MCB FUNDS
Investments for Life

Asset Manager Code of Conduct

MCB Investment Management Limited

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A. Loyalty to Clients

Place client's interests before your own.

- Client interests will supersede employees interests in all aspects of the Manager-client relationship, including (but not limited to) investment selection, transactions, monitoring, and custody. Investment professionals will maintain independence and objectivity and avoid situations in which their interests are in conflict with the client interests. For Initial Public Offerings (IPO), investment professionals are barred from participating unless allowed by the investment committee.

Preserve the confidentiality of information communicated by clients within the scope of the Manager-client relationship.

- All employees must hold information communicated to them by clients or other sources strictly confidential and must take all reasonable measures to preserve that confidentiality. Confidential client information is kept in separate servers with access to authorized persons only. However, if disclosure of client information is required by law and regulatory authority, employees must share the information with the approval of CIO or CEO.

Refuse to participate in any business relationship or accept any gift that could reasonably be expected to affect their independence, objectivity, or loyalty to clients.

- All employees are prohibited from accepting gifts worth Rs. 2,000 or more from existing clients, potential clients, business partners or any party that could affect the independence, objectivity and loyalty to client. Gifts worth less than Rs. 2,000 can be accepted, however, employees are encouraged to intimate the CIO of the gift. However, acceptance of cash gifts is prohibited.

B. Investment Process and Actions

Use reasonable care and prudent judgment when managing client assets

- While managing a fund or particular portfolio, Fund manager must follow the investment mandate prescribed by the client or the fund. Moreover, it is fiduciary responsibility of the Fund Manager to use prudent judgment and reasonable care while selecting securities for the fund as well as balancing risk and return characteristics.

Not engage in practices designed to distort prices or artificially inflate trading volume with the intent to mislead market participants

- Fund manager is to take exposure in any stock with the consensual decision of Investment Committee. It can only deviate from consensus till it has proper rationale and justification for the decision. Moreover, Minutes for buying and selling rationales must be maintained with investment department for the quarterly review by Compliance and Internal Audit. It is encouraged to make a block deal in any illiquid security in order to avoid market manipulation.

Deal fairly and objectively with all clients when providing investment information, making investment recommendations, or taking investment action

- Fund Managers must not give preferential treatment to favored clients to the detriment of other clients. In some cases, clients may pay for a higher level of service or certain services and certain products may only be made available to certain qualifying clients. These practices are permitted as long as they are disclosed and made available to all clients. Furthermore, new information is to be disseminated to all the clients simultaneously.

Have a reasonable and adequate basis for investment decisions.

- Investment personnel must analyze the investment opportunities in question and should act only after performing due diligence to ensure there is sufficient knowledge about specific investments or strategies. Reliance on sell-side research is allowed as long as reasonable efforts have been made to analyze the validity of the research. Investment and Research personnel, while performing research and valuation, must ensure the thoroughness of the analysis performed, timeliness of information input, and objectivity and independence of the source. Complete understanding of the securities in which manager is investing and the strategy being used is a prerequisite.

When managing a portfolio or pooled fund according to a specific mandate, strategy, or style:

a. Take only investment actions that are consistent with the stated objectives and constraints of that portfolio or fund.

- Fund Manager must follow the specific mandate or strategy of the fund while managing a pooled fund. Deviations from the stated objective are allowed in order to take advantage of market opportunities. However, such deviations are to be reported to the client in the course of normal client reporting.

b. Provide adequate disclosures and information so investors can consider whether any proposed changes in the investment style or strategy meet their investment needs.

- To give clients an opportunity to evaluate the suitability of investments, Managers need to provide adequate information to them about any proposed material changes to their investment strategies or styles. They must provide this information well in advance of such changes. Clients should be given enough time to consider the proposed changes and take any actions that may be necessary. If the Manager decides to make a material change in the investment strategy or style, clients should be permitted to redeem their investment, if desired, without incurring any undue penalties.

When managing separate accounts and before providing investment advice or taking investment action on behalf of the client:

a. Evaluate and understand the client's investment objectives, tolerance for risk, time horizon, liquidity needs, financial constraints, any unique circumstances (including tax considerations, legal or regulatory constraints, etc.) and any other relevant information that would affect investment policy.

- It is mandatory for the Head of Separately Managed Accounts to understand and evaluate client's financial situation, constraints and other relevant factors and document them into an Investment policy statement (IPS). It is also encouraged to discuss the IPS with client and offer suggestions on clarifying the IPS and market conditions. The Manager should review the IPS for each client annually or whenever client's circumstances or market conditions suggest a review. IPS should also contain an agreement with the client as to an appropriate benchmark or benchmarks by which the Manager's performance will be measured and any other details of performance measurement.

b. Determine that an investment is suitable to a client's financial situation.

- The investment policy statement of each client must explicitly address client's total assets and liabilities position. Manager must evaluate investment actions and strategies in light of each client's circumstances.

C. Trading

Not act or cause others to act on material nonpublic information that could affect the value of a publicly traded investment.

- It's illegal to trade on the basis of material nonpublic information as under the jurisdictional law. Being a listed company, the company also ensures that managers who are in possession of material information about the company shall keep it confidential and such information shall be disclosed to the stock exchange through proper channels.
- Members of investment team shall keep the information related to fund's current or future strategy confidential and shall only disclose relevant information through monthly fund manager reports.

Give priority to investments made on behalf of the client over those that benefit the Managers' own interests.

- Investment professionals and their dependents are not allowed to trade in any security without the prior approval of CIO. The securities are to be held for a period of at least 3 months before they are to be liquidated. In this way, investments of clients are always prioritized over the interests of the investment managers. Alongside, investment personnel's are required to furnish copies of trade confirmations and personal holdings at the end of each month to the compliance manager.

Use commissions generated from client trades to pay for only investment-related products or services that directly assist the Manager in its investment decision-making process, and not in the management of the firm.

- Allocation of business to brokers should be done in the best interest of the client's portfolio. Commission generated from client trades should only be used in a way which helps the investment manager in making decisions. The decision includes financial analysis, trading and risk analysis, securities selection, broker selection, asset allocation, and suitability analysis.

Maximize client portfolio value by seeking best execution for all client transactions.

- Maximizing value of the Client is the key objective. In trade execution, Members shall seek favorable terms for client trades in considering; transaction circumstances, transaction size, market characteristics, and liquidity of security.
- Selecting appropriate broker for each trade that would imply considering following factors; commission rates, timeliness, minimizing market impact, and maintaining anonymity.

Establish policies to ensure fair and equitable trade allocation among client accounts.

- When placing trades for client accounts, Managers are advised to allocate trades fairly so that some client accounts are not routinely traded first or receive preferential treatment. Investment managers are also advised to use block trades and allocate shares on a pro-rata basis by using an average price or some other method that ensures fair and equitable allocations.

D. Risk Management, Compliance, and Support

Develop and maintain policies and procedures to ensure that their activities comply with the provisions of this Code and all applicable legal and regulatory requirements.

- The asset management industry is governed by Securities & Exchange Commission of Pakistan (SECP) which has its prescribed regulatory framework. The company will ensure that it will follow all the legal and regulatory requirements in a timely manner. Alongside, the company has adopted a firm wide Employees Code of Ethics and Standards of Professional Conduct policy & Employees Trading Policy following the international best practices.

Appoint a compliance officer responsible for administering the policies and procedures and for investigating complaints regarding the conduct of the Manager or its personnel.

- The Internal Auditor is appointed as the Compliance Officer who is independent from the investment and operations personnel and would report directly to the CEO or the Board of Directors. The Compliance Officer is to regularly convey to all employees that adherence to these policies and procedures is crucial and that anyone who violates them will be held liable. Any suspected violations of the policies and procedures are to be reported to the Compliance Officer.
- The Compliance Officer should document and act expeditiously to address any compliance breaches and work with the Management to take appropriate disciplinary action.

Ensure that portfolio information provided to clients by the Manager is accurate and complete and arrange for independent third-party confirmation or review of such information.

- Investment managers have a responsibility to ensure that the information they provide to clients is accurate, complete and reviewed by an independent third-party so clients have an additional level of confidence. Our pooled funds are subject to external audit as per the regulations. Similarly for separately managed accounts an internal audit is performed every quarter.

Maintain records for an appropriate period of time in an easily accessible format.

- Investment managers are required to retain records that substantiate their investment activities, the scope of their research, the basis for their conclusions, and the reasons for actions taken on behalf of their clients. Managers should also retain copies of other compliance related records that support and substantiate the implementation of the Code and related policies and procedures, as well as records of any violations and resulting actions taken. Records should be maintained either in hard copy or electronic form for a period of at least seven years.

Employ qualified staff and sufficient human and technological resources to thoroughly investigate, analyze, implement, and monitor investment decisions and actions.

- To safeguard the client relationship, Investment managers need to allocate all the resources necessary to ensure that client interests are not compromised. Managers are also required to ensure that adequate internal controls are in place to prevent fraudulent behavior.
- Managers must ensure that client assets are invested, administered, and protected by qualified and experienced staff. Employing qualified staff reflects a client-first attitude and helps ensure that they are provided value for their money.

Establish a business-continuity plan to address disaster recovery or periodic disruptions of the financial markets.

At a minimum, the company currently maintains the following:

- Offsite Backup for all account information
- Alternative plans for monitoring, analyzing, and trading investments if primary systems become unavailable
- Plans for employee communication and coverage of critical business functions in the event of a facility or communication disruption, and plans for contacting and communicating with clients during a period of extended disruption. A remote desktop service has been made available by the IT department which can let employees work from home.

Establish a firm wide risk management process that identifies, measures, and manages the risk position of the Manager and its investments, including the sources, nature, and degree of risk exposure.

- The company will have a separate Risk Management department which will oversee all the risks faced by Investment managers include, but are not limited to, market risk, credit risk, liquidity risk, counterparty risk, concentration risk, and various types of operational risk.
- Risk management department will monitor by routine surveillance of actual performance for comparison with expected or required performance. Review will involve periodic investigation of the current situation, usually with a specific focus. Monitoring and review also involves learning lessons from the risk management process by reviewing the events, the treatment plans and their outcomes.
- Risk managers should perform stress tests, scenario tests, and back tests as part of developing risk models that comprehensively capture the full range of their actual and contingent risk exposures.

E. Performance & Valuation

Present performance information that is fair, accurate, relevant, timely, and complete. Managers must not misrepresent the performance of individual portfolios or of their firm.

- Investment managers have a duty to present performance information that is a fair representation of their record and includes all relevant factors. Any hypothetical or back tested performance must be clearly identified as such. Managers should provide as much additional portfolio transparency as feasibly possible. Any forward-looking information provided to clients must also be fair, accurate, and complete.
- A model for fair, accurate, and complete performance reporting is embodied in the Global Investment Performance Standards (GIPS), which are based on the principles of fair representation and full disclosure and are designed to meet the needs of a broad range of global markets. By adhering to these standards for reporting investment performance, Managers help assure investors that the performance information being provided is both complete and fairly presented.

Use fair-market prices to value client holdings and apply, in good faith, methods to determine the fair value of any securities for which no independent, third-party market quotation is readily available.

Investment managers should use fair value methodology to value firm's assets and portfolios consistently. The pricing hierarchy should be well aligned to the international recommended standards. The below provided policy is recommended for asset valuation

- For assets and liabilities that are traded in active exchange or dealer markets, closing exchange prices shall be used for securities traded in exchange markets. Prices published by the independent third parties (MUFAP, FMA etc.) shall be used for securities trading in dealer markets if available.
- For securities which are in process of listing, shall be valued at cost.
- Objective, observable, unadjusted quoted 'Market prices' for identical investments in active markets.
- Quoted prices for identical or similar investments in markets that are not active.
- Accrual accounting is used for all securities that accrue interest income. However, for defaulted TFC/Sukuk's the interest income is recorded on receipt basis.
- Dividends are registered on the ex-dividend date
- Accrual accounting is used for investment management fees, custody fees and others as applicable.

F. Disclosures

Communicate with clients on an ongoing and timely basis.

- The company must develop and maintain clear, frequent, and thorough communication practices to provide high-quality financial services to clients. Company needs to provide daily NAV, monthly Fund Manager Report (FMR) and other periodic financial statements to its client. Furthermore, any other detailed data can be disseminated on client requests.

Ensure that disclosures are truthful, accurate, complete, and understandable and are presented in a format that communicates the information effectively.

- The company will ensure that it will not misrepresent any aspect of its services or activities, including (but not limited to) their qualifications or credentials, the services they provide, their performance records, and characteristics of the investments or strategies they use. A misrepresentation is any untrue statement or omission of fact or any statement that is otherwise false or misleading. Managers must ensure that misrepresentation does not occur in oral representations, marketing (whether through mass media or printed brochures), electronic communications, or written materials (whether publicly disseminated or not).

Include any material facts when making disclosures or providing information to clients regarding themselves, their personnel, investments, or the investment process.

- Clients must have full and complete information to judge the abilities of Managers and their actions in investing client assets. "Material" information is information that reasonable investors would want to know relative to whether or not they would choose to use or continue to use the Manager.

Disclose the following:

- Conflicts of interests generated by any relationships with brokers or other entities, other client accounts, fee structures, or other matters.
- Regulatory or disciplinary action taken against the Manager or its personnel related to professional conduct.
- The investment process, including information regarding lock-up periods, strategies, risk factors, and use of derivatives and leverage.
- Management fees and other investment costs charged to investors, including what costs are included in the fees and the methodologies for determining fees and costs.
- The performance of clients' investments on a regular and timely basis.
- Valuation methods used to make investment decisions and value client holdings.
- Shareholder voting policies.

- Trade allocation policies.
- Results of the review or audit of the fund or account.
- Significant personnel or organizational changes that have occurred at the Manager.
- Risk management processes.