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## MCB Pakistan Equity Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
<b>FY13</b>	49.9%	52.2%	14.8%	16.1%	<5		1,303	38,313
<b>FY14</b>	36.1%	41.2%	18.5%	15.9%	<5		3,965	44,983
<b>FY15</b>	39.2%	16.0%	21.6%	19.4%	5		6,545	57,855
<b>FY16</b>	5.6%	9.8%	17.3%	16.5%	5		8,687	62,295
<b>FY17</b>	29.9%	23.2%	15.3%	15.9%	6	4.0%	12,596	76,298
<b>9MFY18</b>	0.8%	-2.2%	15.0%	17.0%	6		12,166	88,533

### Compliance Statement

MCB-Arif Habib Savings and Investments Limited (MCBAH) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MCBAH has not been independently verified.

### Firm Definition

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### Composite Description

Equity Composite includes Equity Portfolios that aim to provide investors long term investment return in form of capital appreciation along with dividend income. The portfolios in the composites can also place investments in fixed income instruments based on fund manager's view of volatility or as a tactical strategy. The composite currently comprises of MCB Pakistan Stock Market Fund, Pakistan Pension Fund – Equity Sub Fund, and four discretionary Separately Managed Accounts (SMA's). This composite was created on 10<sup>th</sup> of July 2017.

### Benchmark

The Benchmark of Equity Composite is KSE100 Index. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the Equity Composite are given below:

MCB Pakistan Stock Market Fund	2.0% p.a.
Pakistan Pension Fund – Equity Sub Fund	1.5% p.a.
Discretionary Portfolios	Different Fees

## Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

## Internal Dispersion

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

## Returns

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly

percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

### **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

#### **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

#### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

#### **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

#### **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

#### **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

**Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

**Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

**Taxation of Unit Holders and Liability to Zakat****(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

**(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.

### MCB Pakistan Islamic Equity Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
<b>FY13</b>	41.8%	54.4%	12.1%	15.0%	<5		80	38,313
<b>FY14</b>	42.1%	29.9%	19.4%	15.7%	<5		119	44,983
<b>FY15</b>	39.5%	20.1%	20.7%	17.1%	<5		805	57,855
<b>FY16</b>	5.6%	15.5%	14.5%	16.4%	<5		1,288	62,295
<b>FY17</b>	30.4%	18.8%	15.0%	20.2%	<5		3,118	76,298
<b>9MFY18</b>	-4.1%	-2.0%	16.0%	17.5%	<5		2,948	88,533

### Compliance Statement

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### Firm Definition

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### Composite Description

Equity Composite includes Equity Portfolios that aim to provide investors long term investment return in form of capital appreciation along with dividend income. The portfolios in the composites can also place investments in fixed income instruments based on fund manager's view of volatility or as a tactical strategy. The securities and investments in the portfolios of this composite shall be first deemed approved by the Shariah Supervisory Board of the firm. The composite currently comprises of Islamic Pension Fund – Equity Sub Fund and Pakistan Islamic Stock Fund. This composite was created on 10<sup>th</sup> of July 2017.

### Benchmark

The Benchmark of the Composite is KMI30 Index. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the Composite are given below:

Islamic Pension Fund – Islamic Equity Sub Fund	1.5% p.a.
Pakistan Islamic Stock Fund	2.0% p.a.

## Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

## Internal Dispersion

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

## Returns

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked

rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

### **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

#### **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

#### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

#### **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

#### **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

#### **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Returns from all other sources/instruments are taxable at the rate applicable to a public company.





### **Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

### **Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

Taxation of Unit Holders and Liability to Zakat

#### **(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

#### **(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.



### MCB Pakistan Money Market Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
<b>FY13</b>	9.2%	9.3%	0.7%	0.0%	<5		13,744	38,313
<b>FY14</b>	8.3%	9.3%	0.5%	0.0%	<5		13,518	44,983
<b>FY15</b>	8.8%	8.5%	0.3%	0.4%	<5		14,171	57,855
<b>FY16</b>	5.8%	6.0%	0.6%	0.7%	<5		6,108	62,295
<b>FY17</b>	7.3%	5.4%	1.4%	0.5%	<5		10,891	76,298
<b>9MFY18</b>	4.0%	4.0%	0.4%	0.2%	<5		16,712	88,533

#### Compliance Statement

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#### Firm Definition

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- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

#### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### Composite Description

Money Market Composite targets optimal returns through investing in high quality short term money market instruments. Investments authorized for the Money Market Composite include Government Securities; deposits with AA and above rated banks, money market placements and commercial papers with remaining maturity of less than six months. The weighted average maturity of portfolios in this composite cannot exceed ninety days. The composite currently comprises of Cash Management Fund, Cash Management Optimizer, and Pakistan Pension Fund – Money Market Sub Fund. This composite was created on 10<sup>th</sup> of July 2017.

## Benchmark

The Benchmark of the Composite is 70% three (3) months PKRV rates plus 30% three (3) months average deposit rates of three (3) AA rated scheduled Banks as selected by MUFAP. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the Composite are given below:

Cash Management Fund	10% of the Gross Earnings subject to a minimum fee of 0.25% of average daily Net Assets
Cash Management Optimizer	10% of the Gross Earnings subject to a minimum fee of 0.25% of average daily Net Assets
Pakistan Pension Fund – Money Market Sub Fund	1.5% p.a.

## Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

## **Internal Dispersion**

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

## **Returns**

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

## **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

## **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

## **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

## **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

## **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

## **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is

chargeable at the rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

**Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

**Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

Taxation of Unit Holders and Liability to Zakat

**(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

**(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.

### MCB Pakistan Fixed Income Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
<b>FY13</b>	8.5%	10.3%	1.3%	0.7%	7		14,439	38,313
<b>FY14</b>	10.3%	10.3%	1.5%	0.4%	8	5.9%	15,410	44,983
<b>FY15</b>	14.1%	9.2%	2.1%	0.4%	8	3.6%	18,723	57,855
<b>FY16</b>	6.9%	6.6%	1.2%	0.7%	8	1.0%	16,805	62,295
<b>FY17</b>	6.1%	6.1%	1.3%	0.5%	8	0.7%	17,571	76,298
<b>9MFY18</b>	3.2%	4.7%	1.7%	0.1%	8		16,172	88,533

### Compliance Statement

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### Firm Definition

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- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### Composite Description

Fixed Income Composite will pursue total return by investing in various income-producing securities. Total return is expected to arrive from a combination of income and capital appreciation, with income portion being the dominant portion of total return. Minimum Instrument and Entity ratings for Investments authorized for the Fixed Income Composite are limited to BBB- (Triple B minus). The composite currently comprises of Pakistan Income Fund, DCF Income Fund, Pakistan Pension Fund – Income Sub Fund, and five discretionary Separately Managed Accounts (SMA's). This composite was created on 10<sup>th</sup> of July 2017.

### Benchmark

The Benchmark of the Composite is 12 Months T-bill. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the Composite are given below:

Pakistan Income Fund	1.5% p.a.
MCB DCF Income Fund	1.5% p.a.
Pakistan Pension Fund – Debt Sub Fund	1.5% p.a.
Discretionary Portfolios	Different Fees

## Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

## Internal Dispersion

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

## **Returns**

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

## **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

### **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

### **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

### **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

### **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.



(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

**Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

**Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

Taxation of Unit Holders and Liability to Zakat

**(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

**(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.



### MCB Pakistan Government Securities Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
<b>FY13</b>	12.3%	10.2%	2.2%	0.7%	<5		1,270	38,313
<b>FY14</b>	9.3%	10.1%	1.7%	0.5%	<5		2,496	44,983
<b>FY15</b>	16.6%	9.2%	2.3%	0.4%	<5		3,193	57,855
<b>FY16</b>	7.3%	6.6%	1.4%	0.7%	<5		8,691	62,295
<b>FY17</b>	5.9%	6.1%	1.7%	0.5%	<5		1,351	76,298
<b>9MFY18</b>	3.7%	4.7%	0.8%	0.1%	<5		704	88,533

#### Compliance Statement

MCB-Arif Habib Savings and Investments Limited (MCBAH) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MCBAH has not been independently verified.

#### Firm Definition

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

#### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### Composite Description

Government Securities Composite will pursue total return by investing in only Sovereign securities (T-bills, PIB's, Sukuks etc). Total return is expected to arrive from a combination of income and capital appreciation, with income portion being the dominant portion of total return. The composite currently comprises of Pakistan Sovereign Fund. This composite was created on 10<sup>th</sup> of July 2017.

#### Benchmark

The Benchmark of the Composite is 6 Months PKRV. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the Composite are given below:

MCB Pakistan Sovereign Fund	10% of the gross revenue subject to the minimum fee of 1.5% of the net assets.
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## Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

## Internal Dispersion

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

## Returns

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly

percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

### **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

#### **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

#### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

#### **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

#### **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

#### **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.
- (b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

**Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

**Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

**Taxation of Unit Holders and Liability to Zakat****(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

**(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.

### MCB Pakistan Aggressive Fixed Income Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
<b>FY13</b>	7.2%	10.3%	2.3%	0.8%	<5		1,319	38,313
<b>FY14</b>	8.7%	10.1%	1.5%	0.5%	<5		1,677	44,983
<b>FY15</b>	13.6%	9.2%	2.8%	0.5%	<5		969	57,855
<b>FY16</b>	8.4%	6.6%	1.7%	0.7%	<5		2,463	62,295
<b>FY17</b>	5.1%	6.1%	1.4%	0.5%	<5		1,688	76,298
<b>9MFY18</b>	3.9%	4.6%	0.6%	0.1%	<5		1,532	88,533

### Compliance Statement

MCB-Arif Habib Savings and Investments Limited (MCBAH) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MCBAH has not been independently verified.

### Firm Definition

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### Composite Description

Aggressive Fixed Income Composite will pursue maximum total return by investing in various income-producing securities. Total return is expected to arrive from a combination of income and capital appreciation. No Minimum Instrument and Entity ratings shall apply for this composite. The composite currently comprises of Pakistan Income Enhancement Fund. This composite was created on 10<sup>th</sup> of July 2017.

## Benchmark

The Benchmark of the Composite is 12 Months KIBOR. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the Composite are given below:

Pakistan Income Enhancement Fund	15% of the Gross earnings subject to a minimum fee of 0.25% of the average daily net assets.
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## Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

**Internal Dispersion**

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

**Returns**

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly

percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

**Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

**Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

**Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

**Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

**Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.



### **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

### **Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

### **Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

Taxation of Unit Holders and Liability to Zakat.

#### **(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

#### **(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more

than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.

### MCB Pakistan Islamic Income Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
<b>FY13</b>	8.8%	7.4%	1.0%	0.0%	<5		3,081	38,313
<b>FY14</b>	8.3%	7.3%	0.6%	0.2%	<5		2,243	44,983
<b>FY15</b>	6.4%	7.3%	1.0%	0.1%	<5		1,467	57,855
<b>FY16</b>	4.8%	5.2%	1.0%	0.5%	<5		1,204	62,295
<b>FY17</b>	6.0%	3.1%	0.8%	0.8%	<5		1,585	76,298
<b>9MFY18</b>	3.4%	1.9%	0.3%	0.5%	<5		2,186	88,533

### Compliance Statement

MCB-Arif Habib Savings and Investments Limited (MCBAH) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MCBAH has not been independently verified.

### Firm Definition

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### Composite Description

Fixed Income Composite will pursue total return by investing in various income-producing securities. Total return is expected to arrive from a combination of income and capital appreciation, with income portion being the dominant portion of total return. The securities and investments in the portfolios of this composite shall be first deemed approved by the Shariah Supervisory Board of the firm. The composite currently comprises of Alhamra

Islamic Income Fund, Pakistan Pension Fund – Islamic Income Sub Fund, Pakistan Pension Fund – Islamic Money Market Sub Fund. This composite was created on 10<sup>th</sup> of July 2017.

### **Benchmark**

The Benchmark of the Composite is Six (6) months average deposits rates of three (3) A rated Scheduled Islamic

Banks or Islamic windows of Conventional Banks as selected by MUFAP. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

### **Fees**

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

### **Fee Schedule**

Management fee of individual portfolios within the Composite are given below:

Alhamra Islamic Income Fund	10% of Gross Earnings subject to minimum
Pakistan Pension Fund – Islamic Income Sub Fund	1.5% p.a.
Pakistan Pension Fund – Islamic Money Market Sub Fund	1.5% p.a.

### **Minimum Portfolio Size**

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

### **Currency**

The currency used to calculate all the returns is Pakistani Rupee (PKR).

### **Ex Post Standard Deviation**

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

### **Internal Dispersion**

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

### **Returns**

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

### **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

#### **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

#### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

#### **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

#### **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

## **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

### **Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

## **Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

Taxation of Unit Holders and Liability to Zakat

### **(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

### **(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.



### MCB Pakistan Conservative Asset Allocation Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
FY13	16.6%	17.9%	2.7%	3.1%	8	6.2%	1,996	38,313
FY14	10.9%	16.1%	2.3%	3.2%	10	10.0%	3,925	44,983
FY15	20.6%	10.9%	4.8%	4.0%	10	3.2%	8,554	57,855
FY16	6.2%	7.5%	3.4%	3.5%	11	1.8%	6,639	62,295
FY17	8.2%	9.6%	3.6%	3.2%	7	2.6%	6,774	76,298
9MFY18	3.7%	3.5%	5.0%	3.5%	7		6,509	88,533

#### Compliance Statement

MCB-Arif Habib Savings and Investments Limited (MCBAH) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MCBAH has not been independently verified.

#### Firm Definition

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

#### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### Composite Description

Conservative Asset Allocation Composite seeks absolute total return by dynamically allocating exposure to multiple asset categories (Equity & Fixed Income) based on their expected sensitivity to economic conditions. However, the exposures in this composite will be mainly tilted towards fixed income securities. The composite currently comprises of Pakistan Asset Allocation Fund, Pakistan Frequent Payout Fund, and five discretionary Separately Managed Accounts (SMA's). This composite was created on 10<sup>th</sup> of July 2017.

## Benchmark

The Benchmark of the Composite is weighted average of 80% 12 Months T-bills and 20% KSE100 Index. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the Composite are given below:

MCB Pakistan Asset Allocation Fund	2% p.a.
MCB Pakistan Frequent Payout Fund	15% of the gross earnings subject to a minimum of 0.25% of the average daily net assets.
Discretionary Portfolios	Different Fees

## Minimum Portfolio Size

The minimum portfolio size for a Collective Investment Schemes (CIS) inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

### **Internal Dispersion**

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

### **Returns**

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

### **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

### **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

### **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

### **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

### **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is

chargeable at the rate applicable to a public company, which is presently as under:



(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

**Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

**Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

Taxation of Unit Holders and Liability to Zakat

**(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

**(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.



### MCB Pakistan Asset Allocation Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
FY13	30.1%	30.0%	10.7%	7.9%	<5		846	38,313
FY14	28.5%	25.2%	12.2%	7.9%	<5		761	44,983
FY15	25.4%	13.1%	16.2%	9.7%	<5		778	57,855
FY16	3.6%	8.6%	11.2%	8.3%	<5		6,710	62,295
FY17	17.5%	14.8%	8.7%	7.9%	<5		11,172	76,298
9MFY18	3.2%	1.6%	9.0%	8.5%	<5		15,211	88,533

#### Compliance Statement

MCB-Arif Habib Savings and Investments Limited (MCBAH) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MCBAH has not been independently verified.

#### Firm Definition

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

#### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### Composite Description

Asset Allocation Composite seeks higher absolute total return by dynamically allocating exposure to multiple asset categories (Equity & Fixed Income) based on their expected sensitivity to economic conditions. The composite currently comprises of Pakistan Capital Market Fund and two discretionary Separately Managed Accounts (SMAs). This Composite was created on 10<sup>th</sup> of July 2017.

#### Benchmark

The Benchmark of the composite is the weighted average of 50% 12 Months T-bills and 50% KSE100 Index. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the Composite are given below:

Pakistan Capital Market Fund	2% p.a.
Discretionary Funds	Different Fees

## Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

## Internal Dispersion

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

## Returns

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of

cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

### **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

#### **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

#### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

#### **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

#### **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

#### **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

### **Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

### **Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

Taxation of Unit Holders and Liability to Zakat

#### **(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

#### **(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.

### **MCB Pakistan Conservative Islamic Asset Allocation Composite**

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
9MFY18	2.1%	1.3%	0.3%	2.3%	<5		32	88,533

## **Compliance Statement**

MCB-Arif Habib Savings and Investments Limited (MCBAH) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MCBAH has not been independently verified.

## **Firm Definition**

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

## **Policies**

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

## **Composite Description**

Conservative Islamic Asset Allocation Composite seeks absolute total return by dynamically allocating exposure to multiple asset categories (Islamic Equity & Islamic Income) based on their expected sensitivity to economic conditions. However, the exposures in this composite will be mainly tilted towards Islamic Income securities. The composite currently comprises of one discretionary Separately Managed Account (SMA). This composite was created on 15<sup>th</sup> of October 2017.

## **Benchmark**

The Benchmark of the Composite is 80% Six (6) months average deposits rates of three (3) A rated Scheduled Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP plus 20% KMI-30 Index. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## **List of Composites**

A list of all composite descriptions is available upon request.

## **Significant Event**

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the Composite are given below:

Discretionary Portfolios	Different Fees
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## Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

## Internal Dispersion

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

## Returns

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

## Key Assumption for Portfolio valuation

Following are key assumption used in Portfolio valuation:

## **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

## **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

## **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

## **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

## **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

## **Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for



the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

### **Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

### **Taxation of Unit Holders and Liability to Zakat**

#### **(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

#### **(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.

### **MCB Pakistan Islamic Asset Allocation Composite**

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
<b>FY13</b>	27.4%	29.3%	9.8%	0.0%	<5		234	38,313
<b>FY14</b>	10.9%	18.5%	11.4%	7.8%	<5		835	44,983
<b>FY15</b>	19.8%	14.0%	9.7%	8.6%	<5		1,418	57,855
<b>FY16</b>	3.9%	10.6%	8.5%	8.2%	<5		1,426	62,295
<b>FY17</b>	17.0%	11.2%	8.3%	10.1%	<5		3,981	76,298
<b>9MFY18</b>	-0.2%	0.3%	7.7%	8.9%	<5		7,718	88,533

## **Compliance Statement**

MCB-Arif Habib Savings and Investments Limited (MCBAH) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MCBAH has not been independently verified.

## **Firm Definition**

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

## **Policies**

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

## **Composite Description**

Asset Allocation Composite seeks higher absolute total return by dynamically allocating exposure to multiple asset categories (Equity & Fixed Income) based on their expected sensitivity to economic conditions. The securities and investments in the portfolios of this composite shall be first deemed approved by the Shariah Supervisory Board of the firm. The composite currently comprises of Alhamra Asset Allocation Plan 1, Alhamra Asset Allocation Plan 2, Alhamra Islamic Asset Allocation, and two discretionary Separately Managed Accounts (SMA's). This composite was created on 10<sup>th</sup> of July 2017.

## **Benchmark**

The Benchmark of the Composite is weighted average 20% of Islamic 6 months Deposits Rate and 80% KMI30 Index. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## **List of Composites**

A list of all composite descriptions is available upon request.

### Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

### Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

### Fee Schedule

Management fee of individual portfolios within the Composite are given below:

Alhamra Asset Allocation Plan 1	1% p.a. on average annual net assets on a portion not invested in mutual funds of MCB Arif Habib Savings and Investments Limited.
Alhamra Asset Allocation Plan 2	1% p.a. on average annual net assets on a portion not invested in mutual funds of MCB Arif Habib Savings and Investments Limited.
Alhamra Islamic Asset Allocation	2% per annum of the average daily Net Assets of the scheme.
Discretionary Portfolios	Different Fees.

### Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

### Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

### Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

### Internal Dispersion

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

## **Returns**

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

## **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

## **Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

## **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

## **Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

## **Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

## **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

(b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate applicable to a public company.

**Liability for Income Tax, if ninety per cent (90%) of the Fund's income is paid as dividend**

Notwithstanding the tax rates and withholding tax the income of the Fund will be exempt from tax, if not less than ninety per cent (90%) of the income for the year is distributed amongst the Unit Holders as dividend. This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014, for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. The ninety per cent (90%) of the income shall be calculated after excluding capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

**Withholding Tax**

Under the provisions of Clause 47(B) of Part 4 of the Second Schedule to the Income Tax Ordinance, 2001, the Fund's income namely, dividend, profit on government securities, return on deposits/certificates of investment with banks/financial institutions, profits from money market transactions, profit from Profit or Loss sharing accounts with Banks of the Fund will not be subject to any withholding tax.

Taxation of Unit Holders and Liability to Zakat

**(a) Withholding Tax:**

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax as per the prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall be deemed to be full and final liability in respect of such distribution.

**(b) Capital Gains:**

Capital Gains arising on disposition of Units of the Fund subject to withholding Capital Gains Tax (CGT) at the applicable rates given in the Income Tax Ordinance, 2001 (ITO). There shall be no CGT, if holding period is more than 48 months (4 years). As per section 37(A) of the Income Tax Ordinance, 2001, Capital gains shall be treated as a separate block of income and losses under this head can be adjusted by the unit holder from the capital gains in

the same tax year. Any unadjusted loss under this head is not allowed to be carried forward to the subsequent tax years.



### MCB Pakistan Capital Preservation Composite

Year	Net Returns	Benchmark	Composite 3 Yr Standard Deviation	Benchmark 3 Yr Standard Deviation	Number of Portfolios	Internal Dispersion	Composite Assets	Firm Assets
<b>FY13</b>					0		0	38,313
<b>FY14</b>	8.1%	12.3%	2.0%	0.1%	1		33	44,983
<b>FY15</b>	7.2%	11.3%	9.2%	0.4%	15		1,234	57,855
<b>FY16</b>	2.8%	8.7%	5.2%	0.7%	40	5.5%	2,274	62,295
<b>FY17</b>	11.9%	8.2%	5.3%	0.5%	51	3.0%	1,844	76,298
<b>9MFY18</b>	1.7%	6.2%	4.0%	0.1%	54		2,343	88,533

#### Compliance Statement

MCB-Arif Habib Savings and Investments Limited (MCBAH) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. MCBAH has not been independently verified.

#### Firm Definition

MCB-Arif Habib Savings and Investments Limited is a subsidiary of MCB Bank Limited and licensed by Securities and Exchange Commission of Pakistan (SECP) to undertake asset management, investment advisory and pension fund management services. MCBAH is incorporated as Public Limited Company, registered as a Non-Banking Finance Company and listed on Pakistan Stock Exchange Limited. The definition of Firm at MCBAH encompasses the following:

- (i) All Funds under Management (including investment plans)
- (ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

#### Policies

MCBAH policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### Composite Description

The investment objective of the Capital Preserved Composite is to earn potentially high absolute returns through dynamic asset allocation between Equity and Fixed Income Mutual funds while providing capital preservation of the Initial Investment Value, at completion of the duration of the fund. The portfolios in the composite aim to preserve the principal amount through the use of the Constant Proportion Portfolio Insurance ("CPPI") Model, which is widely recognized internationally for its credibility. The composite currently comprises of Fifty Four discretionary Separately Managed Accounts (SMA's). This composite was created on 10<sup>th</sup> of July 2017.

## Benchmark

The Benchmark of the Composite is 6 Months KIBOR plus a 2% premium. The Fund's performance will be compared to its benchmark after deducting from the return all expenses which are charged to the Fund as per the Regulations.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## Fees

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and Trading Expenses. (Please refer to Schedule)

## Fee Schedule

Management fee of individual portfolios within the AI Equity Composite are given below:

Discretionary Portfolios	Different Fees
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## Minimum Portfolio Size

The minimum portfolio size of Collective Investment Schemes (CIS) for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund. The definition of CIS does not include Allocation Plans. For Allocation plans, minimum portfolio size is Rs 10 Million.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 3 Million per Fund, which is also a regulatory requirement for managing a SMA.

## Currency

The currency used to calculate all the returns is Pakistani Rupee (PKR).

## Ex Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 months.

**Internal Dispersion**

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

**Returns**

The portfolio returns for the period have been calculated using a time-weighted, monthly, geometrically linked rate of return formula to compute percentage returns. Each portfolio's monthly rate of return is the monthly percentage change in the market value, including earned interest and dividends, after allowing for the effects of cash flows. All returns are net-of-fees calculated after the deduction of actual investment management fees and trading expenses.

**Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

**Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the Portfolio becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the contractual rights to receive cash flows related to the asset expire. Financial liabilities are derecognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognizing of the financial assets and financial liabilities is taken to the income statement in the period in which it arises.

**Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established. Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

**Subjective Unobservable Inputs**

MCBAH uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term Finance Certificates. The criteria used for valuation is in accordance with the Guidelines issued by Regulator through Circular 1 of 2009 (as amended from time to time) and unobservable inputs are disclosed through "Provisioning Policy" on the website of the company. The Provisioning Policy will also be made available to clients upon request.

**Proprietary Assets in the Composite**

The Composite also contain investments of MCBAH and its management.

**Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 90% distribution is not made among the unit holders as the case may be. The tax is chargeable at the rate applicable to a public company, which is presently as under:



(a) Dividend income is taxable at the applicable tax rate as provided in Income Tax Ordinance, 2001 for public companies on gross income basis.

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