MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED
MINUTES OF THE 169TH MEETING OF THE BOARD OF DIRECTORS
HELD ON WEDNESDAY, SEPTEMBER 15, 2021 AT 04:00 P.M.
ADAMJEE HOUSE, I. I. CHUNDRIGAR ROAD, KARACHI AND VIA VIDEO LINK

IN ATTENDANCE

SR. NO.	NAME	INITIALS	DESIGNATION
1.	Mr. Haroun Rashid	HR	Chairman
2.	Mr. Nasim Beg	NB	Vice Chairman / Director
3.	Mr. Ahmed Jahangir	AJ	Director
4.	Mirza Qamar Beg	QB	Director
5.	Syed Savail Meekal Hussain	SMH	Director
6.	Mr. Muhammad Saqib Saleem	MSS	Chief Executive Officer
7.	Mr. Muhammad Asif Mehdi Rizvi	MAR	Chief Operating and Financial Officer
8.	Mr. Altaf Ahmed Faisal	AAF	Company Secretary

INVITEES

9.	Mr. Junaid Qamar	JQ	Head of Sales
10.	Mr. Monis Usman	MU	Head of Marketing

All directors attended the meeting through Zoom.

LEAVE OF ABSENCE

AAF informed the members that due to prior commitments Mr. Kashif A. Habib has requested for leave of absence. The Board for granting leave of absence to Mr. Kashif A. Habib unanimously passed following resolution.

*"**RESOLVED THAT***
Leave of absence be and hereby granted to Mr. Kashif A. Habib from the 169th meeting of Board of Directors."

QUORUM

Welcoming the Board members at the 169th meeting of the Board of Directors, the Company Secretary declared the quorum being present.

AGENDA

1) To confirm the minute of the 168th meetings of the Board of Directors held on August 09, 2021;

2) Presentation of Head of Sales on strategies to achieve Key Performance Indictors (KPIs);

3) To ratify the resolutions approved through circulations by the Board of Directors from the date of the last Board Meeting;

4) To ratify decisions made by the Investment Committees of various funds to apply mark-up/mark-down in the valuation of debt securities in accordance with the SECP Circular No. 001 of 2009; and

5) Any other matter with the permission of the chair.

AGENDA ITEM 1

TO CONFIRM THE MINUTES OF THE 168TH MEETING OF THE BOARD OF DIRECTORS HELD ON AUGUST 09, 2021

AAF informed the Board members that the minutes were circulated within stipulated time and no comments were received from the directors and the following resolution was unanimously passed:

*"**RESOLVED THAT***
Minutes of the 168th meeting of Board of Directors held on August 09, 2021 be and are hereby approved and the Chairman of the meeting be and is hereby authorized to sign the minutes as token of confirmation."

AGENDA ITEM 2

PRESENTATION OF HEAD OF SALES ON STRATEGIES TO ACHIEVE KEY PERFORMANCE INDICATORS (KPIS)

MSS apprised the members on the KPIs that are directly attributable to the Head of Sales. SS added that since the KPIs of Head of Marketing are interlinked with KPIs of the Head of Sales; Head of Marketing is also being invited in the meeting who would also brief the members on his strategy to achieve the KPIs of the Company that are attributable to sales targets.

MSS informed the members that the main KPI of the Company is achievement of the operating profit. In order to achieve the overall strategic objectives and to align the goals and targets of staff with the Company's main KPIs, this year the management has changed the commission structure of concerned sales and marketing teams from net sales to net revenue model. Considering this, the management believes that the sales staff would be more inclined and make greater efforts towards selling equity-based funds, which have a higher management fee. Thus, this would help the Company in achieving the KPI pertaining to increasing AUMs of equity-based funds. Further, the management has now capped maximum number of unit holders that be tagged to the sales agent. The management believes this would not only help in providing quality services to their tagged clients but in order to achieve the net revenue model these agents would be inclined to continue to keep only those unit holders who have larger ticket size thus this would indirectly help the Company in achieving KPI of 300 HNWs by 2026. On the other side, customers having lower ticket size will be tagged to Digital channel.

Replying to SMH query, MSS informed the members that currently the management is managing 123 HNW customers, which the management expects to increase to 140 by June 2020 and to 300 by the end of 2026. On NQ query on financial rewards, MSS informed the members that sales team and SMA team handling HNW are encouraged through commission and bonuses respectively. NB suggested that slide on overall mutual fund industry size should also be made part of the presentation. NB furthered that the personnel directly reporting to the Head of Sales and Head of Marketing shall also share their strategies in achieving their KPIs in subsequent Board meetings.

While presenting the sales KPIs and achievements, JQ shared the slide of strategic road map projection of different categories and classes i.e. equity based funds, retail, VPS, shariah and HNW. JQ apprised that the management projects AUM size to reach to Rs. 169 billion in FY 2022 (equivalent to 13.46% of industry size) and to Rs. 351 billion by FY 2026 (equivalent to 17.74% of industry size). JQ then shared category wise and asset class wise growth targets, which was then further detailed into retail and corporate. JQ informed the members that for retail the management projects that by FY 2026 AUMs would reach to Rs. 90 billion including 27 billion in equities whereas for Corporate AUMs would reach Rs. 164 billion including Rs.49 billion in equities. JQ further apprised that to achieve the KPIs of Company the sales team would primarily focus in selling equity-based funds, therefore higher growth forecasted in this category compared to Income Funds and Money Market Funds.

While explaining the corporate strategy, JQ shared the pyramid with respect to portfolio diversification, HNWs and SMA Mandates, depicting the goals and targets that will assist the management to achieve the overall objectives. On query from AJ, JQ responded that depending on the customer needs customized products and suites with suggested asset allocations on different categories are designed.

Handling of HNW was then discussed in detail. QB requested the management to share equity component in HNWs AUMs. On NB query, JQ confirmed that after screening and on identification of HNWs based on the customer's size, unit holders are tagged to sales staff who are trained to handle HNWs. On NB query JQ shared brief experience of employees handling HNWs. While replying to HR query, further detailed by AJ, JQ apprised that the management has set defined timelines and annual targets, which would be monitored on a monthly basis. JQ added that this would assist the management to ensure that the KPIs of the Company are achieved. On QB query, JQ informed the members that incase the management feel that some of the KPIs cannot be achieved strategies could be modified to ensure that the five-year targets are achieved. QB opined that risks should also been covered in the Presentation.

On QB inquiry, MAR responded that in Monthly Business Performance Review the management would be sharing status of KPIs. This would also help the management to review and, if required, adopt strategies accordingly to achieve the KPIs of the Company. MAR added that through this the Board would also remain updated on the achievement status of KPIs. QB suggested qualitative impacts should also be part of the Presentation. NB suggested that in the quarterly presentation feedback on industry including competition strategies, successes and failure of any specific AMCs be included.

With respect to brand marketing, MU informed the members that the management has recently appointed Z2C as its brand agency. The Agency is currently developing one-year media plan that would help in creating brand awareness of the Company. MU furthered that to achieve this the Company would follow different strategies including interviews of senior personnel in TV channels and radio shows, online blogs and other marketing channels. This would help in recognizing Company's brand of 'ISave' and 'Alhamra'.

MU furthered that the Company has collaborated with "Darul Uloom Online" for preparing online lectures on shariah compliant investment products. MU apprised that the visitors could ask questions whose responses would be provided by Ulemas and can also share feedback on the material and lectures. MU furthered that the visitors can also view answers responded by Ulemas on questions raised by other visitors. On query from NB, MU responded that one of the tools of measuring effectiveness of online lecture platform would be the number of visitors' clicks on these online courses and lectures. On query from MAK, MU explained that based on the type of questions inquired and traffic visited on these lectures and courses, interest and inclination of the visitors can be gauged which would help in assessing the brand equity of Alhamra. On SMH query regarding number of people enrolling in these courses, MSS replied that currently the main objective of designing these courses and lectures and co-branding Alhamra with Darul Uloom is to associate Alhamra brand with Darul Uloom and to familiarize the brand of Alhamra amongst shariah savvy investors.

MU furthered that Urdu version of Alhamra website has been developed which is currently under review of Compliance Department. MU informed that the Company, apart from Facebook, is also active at LinkedIn. MU added that in LinkedIn revamped strategy, the Company is emphasizing on corporate branding and strong communication displaying Company's achievements and promoting MCBAH employees.

JQ then shared slides pertaining to customer segmentation and explained that the management has segmented customers on basis of estimated annual savings of the customers calculated on income or through estimated income and savings calculated on basis of taxes paid by them. JQ added that the customers' segments are then mapped in sales funnel so that different customer segments can be tagged with respective sales force based on their respective ranking and profile. MU added that through "Probability Modelling", the Company determines the probability of customer of not only opening account at MCBAH but would also help in funding the account through investment. MU furthered that for unfunded accounts, which have not made investment by over 30 days, are pushed by automated messages via 'Growth Engine', and the customers are then tagged to concerned sales staff when customer revert back in response to those automated messages.

In order to promote effective learning and development, JQ informed the members that the Company has hired a trainer. On QB query, JQ informed that within six months most of the sales team would be trained. MSS added that the trainer would not only be responsible to train sales staff on technical material but would also be arranging non-technical training sessions including relating to inter personal skills. SMH requested the management to share the training materials with the Board members.

MU then explained the growth projections of customer acquisition through digital channels that includes paid channels (Facebook, YouTube and Google), partnerships (JazzCash, SadaPay and other EMIs- "Electronic Money Institution") and organic channels, which includes "iKameti" - an in-house App through which the management expects to open about one thousand funded accounts by 2022. MU added that through these measures, the dependency of the Company would gradually shift from paid channels to organic modes. While sharing digital projections for the next five years, MU informed the members that by 2026 budgeted AUMs for Digital channels would be Rs. 13 billion compared to current AUM size of Rs. 650 million, MU informed the Board that the management has defined goals and strategies to achieve the aggressive targets and KPIs.

JQ then shared the slides of retail strategy depicting detailed goals and targets to achieve overall KPIs. While highlighting alignment of teams structure affiliated with sales and marketing, JQ appreciated marketing personnel reporting to MU and Head of Training whose valuable contribution and support to sales force has been vital for enhancing AUMs. JQ furthered that through adopting measures like enhancing staff training, increasing the number of branches and adopting different push and pull marketing strategies, the management is confident that goals and targets of individuals and teams would be achieved. JQ then briefed on distribution channels including measures the management has adopted to improve, coordinate and integrate with MCB bank. JQ furthered that the Company is engaged in enhancing its distribution windows including signing of distribution agreement with MCB Islamic Bank, opening accounts via Roshan Digital Account (RDA) channel and using Systematic Investment Plans (SIP) through which MCB's account holders especially their salaried employees can be on-boarded with MCBAH. On AJ query, MSS informed the members that the RDA process is currently under development and once RDA process is integrated with MCB Bank, unit holders would be able to open account with MCBAH through few clicks while staying at MCB's website. AJ suggested that as soon an individual opens RDA account in MCB, RDA account at MCBAH could be open with a single click, as MCB Bank must have completed all KYC & EDD formalities. This would encourage RDA account holders of MCB Bank to open an account at MCBAH.

AGENDA ITEM 3

TO RATIFY THE RESOLUTIONS APPROVED THROUGH CIRCULATIONS BY THE BOARD OF DIRECTORS FROM THE DATE OF LAST BOARD MEETING

MAR apprised the Board Members that the next agenda item was to ratify the transactions executed on behalf of Collective Investment Schemes and Management Company with Connected Persons circulated to the Board Members. The Board members unanimously passed following resolution;

> ***"RESOLVED THAT***
> *The transactions executed on behalf of Collective Investment Schemes and Management Company with Connected Persons from August 09, 2021 to September 14, 2021 be and are hereby approved."*

AGENDA ITEM 4

TO RATIFY DECISIONS MADE BY THE INVESTMENT COMMITTEES OF VARIOUS FUNDS TO APPLY MARK-UP/MARK-DOWN IN THE VALUATION OF DEBT SECURITIES IN ACCORDANCE WITH THE SECP CIRCULAR NO. 001 OF 2009

Regarding ratifying decisions made by Investment Committee with respect to application of mark-up/ mark-down in the valuation of debt securities from August 09, 2021 to September 14, 2021, as allowed in compliance with SECP Circular No. 01 of 2009, the Board members unanimously passed the following resolution:

> ***"RESOLVED THAT***
> *Decisions made by the Investment Committees of various funds to apply mark-up/mark-down in the valuation of debt securities in accordance with the SECP Circular No. 001 of 2009 for the period from August 09, 2021 to September 14, 2021 be and are hereby approved."*

AGENDA ITEM 5

ANY OTHER MATTER WITH THE PERMISSION OF THE CHAIR

- **SINDH WORKERS WELFARE FUND**

MAR informed the members that on August 13, 2021 the management in consultation with MUFAP reversed the cumulative provision for SWWF recognized in the Funds for the period from May 21, 2015 to August 12, 2021. MAR further informed the members that considering unit holder activities including investments and redemptions are carried out on daily basis and retrospective impact cannot be incorporated, therefore, SECP gave waiver and allowed CIS and VPS to incorporate adjustment in NAV prospectively. MAR added that the reversal of provision of SWWF were incorporated in the NAVs of CIS and VPS on August 13, 2021.

MAR added that SECP vide its letter dated August 30, 2021 has instructed AMCs to disclose financial impact of reversal of SWWF in Financial Statements of both CIS and VPS. MAR further added that since the letter was issued by SECP before signing of Audit Report by the External Auditors; in compliance of ISA 560 by adding notes in Financial Statements the subsequent event was made part of the Financials. MAR furthered that in order to incorporate the subsequent event; date of approval of financial statements also needs amendment from August 09, 2021 to September 15, 2021.

The Board then reviewed the new disclosures that has been included in the Financial Statements of the Funds and NAV impact of reversal of SWWF as of June 30, 2021 and August 12, 2021. After deliberations the Board passed following resolutions;

> ***"RESOLVED THAT***
> *As recommended by the Audit Committee amendment in Directors' Report and disclosure in the Financial Statements of all the Funds under management of MCB-Arif Habib Savings and Investments Limited for the year ended June 30, 2021 on account of reversal of Sindh Workers' Welfare Fund liability subsequent to year-end, be and are hereby approved;*

> ***"FURTHER RESOLVED THAT***
> *Additional authorizations for the approval of the Financial Statements of all the Funds for the year ended June 30, 2021 and Directors' Report be and are hereby granted."*

- **<u>COVERING LETTER- MESSRS. YOUSUF ADIL & CO. CHARTERED ACCOUNTANTS</u>**

MAR informed the members that Messrs. Yousuf Adil & Co. Chartered Accountants has reissued Covering Letter and in the Covering Letter apart from reversal of SWWF have highlighted issue relating to Pakistan Sovereign Fund with respect to Tax Year 2015, which was previously not included in the Financial Statements of mentioned Fund. MAR added that the same has now been made part of the Financials of the Fund.

There being no other person, the meeting was concluded with vote of thanks from the Chairman.

Prepared by	**Approved by**
Company Secretary	**Chairman**