successful which is anticipated to unleash Services growth as this segment was the most affected by the pandemic.

The persistently elevated international commodities prices especially petroleum, palm oil, coal, fertilizers and steel, has led to a strong pick-up in imports and a rise in the current account deficit, which we expect to close the year around USD 16 billion (4.3% of GDP). This would be the largest current account deficit since fiscal year 2018, when the country posted CAD of USD 19.2 billion (6.1% of GDP). Responding to a high CAD, we expect PKR to depreciate further to end the fiscal year near PKR 183 against a dollar.

Successful continuation of the IMF program will be a key prerequisite to keep the financial account in positive zone. The SBP is expected to continue to discourage unnecessary imports and use flexible market determined exchange rate and appropriate monetary policy setting to ensure sustainable external account position. The remittances along with bilateral and multilateral flows would also be crucial in managing our external position.

The expected rise in energy tariffs, currency depreciation and higher international commodities prices will lead to increase in inflation in this year. We expect inflation to remain in double digits for rest of the fiscal year to average around 11.7% for year. SBP has increased policy rate by a cumulative 275bps to 9.75% to counter inflationary pressures and ensure that growth remains sustainable. It has indicated that its goal to achieve mildly positive interest rate on a forward-looking basis was now close to being achieved. However, the recent surge in international oil prices poses upside risk to the equation. We expect interest rates to rise around 10%-10.5% by the end of fiscal year.

From capital market perspective, particularly equities, the recent correction in stock prices have opened up valuation. The market has priced in expected interest rate increase and currency depreciation. Market cap to GDP ratio has declined to 14.4%, a discount of 57% from its historical average. Similarly, risk premiums are close to 5.9%, compared to historical average of 1.9% signifying abnormal returns for long term investors. 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. The market is currently trading at PER of 5.5x, while offering a dividend yield of 8.2%.

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. On the other hand, government bonds yields may continue to remain at elevated levels given expected increase in interest rates. We remain cautious at the current levels of bond yields and would continue to monitor the data points to capitalize on opportunities.

## Mutual Fund Industry Review

The Net Assets of the open end mutual fund industry increased by about 7.0% during the half to PKR 1,090bn at the end of 1HFY22. Total money market funds grew by about 19.9% since June 2021. Within the money market sphere, the conventional funds dominated as they grew by about 33.9% to PKR 382bn

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2021

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while Islamic funds declined by 2.3% to PKR 178bn. In addition, the total fixed Income funds increased by about 0.9% since June 2021, as the conventional income funds declined by 3.7% to PKR 121bn. Equity and related funds declined by 8.1% as market witnessed a decline in the half eroding AUMS as concern over macroeconomic and geopolitical factors kept investors at bay.

In terms of the segment share, Money Market funds were the leader with a share of around 51.4%, followed by Equity and Equity related funds with a share of 25.2% and Income funds having a share of 22.7% as at the end of 1HFY22.

### Mutual Fund Industry Outlook

The recent increase in interest rates along with prospect of further monetary tightening would increase flows in the money market funds. The money markets funds by virtue of its short duration would be the ideal for investors with a short term horizon and low risk profile. However recent correction in stock prices have opened up valuations and long term investors would look to add equity exposure at these attractive levels. Our operations remained seamless and given our competitive edge due to aggressive investment in digital access and online customer experience, the environment provides an opportunity with growing number of investors available online.

### 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.

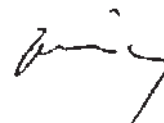
On behalf of Directors,

On behalf of Directors,



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**Muhammad Saqib Saleem**  
Chief Executive Officer  
February 08, 2022



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**Nasim Beg**  
Director/Vice Chairman  
February 08, 2022

اظہارِ تشکر

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

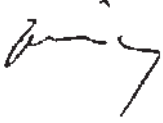
من جانب ڈائریکٹرز



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

08 فروری 2022ء



نیم بیگ

ڈائریکٹر/وائس چیئرمین

08 فروری 2022ء

اس کے historical اوسط سے 57 فیصد کم ہے۔ اسی طرح، ریسک پریمیئم 5.9 فیصد کے قریب ہیں جبکہ اس کے بالمقابل اس کا تاریخی اوسط 1.9 فیصد تھا، جس کا مطلب ہے طویل المیعاد سرمایہ کاروں کے لیے غیر معمولی منافع جات ہوں گے۔ ہم سمجھتے ہیں کہ سیکٹرز اور اسٹاک کا خورد منظر زیادہ اہم رہے گا اور سرمایہ کاری کے انتخاب کا انحصار ایسی کمپنیوں پر ہونا چاہیے جو اپنی اندرونی قدر میں گہری رعایت پر تجارت کرتی ہیں۔ مارکیٹ میں فی الوقت 5.5x قیمت کے آمدنی کے ساتھ تناسب (PER) پر تجارت ہو رہی ہے جبکہ 8.2 فیصد ڈیویڈنڈ دستیاب ہے۔

قرض حاملین کے لیے ہم توقع کرتے ہیں کہ بازار زر کے فنڈ سال بھر بلا رکاوٹ پالیسی شرحوں کی عکاسی جاری رکھیں گے۔ دوسری جانب حکومتی بانڈز متوقع پیداواری خم میں شامل ہو چکے ہیں۔ ہم بانڈز کے منافع جات کی موجودہ سطحوں پر محتاط ہیں اور ڈیٹا پوائنٹس کی نگرانی جاری رکھیں گے تاکہ مواقع سے فائدہ اٹھایا جاسکے۔

### میوچل فنڈ صنعت کا جائزہ

اوپن اینڈ میوچل فنڈ صنعت کے net اثاثہ جات مالی سال 2022ء کے نصف اوّل کے دوران تقریباً 7.0 فیصد بڑھ کر اختتام مدت پر 1,090 بلین روپے ہو گئے۔ منی مارکیٹ کی مجموعی فنڈز میں جون 2021ء سے اب تک تقریباً 19.9 فیصد کا اضافہ ہوا ہے۔ منی مارکیٹ کے دائرہ کار میں روایتی فنڈز حاوی رہے کیونکہ تقریباً 33.9 فیصد بڑھ کر 382 بلین روپے ہو گئے، جبکہ اسلامک فنڈ 2.3 فیصد کم ہو کر 178 بلین روپے ہو گئے۔ مزید براں، مجموعی فکسڈ انکم فنڈز میں جون 2021ء سے اب تک تقریباً 0.9 فیصد اضافہ ہوا کیونکہ روایتی انکم فنڈ 3.7 فیصد کم ہو کر 121 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈ 8.1 فیصد کم ہو گئے کیونکہ زیر جائزہ ششاہی کے دوران مارکیٹ میں انحطاط آیا اور اثاثہ جات تحت الانظامیہ کم ہو گئے کیونکہ وسیع معاشی اور جغرافیائی سیاسی عوامل سے متعلق خدشات سرمایہ کاروں کی حوصلہ شکنی کا سبب بنے۔

شعبہ جاتی اعتبار سے مالی سال 2022ء کے نصف اوّل کے اختتام پر منی مارکیٹ فنڈز تقریباً 51.4 فیصد حصے کے ساتھ سب سے آگے تھے، جبکہ دوسرے نمبر پر ایکویٹی اور متعلقہ فنڈز تھے جن کا 25.2 فیصد حصہ تھا، اور تیسرے نمبر پر انکم فنڈز تھے جن کا 22.7 فیصد حصہ تھا۔

### میوچل فنڈ کی صنعت کے مستقبل کا منظر

سود کی شرحوں میں حالیہ اضافے اور مزید مالیاتی سختی کے امکان سے منی مارکیٹ فنڈز میں آمدورفت میں اضافہ ہوگا۔ منی مارکیٹ فنڈز اپنی مختصر مدت کے سبب ایسے سرمایہ کاروں کے لیے موزوں ترین ہوں گے جو مختصر میعاد میں کام کرنا چاہتے ہیں اور زیادہ خطرہ مول لینا نہیں چاہتے۔ تاہم اسٹاک کی قیمتوں میں حالیہ تصحیح نے تعینات قدر رکھول دی ہیں اور طویل المیعاد سرمایہ کاران پر کشش 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 سبقت حاصل ہے اس کی بدولت ہم آن لائن کام کرنے والے سرمایہ کاروں کی بڑھتی ہوئی تعداد سے استفادہ کر سکتے ہیں۔

بنالیا ہے۔ 'ایس بی پی' نے مجموعی طلب اور درآمدات کو کم کرنے کے لیے متعدد اقدامات کیے مثلاً مالیاتی سختی، نقد ذخائر کی مطلوبہ سطح میں اضافہ، اور آٹو فنانسنگ یعنی بینک وغیرہ سے قرض لے کر گاڑی کے حصول کی حوصلہ شکنی بذریعہ درآمد شدہ گاڑیوں کی فنانسنگ پر پابندی اور مقامی تیار کردہ گاڑیوں کی فنانسنگ کے لیے 3 ملین روپے کی مطلوبہ سطح کا تعین۔ ان اقدامات کے ثمرات ظاہر ہونا شروع ہو گئے ہیں کیونکہ درآمدات اپنی تاریخی بلند ترین سطح سے نیچے آ رہی ہیں اور روپیہ نسبتاً مستحکم ہو رہا ہے۔

ہمیں مجموعی ملکی پیداوار (جی ڈی پی) میں اس سال 4.6 فیصد کی ترقی کی اُمید ہے جو حکومتی ہدف 4.8 فیصد سے کچھ کم ہے۔ ہماری توقع کے مطابق زرعی، صنعتی اور خدمات کے شعبوں میں بالترتیب 5.0 فیصد، 4.1 فیصد اور 4.6 فیصد ترقی ہوگی۔ صنعتی شعبے کی ترقی ممکنہ طور پر بھرپور لیکن حکومتی ہدف سے کم ہوگی کیونکہ مالیاتی سختی کے باعث طلب کچھ حد تک سکڑ جائے گی۔ دوسری جانب زرعی شعبے کی ترقی متوقع طور پر حکومتی تخمینوں سے سبقت لے جائے گی کیونکہ گندم اور کپاس کی فصل کا بڑا حجم متوقع ہے۔ کووڈ ویکسینیشن کی مہم کافی حد تک کامیاب رہی جس کی بدولت خدمات کے شعبے میں ترقی متوقع ہے کیونکہ وبا سے سب سے زیادہ متاثر یہی شعبہ تھا۔ اشیاء، خصوصاً پٹرولیم، پام تیل، کوئلہ، کھاد اور اسٹیل، کی مسلسل بڑھی ہوئی بین الاقوامی قیمتوں کے نتیجے میں درآمدات تیزی سے اوپر گئیں اور کرنٹ اکاؤنٹ خسارے (سی اے ڈی) میں اضافہ ہوا جو ہماری توقع کے مطابق اختتام سال پر تقریباً 16 بلین (جی ڈی پی کا 4.3 فیصد) ہوگا۔ یہ مالی سال 2018ء میں 19.2 بلین ڈالر (جی ڈی پی کے 1.6 فیصد) کے بعد سے اب تک کا سب سے زیادہ سی اے ڈی ہوگا۔ ہم سمجھتے ہیں کہ بلند سی اے ڈی کے رد عمل کے طور پر روپے کی قدر میں مزید کمی ہوگی اور اختتام مالی سال پر یہ 183 روپے فی ڈالر ہو جائے گا۔

'آئی ایم ایف' پروگرام کا کامیاب تسلسل مالی گوشوارے کو مثبت حد میں رکھنے کی اہم ترین شرط ثابت ہوگا۔ اُمید ہے کہ 'ایس بی پی' غیر ضروری درآمدات کی حوصلہ شکنی جاری رکھے گا اور مارکیٹ کا تعین کردہ لچکدار زیرمبادلہ کی شرح اور مالیاتی پالیسی کی موزوں ترتیب استعمال کر کے خارجی گوشوارے کی قابل بقاء صورتحال کو یقینی بنائے گا۔ ترسیلات زر کے ساتھ ساتھ دوطرفہ اور کثیرالجہتی آمد و رفت بھی ہماری خارجی صورتحال کو سنبھالنے میں اہم ثابت ہوں گی۔

بجلی کی قیمتوں میں متوقع اضافے، روپے کی قدر میں کمی اور اشیاء کی بڑھی ہوئی بین الاقوامی قیمتوں کے نتیجے میں اس سال افراط زر میں اضافہ ہوگا۔ ہماری توقع کے مطابق افراط زر بقیہ مالی سال میں دو ہندسوں پر مشتمل رہے گی اور یوں اس کا اوسط برائے سال تقریباً 11.7 فیصد بنے گا۔ 'ایس بی پی' نے پالیسی شرح میں مجموعی طور پر 275bps کا اضافہ کر کے اسے 9.75 فیصد کر دیا ہے تاکہ افراط زر کے دباؤ سے نمٹا جاسکے اور یہ یقینی بنایا جاسکے کہ ترقی قابل بقاء رہے۔ 'ایس بی پی' نے اس طرف اشارہ کیا ہے کہ اس کا فارورڈ لکنگ بنیاد پر ہلکا پھلکا مثبت شرح سود حاصل کرنے کا مقصد پورا ہونے کے قریب تھا، تاہم تیل کی بین الاقوامی قیمتوں میں اضافہ رکاوٹ بن رہا ہے۔ ہم سمجھتے ہیں کہ مالی سال کے اختتام تک سود کی شرحوں میں تقریباً 10 سے 10.5 فیصد تک کا اضافہ ہوگا۔

کیپیٹل مارکیٹ، خصوصاً ایکویٹیز، کے تناظر میں اسٹاک کی قیمتوں میں حالیہ تصحیح سے تعین قدر کھل گئی ہے۔ مارکیٹ نے شرح سود میں متوقع اضافے اور روپے کی قدر میں کمی کو مد نظر رکھا ہے۔ مارکیٹ cap کا جی ڈی پی کے ساتھ تناسب کم ہو کر 14.4 فیصد رہ گیا جو

## ڈائریکٹر رپورٹ

اسباب اشیائے خوردونوش کی بلندتر قیمتیں، توانائی (بجلی اور ایندھن) کی بڑھی ہوئی لاگتیں، اور پاکستانی روپے کی قدر میں کمی کا دوسرا دور ہیں، جس سے درآمد شدہ اشیاء کی قیمتیں بلند رہتی ہیں۔

بنیادی افراط زر، جس کی پیمائش اشیائے خوردونوش اور توانائی کے علاوہ کے ذریعے کی جاتی ہے، میں بھی اضافے کا رجحان پایا گیا۔ دسمبر 2021ء میں 8.5 فیصد جبکہ اس کے بالمقابل جون 2021ء میں 6.9 فیصد۔ اسٹیٹ بینک آف پاکستان (ایس بی پی) نے پالیسی شرح میں مجموعی طور پر 275bps اضافہ کر کے اسے اس ششماہی میں 9.75 فیصد کر دیا تاکہ افراط زر کے دباؤ اور سست رفتار مجموعی طلب کا مقابلہ کیا جاسکے۔

مالیاتی جہت میں فیڈرل بورڈ آف ریونیو (ایف بی آر) کی ٹیکس وصولی مالی سال 2022ء کے نصف اول میں 32.5 فیصد بڑھ کر 2,920 بلین روپے ہو گئی جبکہ اس کے بالمقابل گزشتہ سال مماثل مدت کے دوران 2,204 بلین روپے تھی۔ یہ 2,633 بلین کے ہدف سے 287 بلین روپے زیادہ ہے۔ ٹیکس وصولی میں اضافے کا بنیادی سبب درآمدات میں اضافے کی بدولت زیادہ کسٹم ڈیوٹی اور سیلز ٹیکس کی وصولی ہے۔

ثانوی مارکیٹس کے منافع جات میں اس ششماہی میں قابل ذکر اضافہ ہوا ہے کیونکہ ایس بی پی نے مالیاتی سختی کا دورہ شروع کر دیا ہے۔ روپے کی قدر میں حالیہ کمی بمع اشیاء کی بلند قیمتوں سے افراط زر پر دباؤ میں اضافہ ہوگا اور ہمیں توقع ہے کہ مالی سال 2022ء کی اوسط افراط زر ایس بی پی کی پیش گوئی کردہ 9 سے 11 فیصد کی حد سے زیادہ یعنی 11.7 فیصد ہوگی۔ تین سالہ، پانچ سالہ اور دس سالہ بانڈز کے منافع جات میں دوران مدت بالترتیب 1.7 فیصد، 1.5 فیصد اور 1.2 فیصد اضافہ ہوا۔

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 9.64 فیصد سالانہ منافع حاصل کیا جبکہ اس کا مقررہ منافع 8.74 فیصد تھا۔ مدت کے اختتام پر فنڈ نے نقد رقم میں اپنی سرمایہ کاری 57.2 فیصد سے کم کر کے 52.9 فیصد کر دی۔ 31 دسمبر 2021ء کو فنڈ کے خالص اثاثے 708 ملین روپے رہے جبکہ 30 جون 2021ء کو 738 ملین روپے تھے، یعنی 4.07 فیصد کی کمی ریکارڈ کی گئی۔ 31 دسمبر 2021ء کو خالص اثاثہ قدر (این اے وی) 55.91 روپے فی یونٹ رہی جبکہ 30 جون 2021ء کو (این اے وی) 53.32 روپے فی یونٹ تھی، یعنی 2.59 روپے فی یونٹ کا اضافہ درج کیا گیا۔

### معیشت اور مارکیٹ - مستقبل کا منظر نامہ

کرنٹ اکاؤنٹ خسارے اور افراط زر میں اضافے کے پیش نظر پالیسی سازوں نے اپنی توجہ کا مرکز ترقی سے ہٹا کر وسیع معاشی ہم آہنگی کو

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان سوورن فنڈ کے اکاؤنٹس برائے نصف اول مختتمہ 31 دسمبر 2021ء کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار کا جائزہ

ترقی کی بحالی پر حکومت کی تجدید شدہ توجہ کے باعث مالی سال کا خوش آئند آغاز جسکی وجہ نئے وزیر خزانہ کا مالی سال 2022ء کے بجٹ میں متعدد ترقیاتی ترغیبات کا اعلان کرنا ہے۔ یہ پیش رفت مالیاتی تسہیل (کووڈ لاک ڈاؤن کے آغاز سے اب تک 6.25 فیصد کمی) کی سست اثر پذیری، پست افراط زر، اور کم شرحوں پر کیپیٹل کی سرمایہ کاری (TERF) پر مستزاد تھی جس کی بدولت ترقی کو مزید تحریک حاصل ہوئی۔ تاہم مقامی طلب میں ٹینڈ بحالی جمع اشیاء کی بڑھتی ہوئی بین الاقوامی قیمتوں کے نتیجے میں درآمدات میں بھرپور اضافہ اور کرنٹ اکاؤنٹ خسارے میں متناسب اضافہ ہوا۔ خسارے میں اضافے کا اثر شرح زرمبادلہ پر بھی ظاہر ہوا اور مالی سال مختتمہ جون 2022ء کے نصف اول کے دوران روپیہ ڈالر کے مقابلے میں 10.4 فیصد گر گیا۔

مالی سال 2022ء کے نصف اول میں ملک کا کرنٹ اکاؤنٹ خسارہ (سی اے ڈی) 9.1 بلین ڈالر تھا جبکہ اس کے بالمقابل گزشتہ سال کی مماثل مدت میں 1.3 بلین ڈالر سرپلس تھا۔ یہ مالی سال 2018ء سے لے کر اب تک کا سب سے زیادہ سی اے ڈی تھا، یعنی مالی سال کے نصف اول میں 8.7 بلین ڈالر کا خسارہ۔ اس کا بنیادی سبب درآمدات میں اضافہ تھا جو مالی سال 2022ء کے نصف اول میں 56.9 فیصد تھا جبکہ اس کے بالمقابل برآمدات میں اضافہ 29.0 فیصد تھا۔ تجارتی خسارہ 86.0 فیصد بڑھ کر 21.2 بلین ڈالر ہو گیا جبکہ اس کے بالمقابل گزشتہ سال مماثل مدت میں 11.4 بلین ڈالر تھا۔ درآمدات میں بے نظیر اضافے کا سبب ہماری اشیاء کی basket کی historic بلند قیمتیں ہے جس میں خام تیل، palm تیل، کوئلہ اور اس کے ساتھ ویکسین کی یکبار درآمدات شامل ہیں۔ ہمارے تخمینوں کے مطابق درآمداتی بل میں اضافے کا دو تہائی سے زیادہ حصہ قیمتوں پر مشتمل ہے۔

مرکزی بینک کے زرمبادلہ کے ذخائر میں 0.4 بلین ڈالر اضافہ ہوا کیونکہ پاکستان کو انٹرنیشنل مانیٹری فنڈ (آئی ایم ایف) کے نئے 'ایس ڈی آر' اختصاص کے تحت 2.75 بلین ڈالر اور سعودی عرب کے طرف سے 3 بلین ڈالر برائے reserve معاونت موصول ہوئے۔ یہ وصولیاں کرنٹ اکاؤنٹ کے خطیر خسارے اور واجبات الاداء کے باوجود زرمبادلہ کے ذخائر میں استحکام لانے میں معاون ثابت ہوئیں۔

افراط زر کا مسئلہ برقرار رہا کیونکہ بڑھتی ہوئی اشیاء نے پالیسی سازوں کے لیے مشکلات پیدا کرنے کا سلسلہ جاری رکھا۔ ہیڈ لائن افراط زر، جس کی ترجمانی کنزیومر پرائس انڈیکس (سی پی آئی) یعنی صارفی قیمت کے انڈیکس سے ہوتی ہے، کا اوسط مالی سال 2022ء کے نصف اول میں 9.8 فیصد تھا جبکہ اس کے بالمقابل مالی سال 2021ء کے نصف اول میں 8.6 فیصد تھا۔ اس اضافے کے بنیادی

# 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](http://www.cdcpakistan.com)

Email: [info@cdcpak.com](mailto: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, 2021 in accordance with the provisions of the following:

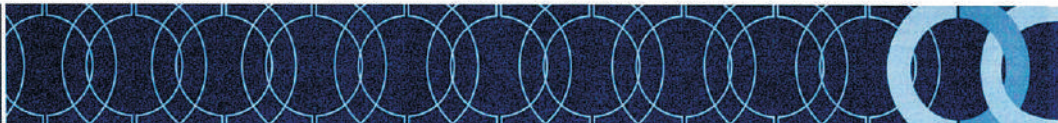
- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance 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 22, 2022



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



Yousuf Adil  
Chartered Accountants

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## 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, 2021, 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, 2021. 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 quarters ended December 31, 2021 and 2020, have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2021.

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

  
Chartered Accountants  
Place: Karachi  
Dated: February 21, 2022

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2021

|                                                                                |      | (Un-audited)<br>December 31,<br>2021 | (Audited)<br>June 30,<br>2021 |
|--------------------------------------------------------------------------------|------|--------------------------------------|-------------------------------|
|                                                                                | Note | ----- (Rupees in '000) -----         |                               |
| <b>ASSETS</b>                                                                  |      |                                      |                               |
| Bank balances                                                                  | 5    | 735,594                              | 776,052                       |
| Investments                                                                    | 6    | 639,958                              | 569,132                       |
| Profit receivable                                                              |      | 11,515                               | 7,790                         |
| Advances, prepayments and other receivables                                    |      | 2,858                                | 3,024                         |
| <b>Total assets</b>                                                            |      | <b>1,389,925</b>                     | <b>1,355,998</b>              |
| <b>LIABILITIES</b>                                                             |      |                                      |                               |
| Payable to MCB-Arif Habib Savings and Investments Limited – Management Company | 7    | 1,284                                | 1,018                         |
| Payable to Central Depository Company of Pakistan Limited - Trustee            |      | 38                                   | 47                            |
| Payable to Securities and Exchange Commission of Pakistan                      |      | 74                                   | 252                           |
| Payable against purchase of investments                                        |      | 645,623                              | 569,468                       |
| Dividend payable                                                               |      | 1                                    | 1                             |
| Accrued expenses and other liabilities                                         | 8    | 35,032                               | 47,282                        |
| <b>Total liabilities</b>                                                       |      | <b>682,052</b>                       | <b>618,068</b>                |
| <b>NET ASSETS</b>                                                              |      | <b>707,873</b>                       | <b>737,930</b>                |
| <b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>                          |      | <b>707,873</b>                       | <b>737,930</b>                |
| <b>CONTINGENCIES AND COMMITMENTS</b>                                           | 9    |                                      |                               |
|                                                                                |      | ----- (Number of units) -----        |                               |
| <b>NUMBER OF UNITS IN ISSUE</b>                                                |      | <b>12,661,495</b>                    | <b>13,838,923</b>             |
|                                                                                |      | ----- (Rupees) -----                 |                               |
| <b>NET ASSETS VALUE PER UNIT</b>                                               |      | <b>55.91</b>                         | <b>53.32</b>                  |

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

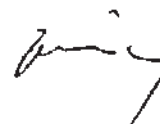
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2021

|                                                                                                                             |       | Half year ended<br>December 31, |               | Quarter ended<br>December 31, |               |
|-----------------------------------------------------------------------------------------------------------------------------|-------|---------------------------------|---------------|-------------------------------|---------------|
|                                                                                                                             |       | 2021                            | 2020          | 2021                          | 2020          |
| Note                                                                                                                        |       | (Rupees in '000)                |               |                               |               |
| <b>INCOME</b>                                                                                                               |       |                                 |               |                               |               |
| Income from government securities                                                                                           |       | 27,694                          | 58,009        | 14,217                        | 27,041        |
| Capital (loss) on sale of investments - net                                                                                 |       | (863)                           | (9,650)       | (1,158)                       | (4,810)       |
| Profit on bank deposits                                                                                                     |       | 3,815                           | 3,619         | 1,755                         | 1,366         |
| Unrealised (diminution) / appreciation in fair value of investments classified 'at fair value through profit or loss' - net | 6.1.4 | (519)                           | (365)         | (670)                         | 1,264         |
| <b>Total income</b>                                                                                                         |       | <b>30,127</b>                   | <b>51,613</b> | <b>14,144</b>                 | <b>24,861</b> |
| <b>EXPENSES</b>                                                                                                             |       |                                 |               |                               |               |
| Remuneration of MCB-Arif Habib Savings and Investments Limited – Management Company                                         | 7.1   | 3,644                           | 6,761         | 1,753                         | 3,002         |
| Sindh Sales Tax on remuneration of the Management Company                                                                   |       | 474                             | 879           | 228                           | 390           |
| Remuneration of the Central Depository Company of Pakistan Limited - Trustee                                                |       | 224                             | 509           | 100                           | 238           |
| Sindh Sales Tax on remuneration of Trustee                                                                                  |       | 29                              | 66            | 13                            | 31            |
| Securities and Exchange Commission of Pakistan - annual fee                                                                 |       | 75                              | 156           | 37                            | 73            |
| Allocated expenses                                                                                                          | 7.3   | 373                             | 782           | 183                           | 365           |
| Marketing and selling expenses                                                                                              | 7.4   | 1,470                           | 1,095         | 511                           | 511           |
| Brokerage expenses                                                                                                          |       | 66                              | 216           | 28                            | 90            |
| Legal and professional expenses                                                                                             |       | 1,429                           | 68            | (6)                           | 34            |
| Auditors' remuneration                                                                                                      |       | 277                             | 277           | 139                           | 139           |
| Other expenses                                                                                                              |       | 398                             | 371           | 179                           | 176           |
| <b>Total expenses</b>                                                                                                       |       | <b>8,459</b>                    | <b>11,180</b> | <b>3,165</b>                  | <b>5,049</b>  |
| <b>Net income from operating activities</b>                                                                                 |       | <b>21,668</b>                   | <b>40,433</b> | <b>10,979</b>                 | <b>19,812</b> |
| Reversal/ (provision) against Sindh Workers' Welfare Fund                                                                   | 8.1   | 13,419                          | (809)         | -                             | (396)         |
| <b>Net income for the period before taxation</b>                                                                            |       | <b>35,087</b>                   | <b>39,624</b> | <b>10,979</b>                 | <b>19,416</b> |
| Taxation                                                                                                                    | 10    | -                               | -             | -                             | -             |
| <b>Net income for the period after taxation</b>                                                                             |       | <b>35,087</b>                   | <b>39,624</b> | <b>10,979</b>                 | <b>19,416</b> |
| <b>Allocation of net income for the period:</b>                                                                             |       |                                 |               |                               |               |
| Net income for the period after taxation                                                                                    |       | 35,087                          | 39,624        | 10,979                        | 19,416        |
| Income already paid on units redeemed                                                                                       |       | (3,017)                         | (4,728)       | (1,752)                       | (2,769)       |
|                                                                                                                             |       | <b>32,070</b>                   | <b>34,896</b> | <b>9,227</b>                  | <b>16,647</b> |
| <b>Accounting income available for distribution:</b>                                                                        |       |                                 |               |                               |               |
| - Relating to capital gains                                                                                                 |       | -                               | -             |                               |               |
| - Excluding capital gains                                                                                                   |       | 32,070                          | 34,896        |                               |               |
|                                                                                                                             |       | <b>32,070</b>                   | <b>34,896</b> |                               |               |
| <b>Earnings per unit</b>                                                                                                    | 11    |                                 |               |                               |               |

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

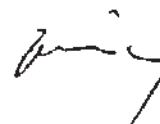
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



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, 2021

|                                                  | Half year ended<br>December 31, |               | Quarter ended<br>December 31, |               |
|--------------------------------------------------|---------------------------------|---------------|-------------------------------|---------------|
|                                                  | 2021                            | 2020          | 2021                          | 2020          |
|                                                  | ----- (Rupees in '000) -----    |               |                               |               |
| Net income for the period after taxation         | 35,087                          | 39,624        | 10,979                        | 19,416        |
| Other comprehensive income for the period        | -                               | -             | -                             | -             |
| <b>Total comprehensive income for the period</b> | <b>35,087</b>                   | <b>39,624</b> | <b>10,979</b>                 | <b>19,416</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  
(the 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, 2021

|                                                                                             | Half year ended December 31, |                  |           |               |                  |           |
|---------------------------------------------------------------------------------------------|------------------------------|------------------|-----------|---------------|------------------|-----------|
|                                                                                             | 2021                         |                  |           | 2020          |                  |           |
|                                                                                             | (Rupees in '000)             |                  |           |               |                  |           |
|                                                                                             | Capital Value                | Accumulated loss | Total     | Capital Value | Accumulated loss | Total     |
| Net assets at beginning of the period                                                       | 1,445,573                    | (707,643)        | 737,930   | 2,523,996     | (707,606)        | 1,816,390 |
| Issue of 5,367,427 units (2020: 2,766,931 units):                                           |                              |                  |           |               |                  |           |
| - Capital value (at net asset value per unit at the beginning of the period)                | 286,191                      | -                | 286,191   | 147,394       | -                | 147,394   |
| - Element of income                                                                         | 9,537                        | -                | 9,537     | 1,043         | -                | 1,043     |
|                                                                                             | 295,728                      | -                | 295,728   | 148,437       | -                | 148,437   |
| Redemption of 6,544,855 units (2020: 11,203,152 units):                                     |                              |                  |           |               |                  |           |
| - Capital value (at net asset value per unit at the beginning of the period)                | (348,972)                    | -                | (348,972) | (596,792)     | -                | (596,792) |
| - Amount paid out of element of Income relating to net income for the period after taxation | (8,884)                      | (3,017)          | (11,901)  | (497)         | (4,728)          | (5,225)   |
|                                                                                             | (357,856)                    | (3,017)          | (360,873) | (597,289)     | (4,728)          | (602,017) |
| Total comprehensive income for the period                                                   | -                            | 35,087           | 35,087    | -             | 39,624           | 39,624    |
| Net assets as at the end of the period                                                      | 1,383,445                    | (675,573)        | 707,873   | 2,075,144     | (672,710)        | 1,402,434 |
| Undistributed loss brought forward                                                          |                              |                  |           |               |                  |           |
| - Realised                                                                                  |                              | (707,648)        |           |               | (708,640)        |           |
| - Unrealised                                                                                |                              | 5                |           |               | 1,034            |           |
|                                                                                             |                              | (707,643)        |           |               | (707,606)        |           |
| Accounting income available for distribution                                                |                              |                  |           |               |                  |           |
| - Relating to capital gains                                                                 | -                            |                  |           | -             |                  |           |
| - Excluding capital gains                                                                   | 32,070                       |                  |           | 34,896        |                  |           |
|                                                                                             | 32,070                       |                  |           | 34,896        |                  |           |
|                                                                                             | (675,573)                    |                  |           | (672,710)     |                  |           |
| Undistributed loss carried forward                                                          |                              |                  |           |               |                  |           |
| - Realised                                                                                  |                              | (675,054)        |           |               | (672,345)        |           |
| - Unrealised                                                                                |                              | (519)            |           |               | (365)            |           |
|                                                                                             |                              | (675,573)        |           |               | (672,710)        |           |
|                                                                                             | ---                          | (Rupees) ---     |           | ---           | (Rupees) ---     |           |
| Net assets value per unit as at beginning of the period                                     | 53.32                        |                  |           | 53.27         |                  |           |
| Net assets value per unit as at end of the period                                           | 55.91                        |                  |           | 54.65         |                  |           |

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

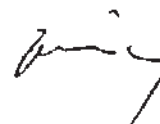
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE HALF YEAR DECEMBER 31, 2021

|                                                                                                                                | Half year ended<br>December 31, |                  |
|--------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------|
|                                                                                                                                | 2021                            | 2020             |
|                                                                                                                                | ----- (Rupees in '000) -----    |                  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                                                    |                                 |                  |
| Net income for the period before taxation                                                                                      | 35,087                          | 39,624           |
| <b>Adjustments for non cash and other items:</b>                                                                               |                                 |                  |
| Unrealised diminution / (appreciation) in fair value of investments<br>classified 'at fair value through profit or loss' - net | 519                             | 365              |
| (Reversal)/ provision for Sindh Workers' Welfare Fund                                                                          | (13,419)                        | 809              |
|                                                                                                                                | <b>22,187</b>                   | <b>40,798</b>    |
| <b>(Increase) / decrease in assets</b>                                                                                         |                                 |                  |
| Investments                                                                                                                    | (71,345)                        | (767,585)        |
| Profit receivable                                                                                                              | (3,725)                         | (11,034)         |
| Advances and prepayments                                                                                                       | 166                             | 1,868            |
|                                                                                                                                | <b>(74,904)</b>                 | <b>(776,751)</b> |
| <b>(Decrease) / Increase in liabilities</b>                                                                                    |                                 |                  |
| Payable to MCB-Arif Habib Savings and Investments Limited – Management Company                                                 | 267                             | (1,123)          |
| Payable to Central Depository Company of Pakistan Limited - Trustee                                                            | (9)                             | (69)             |
| Payable to Securities and Exchange Commission of Pakistan                                                                      | (178)                           | (289)            |
| Payable against purchase of investments                                                                                        | 76,155                          | 2,608,910        |
| Accrued expenses and other liabilities                                                                                         | 1,168                           | (3,567)          |
|                                                                                                                                | <b>77,403</b>                   | <b>2,603,862</b> |
| <b>Net cash generated from operating activities</b>                                                                            | <b>24,687</b>                   | <b>1,867,909</b> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                                                                                    |                                 |                  |
| Receipts from issuance of units                                                                                                | 295,728                         | 148,437          |
| Payments on redemption of units                                                                                                | (360,873)                       | (602,017)        |
| <b>Net cash used in financing activities</b>                                                                                   | <b>(65,145)</b>                 | <b>(453,580)</b> |
| <b>Net (decrease)/ increase in cash and cash equivalents during the period</b>                                                 | <b>(40,458)</b>                 | <b>1,414,329</b> |
| Cash and cash equivalents at beginning of the period                                                                           | 776,052                         | 1,352,825        |
| Cash and cash equivalents at end of the period                                                                                 | <b>735,594</b>                  | <b>2,767,154</b> |

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

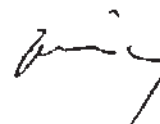
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



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, 2021

## 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, 2021 to the Management Company and has assigned stability rating of "AA-(f)" dated September 9, 2021 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 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.

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, 2021.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2021

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, 2021.

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, 2021.

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, 2021.

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, 2021.

|                         | Note | (Un-audited)<br>December 31,<br>2021<br>----- (Rupees in '000) ----- | (Audited)<br>June 30,<br>2021 |
|-------------------------|------|----------------------------------------------------------------------|-------------------------------|
| <b>5. BANK BALANCES</b> |      |                                                                      |                               |
| Savings accounts        | 5.1  | 731,444                                                              | 775,093                       |
| Current accounts        | 5.2  | 4,150                                                                | 959                           |
|                         |      | <u>735,594</u>                                                       | <u>776,052</u>                |

**5.1** These carry mark-up at rates ranging between 5.50% to 12.30% (June 30, 2021: 5.50 to 11.25%) per annum and include bank balance of Rs. 0.022 million (June 30, 2021: Rs.0.025 million) maintained with MCB Bank Limited (a related party) which carries profit rate 5.50% (June 30, 2021: 5.50%) per annum .

**5.2** These include a balance of Rs. 4.14 million (June 30, 2021: Rs.0.95 million) held with MCB Bank Limited (a related party).

|                                                                | Note  | (Un-audited)<br>December 31,<br>2021<br>----- (Rupees in '000) ----- | (Audited)<br>June 30,<br>2021 |
|----------------------------------------------------------------|-------|----------------------------------------------------------------------|-------------------------------|
| <b>6. INVESTMENTS</b>                                          |       |                                                                      |                               |
| <b>Financial assets 'at fair value through profit or loss'</b> |       |                                                                      |                               |
| <b>Government Securities</b>                                   | 6.1   |                                                                      |                               |
| Pakistan Investment Bonds                                      | 6.1.1 | 5,343                                                                | 5,643                         |
| Pakistan Investment Bonds - Floating Rate Bond (FRB)           | 6.1.2 | 586,771                                                              | 191,092                       |
| Market Treasury Bills                                          | 6.1.3 | 47,844                                                               | 372,397                       |
|                                                                |       | <u>639,958</u>                                                       | <u>569,132</u>                |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2021**

**6.1 Financial assets 'at fair value through profit or loss'**

**6.1.1 Government securities - Pakistan Investment Bonds**

| Name of security                     | Date of issue    | Face value          |                             |                                  | As at December 31, 2021 |                |              | Market value                  |                                      |
|--------------------------------------|------------------|---------------------|-----------------------------|----------------------------------|-------------------------|----------------|--------------|-------------------------------|--------------------------------------|
|                                      |                  | As at July 01, 2021 | Purchased during the period | Sold / matured during the period | As at December 31, 2021 | Carrying value | Market value | As a percentage of net assets | As a percentage of total investments |
| (Rupees in '000)                     |                  |                     |                             |                                  |                         |                |              |                               |                                      |
| Pakistan Investment Bonds - 3 years  | August 20, 2020  | -                   | 100,000                     | 100,000                          | -                       | -              | -            | -                             | -                                    |
| Pakistan Investment Bonds - 5 years  | July 12, 2020    | -                   | 200,000                     | 200,000                          | -                       | -              | -            | -                             | -                                    |
|                                      | October 15, 2020 | -                   | 400,000                     | 400,000                          | -                       | -              | -            | -                             | -                                    |
| Pakistan Investment Bonds - 20 years | June 10, 2004    | 5,500               | -                           | -                                | 5,500                   | 5,619          | 5,343        | 0.75                          | 0.83                                 |
| As at December 31, 2021              |                  |                     |                             |                                  |                         | 5,619          | 5,343        | (276)                         |                                      |
| As at June 30, 2021                  |                  |                     |                             |                                  |                         | 5,779          | 5,643        | (136)                         |                                      |

**6.1.2 Government securities - Pakistan Investment Bonds FRB**

| Name of security                         | Date of issue    | Face value          |                             |                                  | As at December 31, 2021 |                |              | Market value                  |                                      |
|------------------------------------------|------------------|---------------------|-----------------------------|----------------------------------|-------------------------|----------------|--------------|-------------------------------|--------------------------------------|
|                                          |                  | As at July 01, 2021 | Purchased during the period | Sold / matured during the period | As at December 31, 2021 | Carrying value | Market value | As a percentage of net assets | As a percentage of total investments |
| ----- (Rupees in '000) ----- % -----     |                  |                     |                             |                                  |                         |                |              |                               |                                      |
| Pakistan Investment Bonds FRB - 10 years | July 25, 2019    | 100,000             | 300,000                     | 300,000                          | 100,000                 | 100,389        | 100,390      | 2                             | 14.18                                |
|                                          | August 22, 2019  | 90,000              | 180,000                     | 180,000                          | 90,000                  | 90,358         | 90,351       | (7)                           | 12.76                                |
| Pakistan Investment Bonds FRB - 5 years  | May 6, 2021      | -                   | 450,000                     | 350,000                          | 100,000                 | 98,067         | 98,040       | (27)                          | 13.85                                |
| Pakistan Investment Bonds FRB - 3 years  | October 22, 2020 | -                   | 150,000                     | 150,000                          | -                       | -              | -            | -                             | -                                    |
| Pakistan Investment Bonds FRB - 2 years  | August 26, 2021  | -                   | 900,000                     | 600,000                          | 300,000                 | 298,192        | 297,990      | (202)                         | 42.10                                |
| As at December 31, 2021                  |                  |                     |                             |                                  |                         | 587,006        | 586,771      | (235)                         |                                      |
| As at June 30, 2021                      |                  |                     |                             |                                  |                         | 190,969        | 191,092      | 123                           |                                      |

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2021**

**6.1.3 Government securities - Market Treasury Bills**

| Tenor                   | Date of issue     | Face value          |                             |                                  | As at December 31, 2021 |                |              | Market value                  |                                      |
|-------------------------|-------------------|---------------------|-----------------------------|----------------------------------|-------------------------|----------------|--------------|-------------------------------|--------------------------------------|
|                         |                   | As at July 01, 2021 | Purchased during the period | Sold / matured during the period | As at December 31, 2021 | Carrying value | Market value | As a percentage of net assets | As a percentage of total investments |
| (Rupees in '000)        |                   |                     |                             |                                  |                         |                |              |                               |                                      |
| 3 Months                |                   |                     |                             |                                  |                         |                |              |                               |                                      |
| 3 months                | April 22, 2021    | 175,000             | -                           | 175,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | May 20, 2021      | -                   | 125,000                     | 125,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | June 3, 2021      | 200,000             | -                           | 200,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | July 2, 2021      | -                   | 520,000                     | 520,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | July 15, 2021     | -                   | 900,000                     | 900,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | July 29, 2021     | -                   | 500,000                     | 500,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | August 12, 2021   | -                   | 500,000                     | 500,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | August 26, 2021   | -                   | 500,000                     | 500,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | September 9, 2021 | -                   | 500,000                     | 500,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | October 7, 2021   | -                   | 950,000                     | 950,000                          | -                       | -              | -            | -                             | -                                    |
| 3 months                | October 21, 2021  | -                   | 75,000                      | 75,000                           | -                       | -              | -            | -                             | -                                    |
| 6 Months                |                   |                     |                             |                                  |                         |                |              |                               |                                      |
| 6 months                | March 25, 2021    | -                   | 175,000                     | 175,000                          | -                       | -              | -            | -                             | -                                    |
| 6 months                | April 8, 2021     | -                   | 100,000                     | 100,000                          | -                       | -              | -            | -                             | -                                    |
| 6 months                | May 6, 2021       | -                   | 300,000                     | 300,000                          | -                       | -              | -            | -                             | -                                    |
| 6 months                | June 3, 2021      | -                   | 500,000                     | 500,000                          | -                       | -              | -            | -                             | -                                    |
| 6 months                | July 2, 2021      | -                   | 575,000                     | 575,000                          | -                       | -              | -            | -                             | -                                    |
| 6 months                | July 15, 2021     | -                   | 500,000                     | 500,000                          | -                       | -              | -            | -                             | -                                    |
| 6 months                | July 29, 2021     | -                   | 500,000                     | 500,000                          | -                       | -              | -            | -                             | -                                    |
| 6 months                | August 12, 2021   | -                   | 500,000                     | 500,000                          | -                       | -              | -            | -                             | -                                    |
| 6 months                | August 26, 2021   | -                   | 650,000                     | 650,000                          | -                       | -              | -            | -                             | -                                    |
| 6 months                | September 9, 2021 | -                   | 1,250,000                   | 1,250,000                        | -                       | -              | -            | -                             | -                                    |
| 6 months                | December 2, 2021  | -                   | 150,000                     | 100,000                          | 50,000                  | 47,851         | 47,844       | (8)                           | 6.76                                 |
| 6 months                | December 16, 2021 | -                   | 500,000                     | 500,000                          | -                       | -              | -            | -                             | 7.48                                 |
| As at December 31, 2021 |                   |                     |                             |                                  | 47,851                  | 47,844         | (8)          |                               |                                      |
| As at June 30, 2021     |                   |                     |                             |                                  | 372,379                 | 372,397        | 18           |                               |                                      |

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2021

|                                                                                                                             | Note                  | (Un-audited)<br>December 31,<br>2021<br>----- (Rupees in '000) ----- | (Audited)<br>June 30,<br>2021 |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------|----------------------------------------------------------------------|-------------------------------|
| <b>6.1.4 Net unrealised (diminution) / appreciation on revaluation of investments at fair value through profit or loss'</b> |                       |                                                                      |                               |
| Market value of investments                                                                                                 | 6.1.1, 6.1.2, & 6.1.3 | <b>639,958</b>                                                       | 569,132                       |
| Carrying value of investments                                                                                               | 6.1.1, 6.1.2, & 6.1.3 | <b>(640,476)</b>                                                     | (569,127)                     |
|                                                                                                                             |                       | <b>(519)</b>                                                         | 5                             |

## **7. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED – MANAGEMENT COMPANY**

|                                                    |     |              |       |
|----------------------------------------------------|-----|--------------|-------|
| Management remuneration payable                    | 7.1 | <b>631</b>   | 588   |
| Sindh Sales Tax on management remuneration payable | 7.2 | <b>82</b>    | 76    |
| Payable against allocated expenses                 | 7.3 | <b>60</b>    | 63    |
| Payable against marketing and selling expenses     | 7.4 | <b>511</b>   | 291   |
|                                                    |     | <b>1,284</b> | 1,018 |

- 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. Provided that fund is subject to a minimum fee of 0.5% of the average daily net asset of the scheme. The remuneration is payable to the Management Company monthly in arrears.

Subsequent to the period end, with effect from January 07, 2022, the minimum fee of 0.5% has been removed through supplement offering document dated December 31, 2021.

- 7.2** Sales tax on management remuneration has been charged at the rate of 13% (2020: 13%).

- 7.3** In accordance with Regulation 60 of the 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).

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense.

- 7.4** 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) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the average daily net assets of the Fund or actual expenses whichever is lower.

In the financial year 2019-20, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company can charge selling and marketing expenses to the Fund based on its discretion subject to the approval of Board of Directors and not being higher than actual expenses. Furthermore, the time limit of three years has also been removed in the revised conditions.

|                                                      | Note | (Un-audited)<br>December 31,<br>2021<br>----- (Rupees in '000) ----- | (Audited)<br>June 30,<br>2021 |
|------------------------------------------------------|------|----------------------------------------------------------------------|-------------------------------|
| <b>8. ACCRUED EXPENSES AND OTHER LIABILITIES</b>     |      |                                                                      |                               |
| Provision against Sindh Workers' Welfare Fund        | 8.1  | -                                                                    | 13,419                        |
| Provision for Federal Excise Duty and related tax on | 8.2  |                                                                      |                               |
| - Management fee                                     |      | <b>29,028</b>                                                        | 29,028                        |
| - Sales load                                         |      | <b>4,170</b>                                                         | 4,170                         |
| Withholding tax payable                              |      | <b>64</b>                                                            | 167                           |
| Auditors' remuneration payable                       |      | <b>278</b>                                                           | 382                           |
| Brokerage payable                                    |      | <b>25</b>                                                            | 12                            |
| Others                                               |      | <b>1,467</b>                                                         | 104                           |
|                                                      |      | <b>35,032</b>                                                        | 47,282                        |

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2021

## 8.1 Provision against Sindh Workers' Welfare Fund (SWWF)

During the period, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. Accordingly all Asset Management Companies, in consultation with SECP, reversed the cumulative provision for SWWF, on August 13, 2021.

## 8.2 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, 2021. 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, 2021 would have been higher by Rs. 2.62 per unit (June 30, 2021: Re. 2.4 per unit).

## 9. CONTINGENCIES AND COMMITMENTS

As reported in the annual audited financial statements of the Fund for the year ended June 30, 2021, 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 under Clause (99) contained in Part I of the Second Schedule to the Income Tax Ordinance, 2001.

During the period under review, the Assessment Order as issued by ACIR has been remanded back by Commissioner Appeals (CIRA). Remand Back Order u/s 129(1) of ITO, 2001 was issued on 25 Nov 2021, after which no Order has yet been issued from FBR.

## 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 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 other than unrealised 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. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly, no provision for taxation has been made in this condensed interim financial information.

## 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 expense ratio (annualized) of the Fund from July 1, 2021 to December 31, 2021 is 2.26% (December 31, 2020: 1.53%) and this includes 0.16% (December 31, 2020: 0.24%) representing government levy, Sindh Worker's Welfare Fund, SECP fee etc.

## 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, 2021**

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

| For the half year ended December 31, 2021                          |                        |                    |           |                               |                               |
|--------------------------------------------------------------------|------------------------|--------------------|-----------|-------------------------------|-------------------------------|
|                                                                    | As at<br>July 01, 2021 | Issued<br>for cash | Redeemed  | As at<br>December 31,<br>2021 |                               |
|                                                                    | Units                  |                    |           |                               |                               |
| DG Khan Cement Company Limited                                     | 7                      | -                  | -         | 7                             | -                             |
| MCB-Arif Habib Savings and Investments Limited                     | -                      | 1,802,776          | 1,802,776 | -                             | -                             |
| Security General Insurance Co. Ltd. Employees Provident Fund Trust | 105,833                | -                  | -         | 105,833                       | 5,643                         |
| Key management personnel                                           | 2,849                  | 77,732             | 80,581    | 1                             | 152                           |
| Unitholders holding 10% or more                                    | 2,067,358              | -                  | -         | 2,067,358                     | 110,232                       |
|                                                                    |                        |                    |           |                               | 115,586                       |
|                                                                    | (Rupees in '000)       |                    |           |                               |                               |
|                                                                    | As at<br>July 01, 2020 | Issued<br>for cash | Redeemed  | As at<br>December 31, 2020    | As at<br>December 31,<br>2021 |
|                                                                    | Units                  |                    |           |                               |                               |
| DG Khan Cement Company Limited                                     | 7                      | -                  | -         | 7                             | -                             |
| Mandate under discretionary portfolio services                     | -                      | 768,112            | 765,946   | 2,166                         | 41,168                        |
| Key management personnel                                           | -                      | 431                | 375       | 56                            | 23                            |
| Security General Insurance Co. Ltd. Employees Provident Fund Trust | 100,244                | -                  | -         | 100,244                       | 5,340                         |
| MCB-Arif Habib Savings and Investments Limited                     | -                      | 10,956             | 10,956    | -                             | 590                           |
| Unitholders holding 10% or more                                    | 3,742,411              | -                  | -         | 3,742,411                     | 199,358                       |
|                                                                    |                        |                    |           |                               | 204,523                       |
|                                                                    | (Rupees in '000)       |                    |           |                               |                               |

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2021

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

|                                                                            | (Unaudited)<br>December 31,<br>2021<br>----- (Rupees in '000) ----- | (Unaudited)<br>December 31,<br>2020<br>----- (Rupees in '000) ----- |
|----------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| <b>MCB-Arif Habib Savings and Investments Limited - Management Company</b> |                                                                     |                                                                     |
| Remuneration of the Management Company including indirect taxes            | 4,118                                                               | 7,640                                                               |
| Expenses allocated by the Management Company                               | 373                                                                 | 782                                                                 |
| Marketing and Selling expenses                                             | 1,470                                                               | 1,095                                                               |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>            |                                                                     |                                                                     |
| Remuneration including indirect taxes                                      | 253                                                                 | 575                                                                 |
| <b>MCB Bank Limited - Parent of the Management Company</b>                 |                                                                     |                                                                     |
| Mark-up on bank deposits                                                   | 5                                                                   | 46                                                                  |
| Bank charges                                                               | 8                                                                   | 35                                                                  |
| Purchase of securities - face value Nil (2020: 1,250 million)              | -                                                                   | 1,213,999                                                           |

## 13.3 Balances outstanding at period / year end:

|                                                                            | (Unaudited)<br>December 31,<br>2021<br>----- (Rupees in '000) ----- | (Audited)<br>June 30,<br>2021<br>----- (Rupees in '000) ----- |
|----------------------------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------|
| <b>MCB-Arif Habib Savings and Investments Limited - Management Company</b> |                                                                     |                                                               |
| Remuneration payable to Management Company                                 | 631                                                                 | 588                                                           |
| Sales tax payable on remuneration to Management Company                    | 82                                                                  | 76                                                            |
| Expenses allocated by Management Company                                   | 60                                                                  | 63                                                            |
| Selling and marketing payable                                              | 511                                                                 | 291                                                           |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>            |                                                                     |                                                               |
| Remuneration payable to Trustee                                            | 34                                                                  | 42                                                            |
| Sales tax payable on remuneration to Trustee                               | 4                                                                   | 5                                                             |
| <b>MCB Bank Limited - Parent of the Management Company</b>                 |                                                                     |                                                               |
| Bank balance                                                               | 4,164                                                               | 975                                                           |

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, 2021

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, 2021 (Un-audited)             |                   |       |            |         |         |       |
|--------------------------------------------|-------------------|-------|------------|---------|---------|-------|
| Carrying amount                            |                   |       | Fair value |         |         |       |
| Fair value<br>through<br>profit or<br>loss | Amortized<br>cost | Total | Level 1    | Level 2 | Level 3 | Total |
| ----- (Rupees in '000) -----               |                   |       |            |         |         |       |

## Financial assets measured at fair value

|                                                |                |          |                |          |                |          |                |
|------------------------------------------------|----------------|----------|----------------|----------|----------------|----------|----------------|
| Pakistan Investment Bonds                      | 5,343          | -        | 5,343          | -        | 5,343          | -        | 5,343          |
| Pakistan Investment Bonds - Floating Rate Bond | 586,771        | -        | 586,771        | -        | 586,771        | -        | 586,771        |
| Market treasury bills                          | 47,844         | -        | 47,844         | -        | 47,844         | -        | 47,844         |
|                                                | <u>639,958</u> | <u>-</u> | <u>639,958</u> | <u>-</u> | <u>639,958</u> | <u>-</u> | <u>639,958</u> |

## Financial assets not measured at fair value

|                   |          |                |                |
|-------------------|----------|----------------|----------------|
| Bank balances     | -        | 735,594        | 735,594        |
| Profit receivable | -        | 11,515         | 11,515         |
| Other receivables | -        | 1              | 1              |
|                   | <u>-</u> | <u>747,110</u> | <u>747,110</u> |

## Financial liabilities not measured at fair value

|                                         |          |                |                |
|-----------------------------------------|----------|----------------|----------------|
| Payable to the Management Company       | -        | 1,284          | 1,284          |
| Payable to the Trustee                  | -        | 38             | 38             |
| Payable against purchase of investments | -        | 645,623        | 645,623        |
| Accrued and other liabilities           | -        | 1,770          | 1,770          |
|                                         | <u>-</u> | <u>648,715</u> | <u>648,715</u> |

| June 30, 2021 (Audited)                 |                   |       |            |         |         |       |
|-----------------------------------------|-------------------|-------|------------|---------|---------|-------|
| Carrying amount                         |                   |       | Fair value |         |         |       |
| Fair value<br>through<br>profit or loss | Amortised<br>cost | Total | Level 1    | Level 2 | Level 3 | Total |
| ----- (Rupees in '000) -----            |                   |       |            |         |         |       |

## Financial assets measured at fair value

|                               |                |          |                |          |                |          |                |
|-------------------------------|----------------|----------|----------------|----------|----------------|----------|----------------|
| Market treasury bills         | 372,397        | -        | 372,397        | -        | 372,397        | -        | 372,397        |
| Pakistan investment bonds FRB | 191,092        | -        | 191,092        | -        | 191,092        | -        | 191,092        |
| Pakistan investment bonds     | 5,643          | -        | 5,643          | -        | 5,643          | -        | 5,643          |
|                               | <u>569,132</u> | <u>-</u> | <u>569,132</u> | <u>-</u> | <u>569,132</u> | <u>-</u> | <u>569,132</u> |

## Financial assets not measured at fair value

|                   |          |                |                |
|-------------------|----------|----------------|----------------|
| Bank balances     | -        | 776,052        | 776,052        |
| Profit receivable | -        | 7,790          | 7,790          |
|                   | <u>-</u> | <u>783,842</u> | <u>783,842</u> |

## Financial liabilities not measured at fair value

|                                   |          |              |              |
|-----------------------------------|----------|--------------|--------------|
| Payable to the Management Company | -        | 942          | 942          |
| Payable to the Trustee            | -        | 42           | 42           |
| Accrued and other liabilities     | -        | 498          | 498          |
|                                   | <u>-</u> | <u>1,482</u> | <u>1,482</u> |

During the period ended December 31, 2021, 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, 2021**

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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 08, 2022 by the Board of Directors of the Management Company.

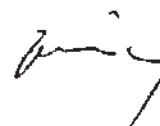
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



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

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