

MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED
MINUTES OF THE 175TH MEETING OF THE BOARD OF DIRECTORS
HELD ON WEDNESDAY, APRIL 13, 2022 AT 11:00 A.M.
ADAMJEE HOUSE, I. I. CHUNDRIGAR ROAD, KARACHI AND VIA VIDEO LINK

IN ATTENDANCE

Sr. No.	NAME	INITIALS	DESIGNATION
1.	Mr. Haroun Rashid	HR	Chairman
2.	Mr. Nasim Beg	NB	Vice Chairman / Director
3.	Mr. Ahmed Jahangir	AJ	Director
4.	Mr. Kashif A. Habib	KAH	Director
5.	Mirza Qamar Beg	QB	Director
6.	Savail Meekal Hussain	SMH	Director
7.	Ms. Mavra Adil Khan	MAK	Director
8.	Mr. Muhammad Saqib Saleem	MSS	Chief Executive Officer
9.	Mr. Muhammad Asif Mehdi Rizvi	MAR	Chief Operating and Financial Officer
10.	Mr. Altaf Ahmed Faisal	AAF	Company Secretary

INVITEES

11.	Mr. Muhammad Asim	MA	Chief Investment Officer
-----	-------------------	----	--------------------------

All directors attended the meeting through Zoom.

QUORUM

Welcoming the Board members at the 175th meeting of the Board of Directors, the Company Secretary declared the quorum being present.

AGENDA

- 1) To confirm the minutes of the 174th meeting of the Board of Directors held on March 10, 2022;
- 2) To discuss and review performance of the Funds under management of the Company;
- 3) To discuss and review Investment Returns of the Management Company; and
- 4) To approve launch of two new funds (Conventional and Shariah Compliant) under the new category “Fixed Rate/ Return Scheme”; and
- 5) Any other matter with the permission of the Chair.
 - Sale by director in shares of the Company

AGENDA ITEM 1

TO CONFIRM THE MINUTES OF THE 174TH MEETING OF THE BOARD OF DIRECTORS HELD ON MARCH 10, 2022

AAF informed the members that minutes of 174th meeting were circulated within time and no comments have been received. Afterwards, the Board members passed the following resolutions;

“RESOLVED THAT

Minutes of the 174th meeting of Board of Directors held on March 10, 2022 be and are hereby approved and the Chairman of the meeting be and is hereby authorized to sign the minutes as token of confirmation.”

AGENDA ITEM 2

TO DISCUSS AND REVIEW PERFORMANCE OF THE FUNDS UNDER MANAGEMENT OF THE COMPANY;

MA started the presentation with overall economy and markets review. MA shared the snapshot of Key Economic Indicators and informed Board members that in FY 21 GDP growth was 5.4%, however, due to rising inflation and higher interest rates, expects that in FY22E and FY23E GDP will grow by 4.6% and 3.8% respectively. MA further informed that in FY 21 average inflation was 8.9%, and expects inflation to reach at 11.6% and 13.8% in FY 22E and FY 23E respectively. MA added that Energy inflation was 6% in FY21A which we expects to be 30% and

21.3% in FY22E and FY23E respectively, whereas Core Inflation was 6.4% in FY21A which is expected to be 8.5% and 12.7% in FY22E and FY23E respectively. MA informed that in FY21, interest rates (ending) was 7% and expects that interest rate in FY 22E and FY 23E would rise to over 12%. MA furthered that due to significant uncertainty around outlook for international commodities and global financial condition due to Russia Ukraine war, SBP has increased policy rate by 250bps to 12.25% that could further increase if Current Account Deficit (CAD) be not managed. With regard to Prime Minister's announced visit to Saudi Arabia and China MA showed positive expectations with respect to on rollover of \$ 3 billion debt and further extension of financing facilities. MA furthered that the resumption of IMF program along with improvement in CAD will lead to improvement in Reserves and Net Foreign Assets (NFA). Successful resumption of the IMF program will be a key prerequisite to keep the financial account in positive zone. The SBP is expected to continue to discourage unnecessary imports and use flexible market determined exchange rate and appropriate monetary policy setting to ensure sustainable external account position.

MA then shared slides depicting funds' performance of Fixed Income Funds and Money Market Funds. Following slides were shared;

- Average rates on alternate investments;
- Peers comparison;
- Total Expense Ratio (TER) and AUMs along with Peers' comparison- MCBCMOP had second-highest AUMs of Rs. 36.24b with TER of 0.56% whereas NAFAMMF having largest AUM size of Rs. 37.58b with TER of 0.42%; AUMs of PCF were Rs. 15.33b with TER of 0.32%;
- Average Attribution and Allocation; and
- Month wise exposure of Money Market Funds in Sukuk and CP along with peers' comparison. MA apprised that in MCBCMOP and PCF there is no exposure in Sukuk and CP whereas in case of AHIMMF there is exposure of 10.23% on average.

MA apprised that in terms of the segment share, Money Market funds were the leader with a share of around 47.8%, followed by Income funds with a share of 26.4% and Equity and Equity related funds having a share of 24.3% as at the end of 9MFY22. MA added that the Money Markets Funds by virtue of short duration are ideal for investors with a short-term horizon and low risk profile. However, recent correction in stock prices have opened up valuations and long-term investors would look to add equity exposure at these attractive levels.

MA then briefed the Board on the performance of Equity Funds and Equity Based Funds. MA showed the slide depicting month wise comparison of stock market's indices performance over the last three years. MA apprised the Board that during the nine months period, KSE100 index posted negative return of 5.13%. While presenting KSE100 index return with foreign portfolio investment for last 13 years, MA apprised that in last seven years foreigners have reduced their portfolio investment, which became one of the major reasons of decline in KSE100 return. Thereafter, following slides were shared with Board members;

- Return of Equity Funds against selected peer Funds;
- Comparison of Equity Funds' returns with benchmark- Flagship fund MCB-PSM posted negative return of 5.83% as against negative return of 5.13% whereas ALHISF posted negative return of 8.42% as against 4.84% negative return of KMI-30;
- Returns and AUMs of selected peer Equity Funds;
- Top Performance Contributors in MCB-PSM and in KSE-100;
- Sector-wise contribution to Conventional return and Islamic fund return; and
- Attribution vs KSE100 index and attribution vs KMI-30 index.

MA then showed category wise Advisory portfolio and compared with AUMs as on March 2022 with that of December 2021. Total AUMs increased by 5.2% from Rs. 70 billion to Rs.74 billion out of which major portion pertains to Corporates which increased by 7.8% to Rs. 58 billion , whereas AUMs in Funds-of-funds category decreased by 22.3% to Rs.1 billion . MA added that out of total portfolio of Rs. 74 billion AUMs of Corporates and employee funds were Rs. 58 billion pertains and Rs. 14 billion respectively.

On query from AJ, MSS explained that to neutralize the impact of cost, certain percentage of funds are placed into own managed funds (FOFs). On query from AJ, MAR responded that the Management Company has earned directly over Rs.50 million from SMAs.

MA then briefed about the performance of SMAs breaking into CPPI mode, direct instrument mandates and Adamjee Insurance. Afterwards, MA compared Adamjee Funds performance with industry peers including average equity allocation of Adamjee and its peers. MA apprised that 87% of direct mandates are outperforming.

AGENDA ITEM 3

TO DISCUSS AND REVIEW INVESTMENT RETURNS OF THE MANAGEMENT COMPANY;

MA apprised Board members on performance of the Management Company and showed portfolio comparison. MA informed that during the period total portfolio return in Equity and Fixed Income was -2.19% and 7.26% respectively, resultantly the Company earned positive return on investments of 2.24%. In case of Pension Funds, the return with respect to Equity and Fixed Income were -3.56% and 6.86% respectively with total portfolio positive return of 1.27%, whereas return in CIS portion with respect to Equity and Fixed Income was -0.81% and 7.58% respectively thus giving portfolio positive return of 3.17%.

As requested by the Board, MA shared different valuation methods that are currently been used by the Company. MA explained that different valuation methods are been used for valuing different Companies primarily based on Sector. Banking Companies are valued based on justified Price to Book Value method, whereas Discount Cash Flow Model is mainly used for valuation of Companies in Oil and Gas exploration, Oil Marketing, Oil Refinery, Cement, Engineering, Textiles, Technology and Automobile sectors Other valuation methods being used are Dividend Discount Model, Relative Valuation Model and Sum of the Parts Model.

AGENDA ITEM 4

TO APPROVE LAUNCH OF TWO NEW FUNDS (CONVENTIONAL AND SHARIAH COMPLIANT) UNDER THE NEW CATEGORY “FIXED RATE/ RETURN SCHEME”

MSS informed the members that SECP’s through Circular no. 03 of 2022 has introduced a new category Fixed Rate/ Return Schemes. MSS then briefed main features Fixed Rate/ Return Schemes. MSS apprised that the , Company is planning to launch two new Funds, both Conventional as well as Shariah Compliant in this category, whereby investors would be guaranteed a fixed return and that management believes this Fund would be useful for low risk profile investors. MSS furthered major investment avenues would be in government securities, money market placements, Certificate of Deposits (CODs), cash in bank account and Term Deposit Receipts (TDRs). On query from AJ, MSS responded that Company intends to launch both Funds with investment of Rs 250 million each. The Management Company would be making initial investments and the unit holders can invest or divest in the Funds through Management Company. Afterwards following resolutions were passed;

Resolved That

“Launch of Fund/ Plan under the title as may be decided by the Management and as approved by the Securities Exchange Commission of Pakistan be and hereby approved”.

Further Resolved that

“The Management is hereby authorized to decide the launch date of these funds as they may think expedient”;

Further Resolved that

“The Trust Deed of the Fund is in line with the Standard Trust Deed after incorporating changes as may be recommended by the Trustee and the Securities and Exchange Commission of Pakistan be and hereby approved”;

Further Resolved that

“Mr. Muhammad Saqib Saleem Chief Executive Officer of the Company be and hereby authorized to execute the Trust Deed of Fund with Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund and to fulfill and comply with all legal, corporate and procedural formalities in connection herewith”.

AGENDA ITEM 5

ANY OTHER MATTER WITH THE PERMISSION OF THE CHAIR:

SALE BY DIRECTOR IN SHARES OF THE COMPANY

MAR informed Board members regarding the sale of Company’s shares by Mr. Nasim Beg, which as per SECP Regulations is required to be presented by the Company in Board Meeting.

Date	Nature	Number of Shares	Rate	Form of Shares
April 05, 2022	Sale	20,000	25	Through CDC

Thereafter, following resolution was passed-

“Resolved that

Sale of 20,000 shares of MCB-Arif Habib Savings and Investments Limited by Mr. Nasim Beg be and are hereby approved.”

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

Prepared by

Approved by

Company Secretary

Chairman