



GIPS® Compliant Performance Report  
Up to December 31, 2011



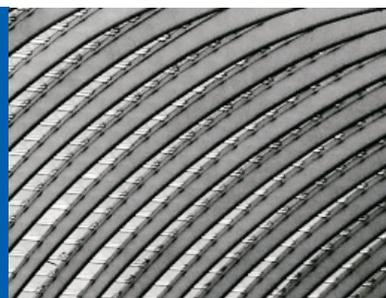
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# UBL Funds Liquid Composite

For the period of July 01, 2009 to December 31, 2011



|                    |   |
|--------------------|---|
| Composite          | UBL Funds Money Market Composite                  |
| Benchmark          | 50% 3M PKRV + 50% 3M TDR (with AA or better bank) |
| Creation Date      | April 15, 2010                                    |
| Reporting Currency | Pak Rupees  |

|         | Total Net Return (%) | Benchmark Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|---------|----------------------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1H'FY12 | 5.9                  | 4.9                  | <5                   | 19,506                             | 50.2                            | 38,828   |
| FY11    | 11.7                 | 11.3                 | <5                   | 15,120                             | 57.8                            | 26,165   |
| FY10    | 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 periods July 2010 to June 2011. 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

The investment objective of UBL Funds Money Market 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

# UBL Funds Liquid Composite

composite comprises of one Portfolio i.e. UBL Liquidity Plus Fund (ULPF) and one Separately Managed Discretionary Account (SMA).

## Benchmark

Benchmark is a combination of 50% PKRV average Yields for 3 months & 3 months deposit rate of AA and above rated banks.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it maybe 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 and, hence, provision in respect of WWF has not been made by the management. The unrecognised amount of WWF as at December 31, 2011 amounts to Rs. 65.48 million (June 30, 2011: Rs. 41.915 million).

## 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 Money Market Composite is:

|                            |       |
|----------------------------|-------|
| Fund                       | 1.25% |
| Separately Managed Account | 0.5%  |

## Minimum Portfolio Size

The Minimum Portfolio size for inclusion in the composite is

# UBL Funds Liquid Composite

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 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 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 the conditions stated in 9.1.2 are not met, at 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 of thirty five per cent (35%), 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 under sub-Clause 9.1.1, 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 at ten per cent (10%) according to the present rates, which may change in future.

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 before the period of one year will be subject to withholding Capital Gains Tax at the applicable rates given in the Income Tax Ordinance, 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.

# UBL Funds

## Fixed Income Composite

For the period of March 02, 2006 to December 31, 2011

|                    |                                  |
|--------------------|----------------------------------|
| Composite          | UBL Funds Fixed Income Composite |
| Benchmark          | 6M Rolling Average of 6M Kibor   |
| Creation Date      | April 15, 2010                   |
| Reporting Currency | Pak Rupees                       |

|        | Total Net Return (%) | Benchmark Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|--------|----------------------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1HFY12 | -16.6                | 6.52                 | <5                   | 2,723                              | 7.0                             | 38,828   |
| FY11   | -10.4                | 12.9                 | <5                   | 3,431                              | 13.1                            | 26,165   |
| FY10   | 9.3                  | 12.5                 | <5                   | 7,343                              | 36.9                            | 19,874   |
| FY09   | 6.4                  | 13.5                 | <5                   | 15,859                             | 66.7                            | 23,777   |
| FY08   | 9.5                  | 10.0                 | <5                   | 14,626                             | 51.5                            | 28,400   |
| FY07   | 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 2010 to June 2011. 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.

# UBL Funds Fixed Income Composite

## 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 to medium risk assets while maintaining comparatively high liquidity. In line with the investment objective UBL Funds Fixed Income Composite will invest in Government Securities, 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 only of UGIF.

## Benchmark

The Benchmark of UBL Funds Fixed Income Composite is 6 Month rolling average of 6 Month KIBOR and returns of Benchmark are not net of withholding taxes. 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.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Events

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.

3. As of December 31, 2011, Rs. 1,528.369 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.

4. Further sale of units in United Growth & Income Fund was temporarily suspended on 12th October 2011.

5. 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

# UBL Funds Fixed Income Composite

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 December 31, 2011 amounts to Rs. 42.207 million (June 30, 2011: Rs. 42.207 million).

## 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%.

## 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 only one at the present (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 StDev (%) | Benchmark 3-Yr St Dev (%) |
|---------|--------------------------|---------------------------|
| 1H'FY12 | 9.03                     | 0.03                      |
| FY11    | 5.19                     | 0.04                      |
| FY10    | 4.42                     | 0.08                      |
| FY09    | 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, 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 the conditions stated in 9.1.2 are not met, at 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 of thirty five per cent (35%), 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

under sub-Clause 9.1.1, 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 at ten per cent (10%) according to the present rates, which may change in future.

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.

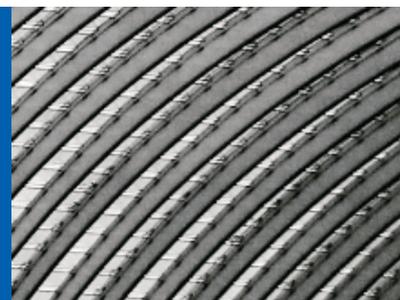
### (b) Capital Gains

Capital Gains arising on disposition of Units of the Fund before the period of one year will be subject to withholding Capital Gains Tax at the applicable rates given in the Income Tax Ordinance, 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 Funds

## Islamic Income Composite

For the period of October 20, 2007 to December 31, 2011



|                    |  |
|--------------------|--|
| Composite          | UBL Funds Islamic Income Composite           |
| Benchmark          | Average 6M Placement rate of 3 Islamic Banks |
| Creation Date      | April 15, 2010                               |
| Reporting Currency | Pak Rupees                                   |

|         | Total Net Return (%) | Benchmark Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|---------|----------------------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1H'FY12 | -7.6                 | 4.5                  | <5                   | 287                                | 0.7                             | 38,828   |
| FY11    | -4.0                 | 7.8                  | <5                   | 341                                | 1.3                             | 26,165   |
| FY10    | 5.4                  | 7.7                  | <5                   | 890                                | 4.5                             | 19,874   |
| FY09    | 3.3                  | 8.7                  | <5                   | 1,445                              | 6.1                             | 23,777   |
| FY08*   | 6.4                  | 7.3                  | <5                   | 1,814                              | 6.4                             | 28,400   |

\*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 2010 to June 2011. 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

# UBL Funds Islamic Income Composite

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 one Portfolio . i.e. United Islamic Income Fund (UIIF).

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 UBL Funds Islamic Income Composite is the Average of 6 Months Placement Rates of 3 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 Events

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.

2. Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. In this regard, a constitutional petition

has been filed by certain CISs through their trustees before the Honourable High Court of Sindh on the ground that the CIS (mutual funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated 8 July 2010 issued advice and clarifications which stated that WWF Ordinance 1971 does not have any provisions for the applicability of WWF on those entities whose incomes are exempt from income tax under any provisions of any law, and West Pakistan Shops and Establishment Ordinance, 1969 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated 15 July 2010 the Ministry clarified that " Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income on Mutual Fund(s), the product being sold, is exempted under the law *ibid*. " Further, the Secretary (Income Tax Policy) Federal Board of Revenue issued a letter dated 6 October 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that mutual funds are a product and their income are exempted under the law *ibid*. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formation for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two mutual funds for payment of levy under WWF has been withdrawn. However, there have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds and MUFAP has requested Member Policy Direct Taxes for withdrawal of such show cause notices issued to such mutual funds. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter 4 January 2011 has cancelled ab-initio clarificatory letter dated 6 October 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the

# UBL Funds Islamic Income Composite

Ministry in the Court.

During the current period 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. While, the Constitutional Petition filed in the Sind High Court is still pending. In view of the above stated matters, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds and there have been favourable developments supporting Mutual Fund's point of view hence no provision in respect of WWF amounting to Rs. 3.287 million (from the date of application of WWF ordinance to 31 December 2011) needs to be recognised.

## 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 1.25%

## Minimum Account Size

The Minimum Portfolio size for inclusion in the composite is

|                    |   |
|--------------------|---|
| 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:

| Year    | Composite 3-Yr St Dev (%) | Benchmark 3-Yr St Dev (%) |
|---------|---------------------------|---------------------------|
| 1H'FY12 | 9.76                      | 0.03                      |

FY11

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 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 the conditions stated in 9.1.2 are not met, at 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 of thirty five per cent (35%), 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 under sub-Clause 9.1.1, 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 at ten per cent (10%) according to the present rates, which may change in future.

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 before the period of one year will be subject to withholding Capital Gains Tax at the applicable rates given in the Income Tax Ordinance, 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 Funds Equity Composite

For the period of August 04, 2006 to December 31, 2011

|                    |                            |
|--------------------|----------------------------|
| Composite          | UBL Funds Equity Composite |
| Benchmark          | KSE100 Index               |
| Creation Date      | April 15, 2010             |
| Reporting Currency | Pak Rupees                 |

|         | Total Net Return (%) | Benchmark Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|---------|----------------------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1H'FY12 | -6.75                | -9.19                | <5                   | 1,062                              | 2.7                             | 38,828   |
| FY11    | 35.5                 | 28.5                 | <5                   | 1,232                              | 4.7                             | 26,165   |
| FY10    | 24.1                 | 35.7                 | <5                   | 1,042                              | 5.3                             | 19,874   |
| FY09    | -35.3                | -41.7                | <5                   | 1,649                              | 6.9                             | 23,777   |
| FY08    | -4.1                 | -10.8                | <5                   | 2,521                              | 8.9                             | 28,400   |
| FY07*   | 29.7                 | 29.1                 | <5                   | 1,254                              | 5.3                             | 23,515   |

\*Returns are from August 04, 2006 to June 30, 2007

## 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 2010 to June 2011. 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

# UBL Funds Equity Composite

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 only one Portfolio i.e., United Stock Advantage Fund (USF).

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 Portfolio in this composite also has International Exposure, where as Benchmark does not represent the same.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

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

# UBL Funds Equity Composite

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 aggregate amount of unrecognised WWF liability amounts to Rs 18.429 million.

## 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%

## Minimum Account 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:

| Year     | Composite 3-Yr St Dev (%) | Benchmark 3-Yr St Dev (%) |
|----------|---------------------------|---------------------------|
| 1HFY' 12 | 20.77%                    | 20.54%                    |
| 2011     | 22.39%                    | 22.75%                    |
| 2010     | 24.01%                    | 25.22%                    |

## 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 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 the conditions stated in 9.1.2 are not met, at 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 of thirty five per cent (35%), 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 under sub-Clause 9.1.1, 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 at ten per cent (10%) according to the present rates, which may change in future.

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 before the period of one year will be subject to withholding

Capital Gains Tax at the applicable rates given in the Income Tax Ordinance, 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 Funds

## Conventional Balanced Composite

For the period of December 01, 2008 to December 31, 2011

|                    |   |
|--------------------|---|
| Composite          | UBL Funds Conventional Balanced Composite |
| Benchmark          | Refer to Benchmark Disclosure             |
| Creation Date      | April 15, 2010                            |
| Reporting Currency | Pak Rupees                                |

|         | Total Net Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|---------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1HFY'12 | 0.3                  | <5                   | 43                                 | 0.1                             | 38,828   |
| FY11    | 20.1                 | <5                   | 41                                 | 0.2                             | 26,165   |
| FY10    | 18.6                 | <5                   | 31                                 | 0.2                             | 19,874   |
| FY09*   | 20.3                 | <5                   | 20                                 | 0.1                             | 23,777   |

\*Returns are from December 1, 2008 to June 30, 2009

### 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 2010 to June 2011. 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

# UBL Funds Conventional Balanced Composite

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 one Separately Managed Discretionary Account.

## Benchmark

Currently no Benchmark has been assigned to UBL Funds Conventional Balanced Composite as the underlying Separately Managed Discretionary Account (SMA) has a return target of 15%.

## 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

Management Fee is Re. 1

## 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:

| Year     | Composite 3-Yr St Dev (%) |
|----------|---------------------------|
| 1HFY' 12 | 11.93%                    |

## 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 investments of UBL Fund Managers Limited, UBL Fund Managers Limited Management, and UBL (UBL Fund Managers Limited parent company).

### Treatment of Withholding Taxes

Since the composite currently comprises of a Separately

## UBL Funds Conventional Balanced Composite

Managed Discretionary Account (SMA). Therefore, taxation treatment of underlying SMA shall be applicable.

The underlying Managed Account was established in accordance with the Provident Fund Regulations - Income Tax Ordinance 2001 and is recognized as tax-exempted by the Commissioner of Income Tax.

# UBL Funds

## Islamic Balanced Composite

For the period of December 24, 2006 to December 31, 2011



|                    |  |
|--------------------|--|
| Composite          | UBL Funds Islamic Balanced Composite                                     |
| Benchmark          | 50% KMI Index + 20% Avg Placement rate of 3 Islamic banks + 30% 6M Kibor |
| Creation Date      | April 15, 2010   |
| Reporting Currency | Pak Rupees   |

|         | Total Net Return (%) | Benchmark Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|---------|----------------------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1HFY'12 | 0.1                  | 1.0                  | <5                   | 459                                | 1.2                             | 38,828   |
| FY11    | 26.4                 | 26.5                 | <5                   | 478                                | 1.8                             | 26,165   |
| FY10    | 16.4                 | 27.6                 | <5                   | 524                                | 2.6                             | 19,874   |
| FY09    | -18.4                | -13.7                | <5                   | 823                                | 3.5                             | 23,777   |
| FY08    | 0.8                  | 5.9                  | <5                   | 1,218                              | 4.3                             | 28,400   |
| FY07*   | 14.8                 | 13.3                 | <5                   | 965                                | 4.1                             | 23,515   |

\*Returns are from December 24, 2006 to June 30, 2007

### 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 2010 to June 2011. 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

# UBL Funds Islamic Balanced Composite

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 only one Portfolio .i.e. United Composite Islamic Fund (UCIF).

## 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 1st 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.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Events

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.

2. Management Fee of United Composite Islamic Fund included in UBL Islamic Balance Composite has been reduced to 2% from 24th December 2011.

3. Board of Director has in principal approved that UCIF should be restructured as an Islamic Equity Fund.

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

# UBL Funds Islamic Balanced Composite

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 aggregate amount of unrecognised WWF liability amounts to Rs. 5.335 million as at December 31, 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.

## Fee Schedule

Management Fee is 2.00%

## Minimum Account Size

The Minimum Portfolio size for inclusion in the composite is

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:

| Year     | Composite 3-Yr St Dev (%) | Benchmark 3-Yr St Dev (%) |
|----------|---------------------------|---------------------------|
| 1HFY' 12 | 13.09%                    | 10.80%                    |
| 2011     | 13.85%                    | 11.97%                    |

## 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 the conditions stated in 9.1.2 are not met, at 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 of thirty five per cent (35%), 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

under sub-Clause 9.1.1, 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 at ten per cent (10%) according to the present rates, which may change in future. 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 before the period of one year will be subject to withholding Capital Gains Tax at the applicable rates given in the Income Tax Ordinance, 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 Funds Capital Protected Composite

For the period of April 15, 2008 to December 31, 2011



|                    |                                       |
|--------------------|---------------------------------------|
| Composite          | UBL Funds Capital Protected Composite |
| Benchmark          | 85% TDR + 15% KSE 30 Index            |
| Creation Date      | April 15, 2010                        |
| Reporting Currency | Pak Rupees                            |

|         | Total Net Return (%) | Benchmark Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|---------|----------------------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1HFY'12 | 2.4                  | 2.6                  | <5                   | 197                                | 0.5                             | 38,828   |
| FY11    | 8.0                  | 11.8                 | <5                   | 205                                | 0.8                             | 26,165   |
| FY10    | 9.5                  | 12.2                 | <5                   | 787                                | 3.9                             | 19,874   |
| FY09    | 4.2                  | -0.9                 | <5                   | 730                                | 3.1                             | 23,777   |
| FY08*   | -1.4                 | -2.3                 | <5                   | 689                                | 2.4                             | 28,400   |

\*Returns are from April 15, 2008 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 2010 to June 2011. 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.

# UBL Funds Capital Protected Composite

## 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 UBL Funds Capital Protected Composite is to protect the principal investment of the investors and aggressively participate in equity markets to provide investors a high level of total return. The Composite has the objective to pay investors, with certain conditions, whole of their initial investment back over the term of its life in form of dividend or return of capital on its termination. Currently the composite comprises of one Portfolio . i.e. UBL Capital Protected Fund II (UCPF-II).

## Benchmark

The Benchmark for UBL Funds Capital Protected Composite 85% TDR + 15% KSE 30 Index. Returns of Benchmark are not net of withholding taxes.

## 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 1.25%.

## 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 is not presented because 36 monthly returns are not available.

| Year    | Composite 3-Yr St Dev (%) | Benchmark 3-Yr St Dev (%) |
|---------|---------------------------|---------------------------|
| 1HFY'12 | 3.7%                      | 3.6%                      |

## 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 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 the conditions stated in 9.1.2 are not met, at the tax rate applicable to a public company, which is presently as under:

(a) Dividend income is taxable at the rate of ten percent (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 of thirty five per cent (35%), 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 under sub-Clause 9.1.1, 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 at ten per cent (10%) according to the present rates, which may change in future.

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 before the period of one year will be subject to withholding Capital Gains Tax at the applicable rates given in the Income Tax Ordinance, 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 Funds Principal Protected Composite

For the period of July 01, 2009 to December 31, 2011



|                    |   |
|--------------------|---|
| Composite          | UBL Funds Principal Protected Composite |
| Benchmark          | Refer to Benchmark disclosure           |
| Creation Date      | April 15, 2010                          |
| Reporting Currency | Pak Rupees                              |

|         | Total Net Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|---------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1HFY'12 | -1.5                 | <5                   | 108                                | 0.3                             | 38,828   |
| FY11    | 8.8                  | <5                   | 608                                | 2.3                             | 26,165   |
| FY10    | 19.5                 | <5                   | 887                                | 4.4                             | 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 periods July 2010 to June 2011. 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

The investment objective of the composite is to earn potentially high returns through dynamic asset allocation between equity instruments (through United Stock Advantage Fund Managed by UBL Fund Managers Limited) and fixed income instruments with a view oriented towards protection of Principal amount invested at the end of the period of the

# UBL Funds Principal Protected Composite

Fund (through United Growth and Income Fund Managed by UBL Fund Managers Limited). 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. The composite initially comprised of UPPP I and UPPP II. Since UPPP II completed its maturity period on November 16, 2010, this composite now only consists of UPPP I.

## Benchmark

This Composite comprises of Plans and Sub-Portfolios. As per the industry practice no Benchmark is allocated for Plans.

## 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

Returns are presented net of all expenses and the Management fee for Portfolios included in UBL Funds Principal Protected Composite the Fee is deducted in underlying Funds i.e., United Stock Advantage Fund and United Growth and Income Fund.

## 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 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.

## Propriety 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 the conditions stated in 9.1.2 are not met, at 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 of thirty five per cent (35%), 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 under sub-Clause 9.1.1, 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 at ten per cent (10%) according to the present rates, which may change in future.

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 before the period of one year will be subject to withholding

Capital Gains Tax at the applicable rates given in the Income Tax Ordinance, 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 Funds Savings Composite

For the period of October 14, 2010 to December 31, 2011

|                    |                       |
|--------------------|-----------------------|
| Composite          | UBL Savings Composite |
| Benchmark          | Average of 6M KIBOR   |
| Creation Date      | October 14, 2010      |
| Reporting Currency | Pak Rupees            |

|         | Total Net Return (%) | Benchmark Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|---------|----------------------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1HFY'12 | 6.5                  | 6.2                  | <5                   | 4,898                              | 12.6                            | 38,828   |
| FY11*   | 8.4                  | 9.3                  | <5                   | 2,151                              | 8.2                             | 26,165   |

\*Returns since October 14, 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 2010 to June 2011. 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

The investment objective of UBL Funds Money Market 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. UBL Saving Income

# UBL Funds Savings Composite

Fund (USIF).

## Benchmark

Benchmark is Average of 6M KIBOR.

## List of Composites

A list of all composite descriptions is available upon request.

## Significant Event

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 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 unrecognised amount of WWF as at December 31, 2011 amounts to Rs. 9.43 million (June 30, 2011: Rs. 3.542 million).

## 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 Savings Composite is:

|      |       |
|------|-------|
| Fund | 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 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.

### Propriety 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 the conditions stated in 9.1.2 are not met, at 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 of thirty five per cent (35%), 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 under sub-Clause 9.1.1, 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 at ten per cent (10%) according to the present rates, which may change in future.

In terms of the provisions of the Income Tax Ordinance, 2001,

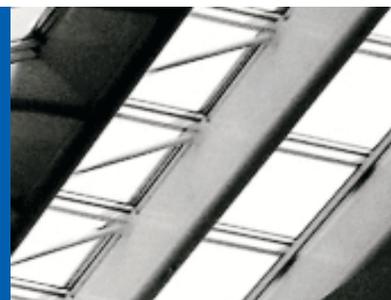
the withholding tax shall be deemed to be full and final liability in respect of such distribution.

### (b) Capital Gains

Capital Gains arising on disposition of Units of the Fund before the period of one year will be subject to withholding Capital Gains Tax at the applicable rates given in the Income Tax Ordinance, 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 Funds Islamic Savings Composite

For the period of November 07, 2010 to December 31, 2011



|                    |  |
|--------------------|--|
| Composite          | UBL Islamic Savings Composite                    |
| Benchmark          | Average of 6M Placement rates of 3 Islamic Banks |
| Creation Date      | November 07, 2010                                |
| Reporting Currency | Pak Rupees                                       |

|         | Total Net Return (%) | Benchmark Return (%) | Number of Portfolios | Total Assets at end of Period (mn) | Percentage of Firm's assets (%) | Total assets of the Firm at the end of Period (mn) |
|---------|----------------------|----------------------|----------------------|------------------------------------|---------------------------------|--|
| 1HFY'12 | 5.9                  | 3.9                  | <5                   | 3,719                              | 9.6                             | 38,828   |
| FY11*   | 7.6                  | 4.8                  | <5                   | 2,185                              | 8.4                             | 26,165   |

\*Returns since November 07, 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 2010 to June 2011. 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

The investment objective of UBL Funds Money Market 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. UBL Islamic Saving

# UBL Funds Islamic Savings Composite

Fund (UISF).

## 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

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 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 December 31, 2011 amounts to Rs. 7.42 million (June 30, 2011: Rs. 3.23 million).

## 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 Savings Composite is:

|      |       |
|------|-------|
| Fund | 1.00% |
|------|-------|

## 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 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.

### Propriety 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 the conditions stated in 9.1.2 are not met, at 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 of thirty five per cent (35%), 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 under sub-Clause 9.1.1, 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 at ten per cent (10%) according to the present rates, which may change in future.

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 before the period of one year will be subject to withholding Capital Gains Tax at the applicable rates given in the Income Tax Ordinance, 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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