

**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Fixed Income Composite  
March 02, 2006 through June 30, 2014**

<b>Composite:</b>	UBL Fixed Income Composite			<b>Creation Date:</b>	15-Apr-10	
<b>Benchmark:</b>	6M Rolling Average of 6M Kibor			<b>Reporting Currency:</b>	Pak Rupees	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	17.4	10.0	<5	3,762	9.0	41,848
<b>FY13</b>	10.6	10.4	<5	3,740	10.8	34,638
<b>FY12</b>	-12.3	12.7	<5	2,805	5.9	47,792
<b>FY11</b>	-10.4	12.9	<5	3,431	13.1	26,165
<b>FY10</b>	9.3	12.5	<5	7,343	36.9	19,874
<b>FY09</b>	6.4	13.5	<5	15,859	66.7	23,777
<b>FY08</b>	9.5	10.0	<5	14,626	51.5	28,400
<b>FY07</b>	11.5	10.0	<5	11,479	48.8	23,515

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co for the periods July 2011 to June 2012. The verification report(s) is available upon request. Verification assesses whether



- (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm -wide basis and
- (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

Verification does not ensure the accuracy of any specific composite presentation.

### **Definition of the Firm**

UBL Fund Managers Limited is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### **Composite Description**

UBL Funds Fixed Income Composite shall seek to provide its investors attractive daily returns from investment in low risk assets while maintaining comparatively high liquidity. In line with the investment objective UBL Funds Fixed Income Composite will invest in Government Securities, Investment grade Term Finance Certificates, rated Corporate Debt, Certificates of Investment, other money market instruments and other instruments. UBL Funds Fixed Income Composite initially comprises of United Money Market Fund (UMF) and United Growth and Income Funds (UGIF). However on June 29, 2009 both the Funds were merged and now it comprises of UGIF, and UBL Financial Sector Bond Fund (UFBF).

### **Benchmark**

The Benchmark of UBL Funds Fixed Income Composite is 6M Rolling Average of 6M Kibor . Prior to June 29, 2009 Benchmark returns of UGIF were 6 Month rolling average of 6 Month KIBOR and UMF 6 Month rolling average of 1 month KIBOR.

The Benchmark of UBL Financial Sector Bond Fund (UFBF) shall be based on 70% six month Rolling average of 6-month KIBOR and 30% average of six(6) month deposit rate of three (3) banks rated A and above for the period of return. 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**

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**Operations Office :** 4th floor, STSM Building, Beaumont Road,  
Civil Lines, Karachi,  
Tel + 92 -21 – 111 825262

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**Corporate Office :** 8th Floor, Executive Tower, Dolmen City,  
Block 4, Clifton, Karachi.  
Tel: +92-213-5290080-95

A list of all composite descriptions is available upon request.

### Significant Event

1. On June 29, 2009, UMF was merged into United Growth & Income Fund (UGIF). The Unit Holdings of all UMF investors (as of June 29, 2009) were converted to UGIF Income Units.
2. Securities and Exchange Commission of Pakistan issued Circular number 1 Dated January 6, 2009 regarding Valuation of Debt Securities Provisioning Criteria of Non Performing Debt Securities. The Provisioning Policy of UBL Fund Managers Limited is in accordance of the same. The Debt securities held by Collective Investment Schemes managed by UBL Fund Managers Limited were marked down during the year 2008-9.

As of June 30 2014, Rs. 1,251 million provisioning and mark to market adjustment were made in UGIF against NPA's and other corporate debt instruments, in conformity with the SECP circular 1 of 2009.

3. Further sale of units in United Growth & Income Fund was temporarily suspended on 12th October 2011.
4. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 6, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current period, the Honorable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as

unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF. The unrecognized amount of WWF as at May 29, 2013 amounts to Rs. 46.396million and 0.138 million for UGIF and UFBF respectively.

However considering the open ended nature of the Fund, the Board of Directors (BoD) of the Management Company in their meeting held on May 29, 2013, have decided that accumulated unrecorded WWF provision from the date of its application till May 29, 2013 will be borne by the Management Company subject to the court decision.

The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWf of Rs. 11.576 million and Rs 0.420 million for UGIF and UFBF as at June 30, 2014.

5. The management company is entitled to remuneration for services rendered to the Fund under the provisions of the NBFC Regulations, of an amount not exceeding 3 percent of the average annual net assets of the Fund and is paid in arrears on monthly basis during the first five years of the Fund's existence and thereafter an amount equal to 2 percent of such assets of the Fund. The management company charged remuneration at the rate of 1.5 percent per annum of the average daily net assets of the Fund during the period. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.

### **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**

Before Merger

United Money Market Fund	1.5%
United Growth and Income Fund	1.5%

After Merger (applicable currently)

Management Fee is	1.5%.
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UBL Financial Sector Bond Fund

1.50%

### Minimum Portfolio Size

The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/ Fund</b>	Rs. 100 million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 million per Managed Account

### Internal Dispersion

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### Ex-Post Standard Deviation

The three-year annualized ex-post standard deviation of the composite and Benchmark as of each year end is as follows:

Year	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)
<b>FY14</b>	8.92%	0.08%
<b>2013</b>	9.09%	0.06%
<b>2012</b>	9.02%	0.03%
<b>2011</b>	5.19%	0.04%
<b>2010</b>	4.42%	0.08%
<b>2009</b>	4.34%	0.09%

### 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**

UBL Fund Managers Limited 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 contains investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management, and UBL (UBL Fund Managers Limited Parent Company).

### **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, certificate holders or shareholders 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 rate of ten per cent (10%) 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. The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. 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.

**GIPS Compliant Presentation  
UBL Fund Managers Limited  
UBL Equity Composite  
August 4, 2006 through June 30, 2014**

<b>Composite:</b>	UBL Equity Composite			<b>Creation Date:</b>	15-Apr-10	
<b>Benchmark:</b>	KSE100 Index			<b>Reporting Currency:</b>	Pak Rupees	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	<b>32.4</b>	<b>41.2</b>	<b>&lt;5</b>	<b>1,972</b>	<b>4.7</b>	<b>41,848</b>
<b>FY13</b>	<b>55.6</b>	<b>52.2</b>	<b>&lt;5</b>	<b>1,228</b>	<b>3.5</b>	<b>34,638</b>
<b>FY12</b>	<b>12.4</b>	<b>10.4</b>	<b>&lt;5</b>	<b>940</b>	<b>2.0</b>	<b>47,792</b>
<b>FY11</b>	<b>35.5</b>	<b>28.5</b>	<b>&lt;5</b>	<b>1,232</b>	<b>4.7</b>	<b>26,165</b>
<b>FY10</b>	<b>24.1</b>	<b>35.7</b>	<b>&lt;5</b>	<b>1,042</b>	<b>5.3</b>	<b>19,874</b>
<b>FY09</b>	<b>-35.3</b>	<b>-41.7</b>	<b>&lt;5</b>	<b>1,649</b>	<b>6.9</b>	<b>23,777</b>
<b>FY08</b>	<b>-4.1</b>	<b>-10.8</b>	<b>&lt;5</b>	<b>2,521</b>	<b>8.9</b>	<b>28,400</b>
<b>FY07*</b>	<b>29.7</b>	<b>29.1</b>	<b>&lt;5</b>	<b>1,254</b>	<b>5.3</b>	<b>23,515</b>
*Returns are from August 04, 2006 to June 30, 2007						

**COMPLIANCE STATEMENT**

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- (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm -wide basis and
- (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards

Verification does not ensure the accuracy of any specific composite presentation.

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### **Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### **Composite Description**

UBL Funds Equity Composite includes Equity Portfolios with local equity and International Investment mandates that will aim to provide investors long-term capital appreciation by investing primarily in a mix of equities that offer capital gains and dividend yield potential. The Management Company will aim to maximize total returns and outperform its Benchmark. The composite currently comprises of United Stock Advantage Fund (USF), UBL Retirement Savings Fund – Equity Sub Fund (URSF-ESF) and a one Separately Managed Account i.e. (Sulaimaniyah Trust

At times of high volatility or when the Fund Manager feels that equities as an asset class are in the over-valued zone, they may seek short term opportunities in authorized fixed income and money market instruments to reduce the risk profile of the composite and provide industry leading returns. This composite enables the investor with limited knowledge of direct investment in the equity market to attain diversification and capitalize on the professional fund management expertise available with UBL Fund Managers Limited.

### **Benchmark**

The Benchmark of UBL Funds Equity composite is KSE - 100 Index and returns of Benchmark are not net of withholding taxes. The Portfolios in this composite also may have International Exposure, whereas Benchmark does not represent the same.

### **List of Composites**

A list of all composite descriptions is available upon request

### **Significant Event**

1. The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this

amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication. Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter was taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. As the management is confident that the matter will be eventually settled in its favour and the WWF will not be levied on the Fund, no provision has been made in respect of any WWF liability.

The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs20.1892. million and Rs 2.669 million for USF and URSF - ESF as at June 30, 2014 respectively. .

2. In FY 2012, 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.
3. Management Fee of the United Stock Advantage Fund included in this portfolio has been reduced to 2% from August 2011.

### **Fees**

Returns are presented net of all expenses (including custodial expenses, SECP fee, Listing fee) in addition to the Management Fee and

Trading Expenses.

**Fees Schedule**

Management Fee is **2% (USF)**

Management Fee is **1.5% (URSF-ESF)**

**Minimum Account Size**

The Minimum Portfolio size for inclusion in the composite is

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account.

**Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

**Ex-Post Standard Deviation**

The three-year annualized ex-post standard deviation of the composite and Benchmark as of each year end is as follows:

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>	<b>Benchmark 3-Yr St Dev (%)</b>
<b>FY14</b>	15.53%	13.91%
<b>2013</b>	15.37%	14.00%
<b>2012</b>	16.81%	16.50%
<b>2011</b>	22.39%	22.75%
<b>2010</b>	24.01%	25.22%

**Key Assumption for Portfolio valuation**

**Operations Office :** 4th floor, STSM Building, Beaumont Road,  
Civil Lines, Karachi,  
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**Corporate Office :** 8th Floor, Executive Tower, Dolmen City,  
Block 4, Clifton, Karachi.  
Tel: +92-213-5290080-95

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.

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

The Composite also contains investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management, and UBL (UBL Fund Managers Limited Parent Company).

### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001 , 2001. 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.

**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Islamic Balance Composite  
December 24, 2006 through June 30, 2014**

<b>Composite:</b>	<b>UBL Islamic Balance Composite</b>			<b>Creation Date:</b>	<b>15-Apr-10</b>	
<b>Benchmark:</b>	<b>50% KMI Index + 20% Avg Placement rate of 3 Islamic banks + 30% 6M Kibor</b>			<b>Reporting Currency:</b>	<b>Pak Rupees</b>	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14***</b>	<b>5.6</b>	<b>6.6</b>	<b>&lt;5</b>	<b>194</b>	<b>0.5</b>	<b>41,848</b>
<b>1Q'FY13**</b>	<b>4.7</b>	<b>2.6</b>	<b>&lt;5</b>	<b>551</b>	<b>1.4</b>	<b>44,793</b>
<b>FY12</b>	<b>17.7</b>	<b>12.7</b>	<b>&lt;5</b>	<b>531</b>	<b>1.1</b>	<b>47,792</b>
<b>FY11</b>	<b>26.4</b>	<b>26.5</b>	<b>&lt;5</b>	<b>478</b>	<b>1.8</b>	<b>26,165</b>
<b>FY10</b>	<b>16.4</b>	<b>27.6</b>	<b>&lt;5</b>	<b>524</b>	<b>2.6</b>	<b>19,874</b>
<b>FY09</b>	<b>-18.4</b>	<b>-13.7</b>	<b>&lt;5</b>	<b>823</b>	<b>3.5</b>	<b>23,777</b>
<b>FY08</b>	<b>0.8</b>	<b>5.9</b>	<b>&lt;5</b>	<b>1,218</b>	<b>4.3</b>	<b>28,400</b>
<b>FY07*</b>	<b>14.8</b>	<b>13.3</b>	<b>&lt;5</b>	<b>965</b>	<b>4.1</b>	<b>23,515</b>
<p>**Returns are from 1<sup>st</sup> July 2012 to 17<sup>th</sup> July 2012  * Returns are from December 24, 2006 to June 30, 2007  ***Returns are from 4<sup>th</sup> January 2014 as the composite did not have any portfolios in the interim period 1QFY13 to 1H'FY14</p>						

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 2011 to June 2012. The verification report(s) is available upon request. Verification assesses whether

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- (1) The firm has complied with all the composite construction requirements of the GIPS standards on a firm -wide basis and
- (2) The firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

#### **Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### **Composite Description**

The investment objective of UBL Funds Islamic Balanced Composite is to offer its investors an opportunity to invest in diversified Portfolio of Shariah Compliant investments with the objective of maximizing medium to long term returns for a given level of risk. The investments in the composite will be diversified both in terms of securities within an asset class as well as across asset classes. The composite would strictly follow Islamic Shariah in selection of investments under the supervision of its Shariah Advisory Board. Currently the composite includes one Portfolio .i.e. Al-Ameen Islamic Asset Allocation Fund (AIAAF) & one SMA. .

#### **Benchmark**

The Benchmark of UBL Funds Islamic Balanced Composite is 50% KMI Index + 20% Avg Placement rate of 3 Islamic banks + 30% 6M Kibor and returns of Benchmark are not net of withholding taxes. Benchmark was changed on 1<sup>st</sup> March 2010 from 50% DJIMPK Index + 20% 1Yr Placement rate of 3 Islamic banks + 30% 6M Kibor to 50% KMI Index + 20% Avg Placement rate of 3 Islamic banks + 30% 6M Kibor Since DJIMPK index cease to exist.

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### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. During the current period, the Honorable Lahore High Court (LHC) in a similar constitutional petition relating to the amendments brought on the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs.0.16 for AIAAF as at June 30, 2014.`

2. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.

1.

**Fees**

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

**Fee Schedule**

Management Fee is **1.00%**

**Minimum Account Size**

The Minimum Portfolio size for inclusion in the composite is:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account.

**Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

**Ex-Post Standard Deviation**

The three-year annualized ex-post standard deviation of the composite and Benchmark as of each year end is as follows:

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>	<b>Benchmark 3-Yr St Dev (%)</b>
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<b>1QFY13</b>	11.20%	8.49%
<b>2012</b>	11.26%	8.56%
<b>2011</b>	13.85%	11.97%
<b>2010</b>	14.75%	13.01%

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**

UBL Fund Managers Limited 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 does not contain investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management as on June 30, 2014, and only contain investment of UBL (UBL Fund Managers Limited parent company).

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### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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 stated, 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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. As per section 37 (A) of the Income Tax

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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.



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**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Islamic Income Composite  
October 20, 2007 through June 30, 2014**

<b>Composite:</b>	UBL Islamic Income Composite		<b>Creation Date:</b>	15-Apr-10		
<b>Benchmark:</b>	Average 6M Placement rate of 3 Islamic Banks		<b>Reporting Currency:</b>	Pak Rupees		
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	<b>12.8</b>	<b>7.5</b>	<b>&lt;5</b>	<b>1,669</b>	<b>4.0</b>	<b>41,848</b>
<b>FY13</b>	<b>6.9</b>	<b>8.1</b>	<b>&lt;5</b>	<b>595</b>	<b>1.7</b>	<b>34,638</b>
<b>FY12</b>	<b>6.1</b>	<b>9.0</b>	<b>&lt;5</b>	<b>313</b>	<b>0.7</b>	<b>47,792</b>
<b>FY11</b>	<b>-4.0</b>	<b>7.8</b>	<b>&lt;5</b>	<b>341</b>	<b>1.3</b>	<b>26,165</b>
<b>FY10</b>	<b>5.4</b>	<b>7.7</b>	<b>&lt;5</b>	<b>890</b>	<b>4.5</b>	<b>19,874</b>
<b>FY09</b>	<b>3.3</b>	<b>8.7</b>	<b>&lt;5</b>	<b>1,445</b>	<b>6.1</b>	<b>23,777</b>
<b>FY08*</b>	<b>6.4</b>	<b>7.3</b>	<b>&lt;5</b>	<b>1,814</b>	<b>6.4</b>	<b>28,400</b>
*Returns are from October 20, 2007 to June 30, 2008						

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 2011 to June 2012. The verification report(s) is available upon request. Verification assesses whether

- (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm -wide basis and

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(2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

### **Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### **Composite Description**

The investment objective of UBL Funds Islamic Income Composite is to provide attractive returns to its investors by investing in Shariah Compliant Income instruments while taking into account capital security and liquidity considerations. The composite currently comprises of .i.e. Al Ameen Islamic Income Fund (AIIF) (formerly United Islamic Income Fund) Al Ameen Islamic Retirement Saving Fund - Debt Sub Fund (AIRSF-DSF) (Formerly UBL Islamic Retirement Saving Fund - Debt Sub Fund (UIRSF- DSF)) and a Separately Managed Account (SMA)Telenor - PF Islamic.

The composite shall strive to take advantage of available opportunities in Shariah Compliant Income Instruments in order to realize a high level of total return from a diversified Portfolio. The composite shall not invest directly in equity securities or those instruments which add volatility to its performance.

### **Benchmark**

The benchmark of the portfolio is Weighted average of 12 Month deposit rates of 3 different Islamic Banks and returns of Benchmark are not net of withholding taxes. Previously the benchmark of the portfolio was Weighted average of 6 Month deposit rates of 3 different Islamic Banks and returns of Benchmark are not net of withholding taxes

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

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1. Securities and Exchange Commission of Pakistan issued Circular number 1 Dated January 6, 2009 regarding Valuation of Debt Securities Provisioning Criteria of Non Performing Debt Securities. The Provisioning Policy of UBL Fund Managers Limited is in accordance of the same. The Debt securities held by Collective Investment Schemes managed by UBL Fund Managers Limited were marked down during the year 2008-9. As of June 30, 2014, Rs. 165.611 Million provisioning and mark to market adjustment were made in UIIF against NPA's and other corporate debt instruments, in conformity with the SECP circular 1 of 2009.
2. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010 . Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current period, the Honorable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF. The unrecognised amount of WWF as at March 31, 2013 is Rs. 3.717 million.

The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs 3.096 million and Rs

0.289 million for AIIF and AIRSF – DSF respectively as at June 30, 2014

3. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.
4. Effective from April 2011 the benchmark of the composite was changed from weighted average of 6 Month deposit rates of 3 different Islamic Banks to weighted average of 12 Month deposit rates of 3 different Islamic Banks.

**Fees**

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

**Fee Schedule**

**Fee Schedule**

Management Fee **AIIF** is **1.25%**  
**AIRSF – DSF** is **1.5%**

**Minimum Account Size**

The Minimum Portfolio size for inclusion in the composite is:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the Minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account

**Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

**Ex-Post Standard Deviation**

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The three-year annualized ex-post standard deviation of the composite and Benchmark as of each year end is as follows:

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>	<b>Benchmark 3-Yr St Dev (%)</b>
<b>FY14</b>	9.39%	0.02%
<b>2013</b>	10.21%	0.03%
<b>2012</b>	10.13%	0.03%
<b>2011</b>	6.95%	0.03%

#### **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**

UBL Fund Managers Limited uses subjective unobservable inputs for valuing some of its debt instruments i.e., Sukuks and Term

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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 does not contain investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management as of June 30, 2014, and only contain investment of UBL (UBL Fund Managers Limited parent company).

### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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 stated 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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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**

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**(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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. . 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.



**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Capital Protected Composite  
April 15, 2008 through September 30, 2012**

<b>Composite:</b>	<b>UBL Capital Protected Composite</b>			<b>Creation Date:</b>	<b>15-Apr-10</b>	
<b>Benchmark:</b>	<b>85% TDR + 15% KSE 30 Index</b>			<b>Reporting Currency:</b>	<b>Pak Rupees</b>	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY12**</b>	<b>6.3</b>	<b>8.8</b>	<b>&lt;5</b>	<b>0</b>	<b>0</b>	<b>47,792</b>
<b>FY11</b>	<b>8.0</b>	<b>11.8</b>	<b>&lt;5</b>	<b>205</b>	<b>0.8</b>	<b>26,165</b>
<b>FY10</b>	<b>9.5</b>	<b>12.2</b>	<b>&lt;5</b>	<b>787</b>	<b>3.9</b>	<b>19,874</b>
<b>FY09</b>	<b>4.2</b>	<b>-0.9</b>	<b>&lt;5</b>	<b>730</b>	<b>3.1</b>	<b>23,777</b>
<b>FY08*</b>	<b>-1.4</b>	<b>-2.3</b>	<b>&lt;5</b>	<b>689</b>	<b>2.4</b>	<b>28,400</b>
<p>*Returns are from April 15, 2008 to June 30, 2008  **Only surviving portfolio in the composite matured on 22<sup>nd</sup> May 2012</p>						

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>	<b>Benchmark 3-Yr St Dev (%)</b>
<b>2012</b>	2.85	2.85

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**UBL Fund Managers Limited**  
**GIPS Compliant Presentation**  
**UBL Principal Protected Composite**  
**July 01, 2009 to June 30, 2014**

<b>Composite:</b>	UBL Principle Protected Composite			<b>Creation Date:</b>	15-Apr-10
<b>Benchmark:</b>	Refer to Benchmark disclosure			<b>Reporting Currency:</b>	Pak Rupees
	<b>Total Net Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	<b>20.5</b>	<b>6</b>	<b>3,512</b>	<b>8.4</b>	<b>41,848</b>
<b>FY13</b>	<b>39.4</b>	<b>&lt;5</b>	<b>689</b>	<b>2.0</b>	<b>34,638</b>
<b>FY12</b>	<b>10.9</b>	<b>&lt;5</b>	<b>504</b>	<b>1.1</b>	<b>47,792</b>
<b>FY11</b>	<b>8.8</b>	<b>&lt;5</b>	<b>608</b>	<b>2.3</b>	<b>26,165</b>
<b>FY10</b>	<b>19.5</b>	<b>&lt;5</b>	<b>887</b>	<b>4.4</b>	<b>19,874</b>

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 2011 to June 2012. The verification report(s) is available upon request. Verification assesses whether

(1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and

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(2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

#### **Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

#### **Composite Description**

The investment objective of the composite is to earn potentially high returns through dynamic asset allocation between Equity mutual funds and Money Market/ fixed income based funds while providing capital protection of the Initial Investment Value, at completion of the duration of the fund.

The Management envisages the provision of 100% Principal Protection through the use of the Constant Proportion Portfolio Insurance (CPPI) Methodology. The CPPI Methodology is an internationally recognized, tried and tested methodology with a highly versatile and flexible framework, which allocates the Portfolio between equity and fixed income in a manner that increases exposure to equity as Portfolio value increases and reduces exposure to equity as Portfolio value decreases. Currently the composite consists of two portfolios; UBL Principal Protected Fund – II (UPPF-II) UBL Principal Protected Fund – III (UPPF-III) and nine Separately Managed Accounts (SMAs).

#### **Benchmark**

No benchmark has been assigned to this composite.

#### **List of Composites**

A list of all composite descriptions is available upon request.

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### **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**

- The fee on the portfolio is based on the asset allocation between equity and money market/ fixed income funds which changes on daily basis.

### **Minimum Portfolio Size**

The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account

### **Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### **Ex-Post Standard Deviation**

The three-year annualized ex-post standard deviation of the composite and Benchmark as of each year end is as follows:

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>
<b>FY14</b>	10.48%
<b>2013</b>	8.94%
<b>2012</b>	7.66%

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## Significant Event:

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab -initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. During the current period, the Honorable Lahore High Court (LHC) in a similar constitutional petition relating to the amendments brought on the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC.

The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs. 2.215 million and Rs 1.248 million for UPPF-II and UPPF-III respectively as at June 30, 2014.

2. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.
3. UBL Principal Protected Fund – I (UPPF-I) has matured as on 3rd February, 2014.

### **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.

#### **Propriety Assets in the Composite**

The Composite does not contain investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management as of June 30, 2014, and only contain investment of UBL(UBL Fund Managers Limited parent company).

#### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) for public companies on gross income basis.

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(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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. 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.

**Treatment for Separately Managed Discretionary Account (SMA):**

The SMA shall be liable for payment withholding tax and other taxes on the investment amount and on returns or growth of investment. The Investment Adviser shall be responsible for complying with the requirements of law with regard to any deductions at source.

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**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Liquid Composite  
July 1, 2009 through June 30, 2014**

<b>Composite:</b>	UBL Liquid Composite			<b>Creation Date:</b>	15-Apr-10	
<b>Benchmark:</b>	50% 3M PKRV + 50% 3M TDR (with AA bank)			<b>Reporting Currency:</b>	Pak Rupees	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	8.0	9.3	<5	11,900	28.4	41,848
<b>FY13</b>	8.9	8.2	<5	15,610	45.1	34,638
<b>FY12</b>	11.4	9.8	<5	27,897	58.4	47,792
<b>FY11</b>	11.9	10.3	<5	15,773	60.3	26,165
<b>FY10</b>	10.6	8.5	<5	7,967	40.1	19,874

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the period July 2011 to June 2012. The verification report(s) is available upon request.

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Verification assesses whether

- (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and
- (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

Verification does not ensure the accuracy of any specific composite presentation.

### **Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### **Composite Description**

The investment objective of UBL Funds Liquid Composite is to provide investors competitive returns by investing in low risk short duration assets while maintaining high liquidity. The composite primarily invests in money market instruments and government holding. Currently the composite comprises of three Portfolios i.e. UBL Liquidity Plus Fund (ULPF), UBL Retirement Savings Fund-Money Markey Sub Fund (URSF-MMSF) and UBL Money Market Fund (UBLMMF) *Formerly* UBL Savings Income Fund which category has been changed from Income Scheme to Money Market Scheme with the approval of Securities and Exchange Commission of Pakistan effective from May 23rd 2014.

### **Benchmark**

Benchmark is a combination of 50% PKRV average Yields for 3 months & 50% 3M TDR with AA or above rated bank for ULPF and 75% 3M PKRV + 25% 3M TDR (with AA or above rated banks)

### **List of Composites**

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A list of all composite descriptions is available upon request.

### Significant Event

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 6, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current period, the Honorable Lahore High Court (LHC) in a similar constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC.

Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF and, hence, provision in respect of WWF has not been made by the management.

The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs.

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24.01 million, Rs.0.4511 million and 3.83 million for ULPF, URSF-MMSF & UMMF respectively as at June 30, 2014. .

- Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.

**Fees**

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

**Fee Schedule**

Management Fee of UBL Funds Liquidity Composite is:

<b>ULPF</b>	<b>: 1.25%</b>
<b>URSF-UMSF</b>	<b>: 1.50%</b>
<b>UBLMMF</b>	<b>: 1.25%</b>

**Minimum Portfolio Size**

The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account

**Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### Ex-Post Standard Deviation

The three-year annualized ex-post standard deviation of the composite and Benchmark as of each year end is as follows:

Year	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)
FY14	0.21%	0.06%
2013	0.20%	1.03%
2012	0.26%	0.35%

### 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.

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Profit on bank deposits is recorded on accrual basis.

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

The Composite also contains investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management, and UBL (UBL Fund Managers Limited parent company).

### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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.

The income of the newly added portfolio, being a pension fund, is exempt from Income Tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

### **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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised capital gains and as reduced by such expenses as are chargeable to the Funds 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.

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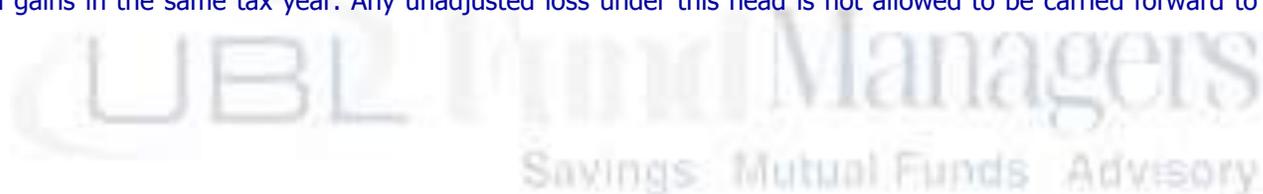
## **Taxation of Unit Holders and Liability to Zakat**

### **(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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001 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.



**UBL Fund Managers Limited**  
**GIPS Compliant Presentation**  
**UBL Conventional Balance Composite**  
**December 1, 2008 through June 30, 2014**

<b>Composite:</b>	UBL Conventional Balance Composite		<b>Creation Date:</b>	15-Apr-10	
<b>Benchmark:</b>	Refer to Benchmark Disclosure		<b>Reporting Currency:</b>	Pak Rupees	
	<b>Total Net Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	<b>16.9</b>	<b>12</b>	<b>2,445</b>	<b>5.8</b>	<b>41,848</b>
<b>FY13</b>	<b>29.8</b>	<b>&lt;5</b>	<b>201</b>	<b>0.6</b>	<b>34,638</b>
<b>FY12</b>	<b>12.4</b>	<b>&lt;5</b>	<b>88</b>	<b>0.2</b>	<b>47,792</b>
<b>FY11</b>	<b>20.1</b>	<b>&lt;5</b>	<b>41</b>	<b>0.2</b>	<b>26,165</b>
<b>FY10</b>	<b>18.6</b>	<b>&lt;5</b>	<b>31</b>	<b>0.2</b>	<b>19,874</b>
<b>FY09*</b>	<b>20.3</b>	<b>&lt;5</b>	<b>20</b>	<b>0.1</b>	<b>23,777</b>

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 2011 to June 2012. The verification report(s) is available upon request. Verification assesses whether

- (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and
- (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

Verification does not ensure the accuracy of any specific composite presentation.

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### **Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### **Composite Description**

The objective of the UBL Funds Conventional Balanced Composite is income and growth by investing in Domestic listed equities & Domestic fixed income instruments. Secondary objective is to grow the value of assets over the long-term. UBL Funds Conventional Balanced Composite currently comprises of Eleven Separately Managed Discretionary Accounts and UBL Asset Allocation Fund (UAAF).

### **Benchmark**

Currently no Benchmark has been assigned to UBL Funds Conventional Balanced Composite.

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Fees**

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

### **Fees Schedule**

Fees are charged as per different agreements as agreed with the clients.

UAAF : 1%

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### Minimum Portfolio Size

The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account

### Internal Dispersion

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### Significant Event:

1. During the quarter Separately Managed Accounts (SMAs) have been added in the composite since they met the Minimum fund size for SMA i.e. Rs. 25 million.
2. The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs 2.69 million for UAAF as at June 30, 2014.

### Ex-Post Standard Deviation

The three-year annualized ex-post standard deviation of the composite and Benchmark as of each year end is as follows:

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>
<b>FY14</b>	9.64%
<b>2013</b>	9.48%

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<b>2012</b>	5.1%
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### **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.

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

The Composite also contains investment of UBL Fund Managers Limited Management and UBL (UBL Fund Managers Limited Parent Company).

#### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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

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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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001 , 2001. 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.

**Treatment of Separately Managed Discretionary Account (SMA):**

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The SMA shall be liable for payment withholding tax and other taxes on the investment amount and on returns or growth of investment unless any SMA is recognized as tax-exempted by the Commissioner of Income Tax. The Investment Adviser shall be responsible for complying with the requirements of law with regard to any deductions at source.



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**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Savings Composite  
October 14, 2010 through June 30, 2014**

<b>Composite:</b>	<b>UBL Savings Composite</b>			<b>Creation Date:</b>	<b>14-Oct-10</b>	
<b>Benchmark:</b>	<b>Average of 6M KIBOR</b>			<b>Reporting Currency:</b>	<b>Pak Rupees</b>	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	<b>7.95</b>	<b>10.2</b>	<b>&lt;5</b>	<b>5,448</b>	<b>13.0</b>	<b>41,848</b>
<b>FY13</b>	<b>9.6</b>	<b>9.8</b>	<b>&lt;5</b>	<b>4,401</b>	<b>12.7</b>	<b>34,638</b>
<b>FY12</b>	<b>12.1</b>	<b>12.2</b>	<b>&lt;5</b>	<b>10,173</b>	<b>21.4</b>	<b>47,792</b>
<b>FY11*</b>	<b>8.4</b>	<b>9.3</b>	<b>&lt;5</b>	<b>2,151</b>	<b>8.2</b>	<b>26,165</b>
* Returns since 14 <sup>th</sup> October, 2010						

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 2011 to June 2012. The verification report(s) is available upon request. Verification assesses whether

- (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and
- (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

Verification does not ensure the accuracy of any specific composite presentation.

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### **Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### **Composite Description**

The investment objective of UBL Savings Composite is to provide investors competitive returns by investing in low risk short duration assets while maintaining high liquidity. The composite primarily invests in money market instruments and government holding. Currently the composite comprises of one Portfolios i.e. UBL Government Securities Fund (UGSF). Further, UBL Saving Income Fund has been categorized as "Money Market Scheme" with the approval of Securities and Exchange Commission of Pakistan effective from May 23rd 2014.

### **Benchmark**

Benchmark is Average of 6M KIBOR.

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of his amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds Rs.0.5 million in a

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tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. In July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. During the current period, the Honorable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF and, hence, provision in respect of WWF has not been made by the management.

The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs. Rs.5.52 million UGSF as at June 30, 2014.

2. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.

### **Fees**

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

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Expenses.

**Fee Schedule**

Management Fee of UBL Funds Savings Composite is:

**UGSF** **1.25%**

**Minimum Portfolio Size**

The Minimum Portfolio size for inclusion in the composite is as follows:

**For Portfolio/Fund** Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)

**For SMA** Rs. 25 Million per Managed Account

**Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

**Ex-Post Standard Deviation**

The three-year annualized ex-post standard deviation of the composite and Benchmark as of each year end is as follows:

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>	<b>Benchmark 3-Yr St Dev (%)</b>
<b>FY14</b>	0.76%	0.07%

**Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

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### **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.

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

The Composite also contains investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management, and UBL (UBL Fund Managers Limited parent company).

### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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.

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**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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. 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.

**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Islamic Savings Composite  
November 07, 2010 through June 30, 2014**

<b>Composite:</b>	UBL Islamic Savings Composite			<b>Creation Date:</b>	07-Nov-10	
<b>Benchmark:</b>	Average of 6M Placement rates of 3 Islamic Banks			<b>Reporting Currency:</b>	Pak Rupees	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	<b>8.1</b>	<b>7.5</b>	<b>&lt;5</b>	<b>3,592</b>	<b>8.6</b>	<b>41,848</b>
<b>FY13</b>	<b>9.1</b>	<b>6.9</b>	<b>&lt;5</b>	<b>4,092</b>	<b>11.8</b>	<b>34,638</b>
<b>FY12</b>	<b>11.4</b>	<b>7.8</b>	<b>&lt;5</b>	<b>3,478</b>	<b>7.3</b>	<b>47,792</b>
<b>FY11*</b>	<b>7.6</b>	<b>4.8</b>	<b>&lt;5</b>	<b>2,185</b>	<b>8.4</b>	<b>26,165</b>
* Returns since 7 <sup>th</sup> November, 2010						

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 2011 to June 2012. The verification report(s) is available upon request. Verification assesses whether

(1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and

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(2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.

Verification does not ensure the accuracy of any specific composite presentation.

### **Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### **Composite Description**

The investment objective of UBL Islamic Savings Composite is to provide investors competitive returns by investing in low risk short duration assets while maintaining high liquidity. The composite primarily invests in money market instruments and government holding. Currently, the composite comprises of one Portfolio i.e. Al Ameen Islamic Sovereign Fund (AISF) (Formerly UBL Islamic Sovereign Fund (UISF) (formerly UBL Islamic Savings Fund).

### **Benchmark**

Benchmark is Average of 6M Placement rates of 3 Islamic Banks.

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by

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certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. In July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. During the current period, the Honorable Lahore High Court (LHC) in a similar constitutional petition relating to the amendments brought on the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF.

The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs 6.57 million for AISF as at June 30, .

2. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.
3. The portfolio has been reconstituted from Islamic Income Fund to Islamic Government Securities Fund.

### **Fees**

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

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**Fee Schedule**

**Fund: AISF: 1.00%**

**Minimum Portfolio Size**

The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account

**Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

**Ex-Post Standard Deviation**

The three-year annualized ex-post standard deviation of the composite and Benchmark as of each year end is as follows:

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>	<b>Benchmark 3-Yr St Dev (%)</b>
<b>FY14</b>	0.30%	0.02%

**Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

**Financial instruments**

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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.

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

The Composite does not contain investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management as of June 30, 2014, and only contain investment of UBL (UBL Fund Managers Limited parent company).

#### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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

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the income for the year is distributed amongst the Unit Holders as dividend (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. 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.

**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Bond Savings Composite  
November 4, 2011 through June 30 2014**

<b>Composite:</b>		<b>UBL Bond Savings Composite</b>		<b>Creation Date:</b>		<b>30-Jun-12</b>
				<b>Reporting Currency:</b>		<b>Pak Rupees</b>
	<b>Total Net Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>	
<b>FY14</b>	<b>8.5</b>	<b>&lt;5</b>	<b>555</b>	<b>1.3</b>	<b>41,848</b>	
<b>FY13</b>	<b>11.5</b>	<b>&lt;5</b>	<b>843</b>	<b>2.4</b>	<b>34,638</b>	
<b>FY12*</b>	<b>5.8</b>	<b>&lt;5</b>	<b>535</b>	<b>1.1</b>	<b>47,792</b>	
* Returns since 4 <sup>th</sup> November, 2011						

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 2011 to June 2012. The verification report(s) is available upon request. Verification assesses whether

- (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and
  - (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards.
- Verification does not ensure the accuracy of any specific composite presentation.

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### **Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

### **Composite Description**

The investment objective of UBL Bond Savings Composite is to provide investors with competitive returns by investing in debt market securities. The composite primarily invests in debt securities. Currently the composite comprises UBL Retirement Saving Fund-Debt Sub Fund and two Separately Managed Accounts.

### **Benchmark**

Currently no Benchmark has been assigned to UBL Bonds Saving Composite.

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Fees**

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

### **Fee Schedule**

Management Fee is **1.5% p.a. (URSF-DSF)**

### **Minimum Portfolio Size**

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The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account

### **Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### **Significant Event**

1. During the 31 Dec quarter a Separately Managed Accounts (SMAs) has been added in the composite since it met the Minimum fund size for SMA i.e. Rs. 25 million.
2. The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs 0.592 million for URSF - DSF as at June 30, 2014 .

### **Ex-Post Standard Deviation**

The three-year annualized ex-post standard deviation of the composite and Benchmark is not presented because 36 monthly returns are not available.

### **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

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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.

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.

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

The Composite does not contain any investment of UBL Fund Managers Limited. However, contain investment of UBL Bank Limited (Parent Company of UBL Fund Managers Limited).

### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised capital gains and as reduced by such expenses as are chargeable to the Fund under the Regulations.

### **Withholding Tax**

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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 based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001, 2001. 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.

#### **Treatment for Separately Managed Discretionary Account (SMA):**

The SMA shall be liable for payment withholding tax and other taxes on the investment amount and on returns or growth of investment unless any SMA is recognized as tax-exempted by the Commissioner of Income Tax. The Investment Adviser shall be responsible for complying with the requirements of law with regard to any deductions at source.

**GIPS Compliant Presentation**  
**UBL Fund Managers Limited**  
**UBL Islamic Equity Composite**  
**July 17, 2012 through June 30, 2014**

<b>Composite:</b>	UBL Islamic Equity Composite			<b>Creation Date:</b>	17-Jul-12	
<b>Benchmark:</b>	KMI-30 Index			<b>Reporting Currency:</b>	Pak Rupees	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	<b>34.9</b>	<b>29.9</b>	<b>&lt;5</b>	<b>1,387</b>	<b>3.3</b>	<b>41,848</b>
<b>FY'13*</b>	<b>43.6</b>	<b>48.2</b>	<b>&lt;5</b>	<b>1,263</b>	<b>3.6</b>	<b>34,638</b>
*Returns are from July 17, 2012 to June 30, 2013						

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards.

**Definition of the Firm**

UBL Fund Managers Limited is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

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### **Composite Description**

UBL Funds Islamic Equity Composite includes sharia compliant equities that seeks to maximize total returns and outperform its benchmark by investing in a combination of securities offering long term capital gains and dividend yield potential. The composite currently comprises of two portfolios i.e., Al Ameen Sharia Stock Fund (ASSF) UBL Sharia Stock Fund (USSF) formerly United Composite Islamic Fund (UCIF) and Al Ameen Islamic Retirement Savings Fund-Equity Sub Fund (AIRSF- ESF) (Formerly UBL Islamic Retirement Savings Fund-Equity Sub Fund (UIRSF-ESF).

### **Benchmark**

The Benchmark of UBL Funds Islamic Equity composite is KMI - 30 Index and returns of Benchmark are not net of withholding taxes.

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

1. As on July 17, 2012 the conversion form Islamic Balanced Fund to Islamic Equity Fund was affected and the portfolio was restructured. The name of the portfolio changed from United Composite Islamic fund (UCIF) to UBL Sharia Stock Fund (USSF) and accordingly, from July 18, 2012 the Islamic Equity Composite begun.
2. Securities and Exchange Commission of Pakistan issued Circular number 1 Dated January 6, 2009 regarding Valuation of Debt Securities Provisioning Criteria of Non Performing Debt Securities. The Provisioning Policy of UBL Fund Managers Limited is in accordance of the same. The Debt securities held by Collective Investment Schemes managed by UBL Fund Managers Limited were marked down during the year 2008-9. As of March 31, 2013, Rs. 5.685 million provisioning and mark to market adjustment were made against NPA's and other corporate debt instruments, in conformity with the SECP circular 1 of 2009.
3. Management Fee of the Islamic Equity Fund Composite (previously UBL Islamic Balanced Fund) was reduced to 2% from 24th December 2011.
4. The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication. Subsequent to

the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand were also issued to several other mutual funds and the matter was taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

Subsequent to the year ended June 30, 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. As the management is confident that the matter will be eventually settled in its favour and the WWF will not be levied on the Fund, no provision has been made in respect of any WWF liability.

The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. Accordingly the fund has recorded a provision for WWF of Rs .18.471 million and Rs.2.02 million for ASSF and AIRSF-ESF respectively as at June 30, 2014.

5. 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.

## **Fees Schedule**

Management Fee is

ASSF	: 2%
AIRSF-ESF	: 1.5%

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### Minimum Account Size

The Minimum Portfolio size for inclusion in the composite is

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account.

### Internal Dispersion

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### Ex-Post Standard Deviation

The three-year annualized ex-post standard deviation of the composite and Benchmark is not presented because 36 monthly returns are not available

### 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.

### Proprietary Assets in the Composite

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The Composite also contains investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management, and UBL (UBL Fund Managers Limited Parent Company).

### **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, certificate holders or shareholders as the case may be., The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. As per section 37 (A) of the Income Tax Ordinance,

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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 year.



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**GIPS Compliant Presentation**  
**UBL Fund Managers Limited**  
**UBL Islamic Liquid Composite**  
**September 18, 2012 through June 30, 2014**

<b>Composite:</b>	UBL Islamic Liquid Composite			<b>Creation Date:</b>	31-Mar-13	
<b>Benchmark:</b>	Average of 3 months placement rates of three Islamic Banks			<b>Reporting Currency:</b>	Pak Rupees	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	<b>6.5</b>	<b>7.3</b>	<b>&lt;5</b>	<b>283</b>	<b>0.7</b>	<b>41,848</b>
<b>FY'13*</b>	<b>5.2</b>	<b>5.4</b>	<b>&lt;5</b>	<b>138</b>	<b>0.4</b>	<b>34,638</b>
*Returns are from September 18, 2012 to June 30, 2013						

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards.

**Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

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### **Composite Description**

The investment objective of UBL Islamic Liquid Composite is to provide high liquidity and competitive returns while seeking maximum possible preservation of capital by investing in low risk and liquid Shariah Compliant instruments. The composite primarily invests in short term government holding. Currently, the composite comprises of one Portfolio i.e. Al Ameen Islamic Cash Fund (AICF) (Formerly UBL Islamic Cash Fund (UICF) and Al Ameen Islamic Retirement Saving Fund- Money Market Sub Fund.

### **Benchmark**

The benchmark of the composite is average of 3 Months Placement Rate of 3 Islamic Banks (with AA or better banks)

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 6, 2010 on applicability of WWF on mutual funds.

On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC.

During the current period, the Honorable Lahore High Court (LHC) in a similar constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said

amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC.

Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF and, hence, provision in respect of WWF has not been made by the management. The unrecognized amount of WWF as on March 31, 2013 is Rs. 0.0118 million.

The accumulated provision for WWF till May 29, 2013 amounted to Rs 0.0136 million. The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2% of net accounting income under the WWF Ordinance, 1971. The accumulated provision for WWF amounted to Rs 1.17 million and Rs.0.145 million for AICF and AIRSF-MMSF respectively as at June 30, 2014. .

2. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.
  
3. Al Ameen Islamic Retirement Saving Fund- Money Market Sub Fund was added 31 March 2014.

**Fees**

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

**Fee Schedule**

<b>AICF</b>	<b>: 1.00%</b>
<b>AIRSF –MMSF</b>	<b>: 1.50%</b>

**Minimum Portfolio Size**

The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account

### **Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### **Ex-Post Standard Deviation**

The three-year annualized ex-post standard deviation of the composite and Benchmark is not presented because 36 monthly returns are not available.

### **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. 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.

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

The Composite does not contain investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management as of June 30, 2014, and only contain investment of UBL (UBL Fund Managers Limited parent company).

### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a

public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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.

The income of the newly added portfolio, being a pension fund, is exempt from Income Tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001.

#### **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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised capital gains and as reduced by such expenses as are chargeable to the Funds 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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. 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.



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**GIPS Compliant Presentation**  
**UBL Fund Managers Limited**  
**UBL Commodity Composite**  
**February 13, 2013 through June 30, 2014**

<b>Composite:</b>		<b>UBL Commodity Composite</b>		<b>Creation Date:</b>		<b>13-Feb-13</b>
				<b>Reporting Currency:</b>		<b>Pak Rupees</b>
	<b>Total Net Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>	
<b>FY14</b>	<b>12.88</b>	<b>&lt;5</b>	<b>138</b>	<b>0.3</b>	<b>41,848</b>	
<b>FY'13*</b>	<b>-17.1</b>	<b>&lt;5</b>	<b>140</b>	<b>0.4</b>	<b>34,638</b>	
*Returns are from February 13, 2013 to June 30, 2013						

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards

**Definition of the Firm**

UBL Fund Managers Limited is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

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### **Composite Description**

The investment objective of UBL Commodity Composite is to provide Unit-holders exposure to Gold as an asset class by investing significant portion of Fund's net assets in Gold based instruments, while investing the remaining portion in high-rated money market instruments. Currently the composite comprises of one Portfolio i.e. UBL Gold Fund (UGF).

### **Benchmark**

(a) 80% Daily Closing Pakistan Rupee Spot Gold Prices at the Pakistan Mercantile Exchange Limited (PMEX) and

(b) 20% Average of three (3) month deposit rates of five (5), AA and above rated scheduled commercial banks for the period of return;

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. In July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. During the current period, the Honorable Lahore High Court (LHC) in a similar constitutional petition relating to the amendments brought on the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further

support to the constitutional petition which is pending in the SHC. Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF. The amount of WWF as at June 30, 2014 , Rs. 0.32 Million.

2. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.

3.

### **Fees**

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

### **Fee Schedule**

Fund: 1.50%

### **Minimum Portfolio Size**

The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account.

### **Internal Dispersion**

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### **Ex-Post Standard Deviation**

The three-year annualized ex-post standard deviation of the composite and Benchmark is not presented because 36 monthly returns are not available.

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

Following are key assumption used in Portfolio valuation:

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### **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.

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

The Composite does not contain investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management as of June 30, 2014, and only contain investment of UBL (UBL Fund Managers Limited parent company).

### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

- (a) Dividend income is taxable at the rate of ten per cent (10%) 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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. 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.

**GIPS Compliant Presentation  
UBL Fund Managers Limited  
UBL Dynamic Allocation Composite  
December 20, 2012 through December 31, 2013**

<b>Composite:</b>	<b>UBL Dynamic Allocation Composite</b>			<b>Creation Date:</b>	<b>20-Dec-12</b>
				<b>Reporting Currency:</b>	<b>Pak Rupees</b>
	<b>Total Net Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>1H'FY14</b>	<b>14.7</b>	<b>&lt;5</b>	<b>38</b>	<b>0.1</b>	<b>34,057</b>
<b>FY'13*</b>	<b>33.3</b>	<b>&lt;5</b>	<b>66</b>	<b>0.2</b>	<b>34,638</b>
*Returns are from December 20, 2012 to June 30, 2013					

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards.

Verification does not ensure the accuracy of any specific composite presentation.

**Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

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### Composite Description

The objective of the UBL Funds Dynamic Allocation Composite is income and growth by investing in Domestic listed equities & Domestic fixed income instruments. Secondary objective is to grow the value of assets over the long-term. UBL Funds Dynamic Composite currently comprise "NIL" Portfolio as at June 30, 2014.

### Benchmark

Currently no Benchmark has been assigned to UBL Funds Dynamic Composite.

### List of Composites

A list of all composite descriptions is available upon request.

### Fees

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

### Fees Schedule

Fees are charged as per different agreements as agreed with the clients

### Minimum Portfolio Size

The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account

### Internal Dispersion

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### Ex-Post Standard Deviation

The three-year annualized ex-post standard deviation of the composite and Benchmark is not presented because 36 monthly

returns are not available

### **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.

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

The Composite neither contain investment of UBL Fund Managers Limited nor UBL (Parent Company of UBL Fund Managers Limited).

#### **Treatment of Separately Managed Discretionary Account (SMA):**

The SMA shall be liable for payment withholding tax and other taxes on the investment amount and on returns or growth of investment unless any SMA is recognized as tax-exempted by the Commissioner of Income Tax. The Investment Adviser shall be responsible for complying with the requirements of law with regard to any deductions at source.

**GIPS Compliant Presentation**  
**UBL Fund Managers Limited**  
**UBL Islamic Principal Preservation Composite**  
**April 26, 2013 through June 30, 2014**

<b>Composite:</b>	<b>UBL Islamic Principal Preservation Composite</b>			<b>Creation Date:</b>	<b>26-Apr-13</b>
				<b>Reporting Currency:</b>	<b>Pak Rupees</b>
	<b>Total Net Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY14</b>	<b>22.9</b>	<b>&lt;5</b>	<b>2,150</b>	<b>5.1</b>	<b>41,848</b>
<b>FY'13*</b>	<b>7.45</b>	<b>&lt;5</b>	<b>770</b>	<b>2.2</b>	<b>34,638</b>
*Returns are from April 26, 2013 to June 30, 2013					

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards.

Verification does not ensure the accuracy of any specific composite presentation.

**Definition of the Firm**

**UBL Fund Managers Limited** is a wholly owned subsidiary of United Bank Limited licensed by SECP to undertake asset management and investment advisory services. The definition of Firm at UBL Fund Managers Limited 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**

UBL Fund Managers Limited policies for valuing Portfolios, calculating performance, and preparing compliant presentations are available upon request.

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### Composite Description

The investment objective of the composite is to earn potentially high returns through dynamic asset allocation between Equity mutual funds and Money Market/ fixed income based funds while providing capital protection of the Initial Investment Value, at completion of the duration of the fund.

The Management envisages the provision of 100% Principal Protection through the use of the Constant Proportion Portfolio Insurance (CPPI) Methodology. The CPPI Methodology is an internationally recognized, tried and tested methodology with a highly versatile and flexible framework, which allocates the Portfolio between equity and fixed income in a manner that increases exposure to equity as Portfolio value increases and reduces exposure to equity as Portfolio value decreases. Currently the composite consists of portfolio; Al Ameen Islamic Principal Preservation Fund– I (AIPPF-I) (Formerly UBL Islamic Principal Preservation Fund– I (UIPPF-I), Al Ameen Islamic Principal Preservation Fund– II (AIPPF-II) (Formerly UBL Islamic Principal Preservation Fund– II (UIPPF-II) and two Separately Managed Account.

### Benchmark

No benchmark has been assigned to this composite.

### List of Composites

A list of all composite descriptions is available upon request.

### 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

- The fee on the portfolio is based on the asset allocation between equity and money market/ fixed income funds which changes on daily basis.

### Minimum Portfolio Size

The Minimum Portfolio size for inclusion in the composite is as follows:

<b>For Portfolio/Fund</b>	Rs.100 Million per Fund (which is also the minimum regulatory requirement)
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	to start a fund)
<b>For SMA</b>	Rs. 25 Million per Managed Account.

### Internal Dispersion

Since number of Portfolios in the composite is less than five therefore calculation of internal dispersion is not required.

### Ex-Post Standard Deviation

The three-year annualized ex-post standard deviation of the composite and Benchmark is not presented because 36 monthly returns are not available.

### Significant Event:

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab -initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. During the current period, the Honorable Lahore High Court (LHC) in a similar constitutional petition relating to the amendments brought on the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC.

The BoD further resolved that with effect from May 30, 2013, the Fund will make provision on account of WWF at the rate of 2%

of net accounting income under the WWF Ordinance, 1971. Accordingly, the fund has recorded a provision for WWF of Rs.3.63 million & Rs.2.775 million for AIPPF-I & AIPPF-II respectively as at June 30, 2014. .

2. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.

### **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.

#### **Propriety Assets in the Composite**

The Composite does not contain investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management as of June 30, 2014, and only contain investment of UBL (UBL Fund Managers Limited parent company).

#### **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, certificate holders or shareholders as the case may be. The tax rate applicable to a public company, which is presently as under:

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- (a) Dividend income is taxable at the rate of ten per cent (10%) 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.

(c)

**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 stated, 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 (cash, stock or both). The ninety per cent (90%) of the income shall be calculated after excluding unrealised 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 will be subject to withholding Capital Gains Tax based on the holding period as provided in Income Tax Ordinance, 2001 (ITO) at the applicable rates given in the ITO, 2001. 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.



**Treatment for Separately Managed Discretionary Account (SMA):**

The SMA shall be liable for payment withholding tax and other taxes on the investment amount and on returns or growth of investment. The Investment Adviser shall be responsible for complying with the requirements of law with regard to any deductions at source.



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