

**UBL Fund Managers Limited**  
**GIPS Compliant Presentation**  
**UBL Fixed Income Composite**  
**March 02, 2006 through June 30, 2012**

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

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 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.

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

### **Definition of the Firm**

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

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

### **Policies**

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

### **Composite Description**

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

### **Benchmark**

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

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

1. On June 29, 2009, UMF was merged into United Growth & Income Fund (UGIF). The Unit Holdings of all UMF investors (as of June 29, 2009) were converted to UGIF Income Units.

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2. Securities and Exchange Commission of Pakistan issued Circular number 1 Dated January 6, 2009 regarding Valuation of Debt Securities Provisioning Criteria of Non Performing Debt Securities. The Provisioning Policy of UBL Fund Managers Limited is in accordance of the same. The Debt securities held by Collective Investment Schemes managed by UBL Fund Managers Limited were marked down during the year 2008-9.

As of June 30, 2012, Rs. 1,542.068 Million provisioning and mark to market adjustment were made in UGIF against NPA's and other corporate debt instruments, in conformity with the SECP circular 1 of 2009.

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

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

During the current period, the Honorable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF. The unrecognized amount of WWF as at June 30, 2012 amounts to Rs. 42.207 million.

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

### **Fees**

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

### **Fee Schedule**

Before Merger

United Money Market Fund

**1.5%**

United Growth and Income Fund

**1.5%**

After Merger (applicable currently)

Management Fee is

**1.5%.**

### **Minimum Portfolio Size**

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

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

### **Internal Dispersion**

Since number of Portfolios in the composite is only one at the present (less than five) therefore calculation of internal dispersion is not required.

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### 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 (%)
2012	9.02%	0.03%
2011	5.19%	0.04%
2010	4.42%	0.08%
2009	4.34%	0.09%

### Key Assumption for Portfolio valuation

Following are key assumption used in Portfolio valuation:

#### Financial instruments

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

#### Revenue recognition

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

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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,

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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 Fund Managers Limited  
GIPS Compliant Presentation  
UBL Islamic Savings Composite  
November 07, 2010 through June 30, 2012**

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

**Compliance Statement**

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

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

**Definition of the Firm**

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- (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 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.

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### **Significant Event**

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. In July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. During the current period, the Honorable Lahore High Court (LHC) in a similar constitutional petition relating to the amendments brought on the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC. Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF. The unrecognized amount of WWF as at June 30, 2012: Rs. 11.333 million.
2. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.

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3. The portfolio has been in the process of reconstitution from Islamic Income Fund to Islamic Government Securities Fund

### **Fees**

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

### **Fee Schedule**

Management Fee of UBL Islamic Savings Composite is:

**Fund: 1.00%**

### **Minimum Portfolio Size**

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

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

### **Internal Dispersion**

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

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

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

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

Following are key assumption used in Portfolio valuation:

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### **Financial instruments**

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

### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise.

Dividend income is recognized when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

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

The Composite 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;

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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

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the subsequent tax years.



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**UBL Fund Managers Limited  
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UBL Bond Savings Composite  
May 10, 2010 through June 30, 2012**

<b>Composite:</b>	UBL Bond Savings Composite		<b>Creation Date:</b>	30-Jun-12	
<b>Benchmark:</b>	Refer to Benchmark Disclosure		<b>Reporting Currency:</b>	Pak Rupees	
	<b>Total Net Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY12*</b>	<b>5.8</b>	<b>&lt;5</b>	<b>535</b>	<b>1.1</b>	<b>47,792</b>
* Returns since 4 <sup>th</sup> November, 2011					

**Compliance Statement**

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

**Definition of the Firm**

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- (i) All Funds under Management (including investment plans)

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(ii) All Non-Fee Paying and Fee Paying and Discretionary and Non-Discretionary Portfolios.

**Policies**

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**Composite Description**

The investment objective of UBL Bond Savings Composite is to provide investors with competitive returns by investing in debt market securities. The composite primarily invests in debt securities. Currently the composite comprises one Separately Managed Account.

**Benchmark**

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

**List of Composites**

A list of all composite descriptions is available upon request.

**Fees**

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

**Fee Schedule**

Fee is charged as per agreement with the client.

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### **Minimum Portfolio Size**

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

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

### **Internal Dispersion**

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

### **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.

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**Revenue recognition**

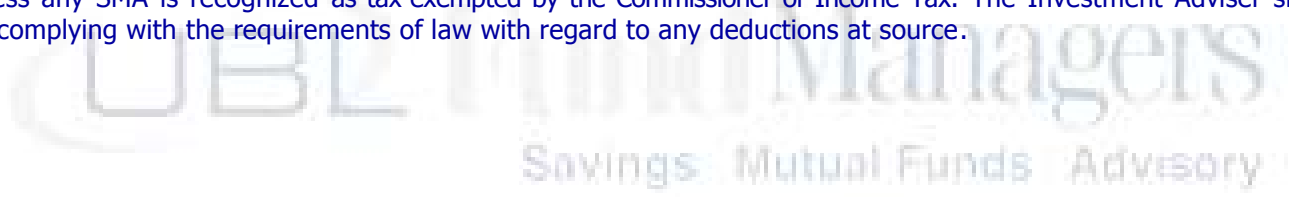
Gains / (losses) arising on sale of investments are accounted for in the period in which they arise.  
Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.  
Profit on bank deposits is recorded on accrual basis.

**Proprietary Assets in the Composite**

The Composite does not contain any investment of UBL Fund Managers Limited.

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

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



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**GIPS Compliant Presentation  
UBL Fund Managers Limited  
UBL Equity Composite  
August 4, 2006 through June 30, 2012**

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

**COMPLAINT 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

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

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

### **Definition of the Firm**

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

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

### **Policies**

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

### **Composite Description**

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 Portfolios in this composite also may have International Exposure, where as Benchmark does not represent the same.

### **List of Composites**

A list of all composite descriptions is available upon request

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## Significant Event

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

On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. As the management is confident that the matter will be eventually settled in its favour and the WWF will not be levied on the Fund, no provision has been made in respect of any WWF liability. The aggregate amount of unrecognized WWF liability amounts to Rs 21.791 million.

2. During the period, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.
3. Management Fee of the United Stock Advantage Fund included in this portfolio has been reduced to 2% from August 2011.

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**Fees**

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

**Fees Schedule**

Management Fee is **2%**

**Minimum Account Size**

The Minimum Portfolio size for inclusion in the composite is

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

**Internal Dispersion**

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

**Ex-Post Standard Deviation**

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

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>	<b>Benchmark 3-Yr St Dev (%)</b>
<b>2012</b>	16.81%	16.50%
<b>2011</b>	22.39%	22.75%

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<b>2010</b>	24.01%	25.22%
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### **Key Assumption for Portfolio valuation**

Following are key assumption used in Portfolio valuation:

### **Financial instruments**

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

### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

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

The Composite also contains 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;

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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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**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Islamic Balance Composite  
December 24, 2006 through June 30, 2012**

<b>Composite:</b>	<b>UBL Islamic Balance Composite</b>			<b>Creation Date:</b>	<b>15-Apr-10</b>	
<b>Benchmark:</b>	<b>50% KMI Index + 20% Avg Placement rate of 3 Islamic banks + 30% 6M Kibor</b>			<b>Reporting Currency:</b>	<b>Pak Rupees</b>	
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY12</b>	<b>17.7</b>	<b>12.7</b>	<b>&lt;5</b>	<b>531</b>	<b>1.1</b>	<b>47,792</b>
<b>FY11</b>	<b>26.4</b>	<b>26.5</b>	<b>&lt;5</b>	<b>478</b>	<b>1.8</b>	<b>26,165</b>
<b>FY10</b>	<b>16.4</b>	<b>27.6</b>	<b>&lt;5</b>	<b>524</b>	<b>2.6</b>	<b>19,874</b>
<b>FY09</b>	<b>-18.4</b>	<b>-13.7</b>	<b>&lt;5</b>	<b>823</b>	<b>3.5</b>	<b>23,777</b>
<b>FY08</b>	<b>0.8</b>	<b>5.9</b>	<b>&lt;5</b>	<b>1,218</b>	<b>4.3</b>	<b>28,400</b>
<b>FY07*</b>	<b>14.8</b>	<b>13.3</b>	<b>&lt;5</b>	<b>965</b>	<b>4.1</b>	<b>23,515</b>
*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.

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Verification assesses whether

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

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

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

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

#### **Policies**

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

#### **Composite Description**

The investment objective of UBL Funds 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 1<sup>st</sup> March 2010 from 50% DJIMPK Index + 20% 1Yr Placement rate of 3 Islamic banks + 30% 6M Kibor to 50% KMI Index + 20% Avg Placement rate of 3 Islamic banks + 30% 6M Kibor Since DJIMPK index cease to exist.

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### **List of Composites**

A list of all composite descriptions is available upon request.

### **Significant Event**

1. Securities and Exchange Commission of Pakistan issued Circular number 1 Dated January 6, 2009 regarding Valuation of Debt Securities Provisioning Criteria of Non Performing Debt Securities. The Provisioning Policy of UBL Fund Managers Limited is in accordance of the same. The Debt securities held by Collective Investment Schemes managed by UBL Fund Managers Limited were marked down during the year 2008-9. As of June 30, 2012, Rs. 15.87 Million provisioning and mark to market adjustment were made against NPA's and other corporate debt instruments, in conformity with the SECP circular 1 of 2009.
2. Management Fee of United Composite Islamic Fund included in UBL Islamic Balance Composite has been reduced to 2% from 24<sup>th</sup> 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 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.

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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 Rs. 6.582 million as at June 30, 2012.

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

#### **Fees**

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

#### **Fee Schedule**

Management Fee is **2.00%**

#### **Minimum Account Size**

The Minimum Portfolio size for inclusion in the composite is:

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

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### 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 (%)
2012	11.26%	8.56%
2011	13.85%	11.97%
2010	14.75%	13.01%

### 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.

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### **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

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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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**UBL Fund Managers Limited**  
**GIPS Compliant Presentation**  
**UBL Islamic Income Composite**  
**October 20, 2007 through June 30, 2012**

<b>Composite:</b>	UBL Islamic Income Composite		<b>Creation Date:</b>	15-Apr-10		
<b>Benchmark:</b>	Average 12M Placement rate of 3 Islamic Banks		<b>Reporting Currency:</b>	Pak Rupees		
	<b>Total Net Return (%)</b>	<b>Benchmark Return (%)</b>	<b>Number of Portfolios</b>	<b>Total Assets at end of Period (mn)</b>	<b>Percentage of Firm's assets (%)</b>	<b>Total Assets of the Firm at end of Period (mn)</b>
<b>FY12</b>	<b>6.1</b>	<b>9.0</b>	<b>&lt;5</b>	<b>313</b>	<b>0.7</b>	<b>47,792</b>
<b>FY11</b>	<b>-4.0</b>	<b>7.8</b>	<b>&lt;5</b>	<b>341</b>	<b>1.3</b>	<b>26,165</b>
<b>FY10</b>	<b>5.4</b>	<b>7.7</b>	<b>&lt;5</b>	<b>890</b>	<b>4.5</b>	<b>19,874</b>
<b>FY09</b>	<b>3.3</b>	<b>8.7</b>	<b>&lt;5</b>	<b>1,445</b>	<b>6.1</b>	<b>23,777</b>
<b>FY08*</b>	<b>6.4</b>	<b>7.3</b>	<b>&lt;5</b>	<b>1,814</b>	<b>6.4</b>	<b>28,400</b>
*Returns are from October 20, 2007 to June 30, 2008						

### Compliance Statement

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 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

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

**Definition of the Firm**

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

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

**Policies**

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

**Composite Description**

The investment objective of UBL Funds Islamic Income Composite is to provide attractive returns to its investors by investing in Shariah Compliant Income instruments while taking into account capital security and liquidity considerations. The composite currently comprises of 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 the portfolio is Weighted average of 12 Month deposit rates of 3 different Islamic Banks and returns of Benchmark are not net of withholding taxes. Previously the benchmark of the portfolio was Weighted average of 6 Month deposit rates of 3 different Islamic Banks and returns of Benchmark were not net of withholding taxes

**List of Composites**

A list of all composite descriptions is available upon request.

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## Significant Event

1. Securities and Exchange Commission of Pakistan issued Circular number 1 Dated January 6, 2009 regarding Valuation of Debt Securities Provisioning Criteria of Non Performing Debt Securities. The Provisioning Policy of UBL Fund Managers Limited is in accordance of the same. The Debt securities held by Collective Investment Schemes managed by UBL Fund Managers Limited were marked down during the year 2008-9. As of June 30, 2012, Rs. 203.967 Million provisioning and mark to market adjustment were made in UIIF against NPA's and other corporate debt instruments, in conformity with the SECP circular 1 of 2009.
2. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010 . Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds.

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

During the current period, the Honorable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments

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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 June 30, 2012 is Rs. 3.287 million).

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

**Fees**

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

**Fee Schedule**

Management Fee is **1.25%**

**Minimum Account Size**

The Minimum Portfolio size for inclusion in the composite is:

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

**Internal Dispersion**

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

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### 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 (%)
2012	10.13%	0.03%
2011	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.

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### **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.

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

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

### 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

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

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

### **Definition of the Firm**

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

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

### **Policies**

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

### **Composite Description**

The investment objective of 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 I (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.

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### Significant Events

During the quarter the portfolio in the composite matured in May 2012.

### 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:

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

### Internal Dispersion

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

### Ex-Post Standard Deviation

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

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

### **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).

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### **Liability for Income Tax**

Under the income tax law in Pakistan, the Fund is regarded as a public company for tax purposes. The income of the Fund is taxable, if 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.

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**(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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**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Principal Protected Composite  
July 01, 2009 to June 30, 2012**

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

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 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.

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

### **Definition of the Firm**

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

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

### **Policies**

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

### **Composite Description**

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

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

### **Benchmark**

No benchmark has been assigned to this composite.

### **List of Composites**

A list of all composite descriptions is available upon request.

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### **Fees**

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

### **Fee schedule**

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

### **Minimum Portfolio Size**

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

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

### **Internal Dispersion**

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

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

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

### **Significant Event:**

1. During the period two portfolios UPPP-I and UPPP-II were terminated as on 13 July 2011 and 16 November 2010 respectively. Further, two SMAs were also terminated as on 01 May 2012 and 10 May 2012.
2. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds

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Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

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

Based on the above, the Management Company believes that the portfolio is not liable to contribute to WWF. The unrecognized amount of WWF as at June 30, 2012: Rs. 0.604 million.

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

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

Following are key assumption used in Portfolio valuation:

#### **Financial instruments**

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

#### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

#### **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

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

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

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**UBL Fund Managers Limited**  
**GIPS Compliant Presentation**  
**UBL Liquid Composite**  
**July 1, 2009 through June 30, 2012**

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

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the period 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

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

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

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

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

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

#### **Policies**

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

#### **Composite Description**

The investment objective of UBL Funds Liquid Composite is to provide investors competitive returns by investing in low risk short duration assets while maintaining high liquidity. The composite primarily invests in money market instruments and government holding. Currently the composite comprises of one Portfolio i.e. UBL Liquidity Plus Fund (ULPF).

#### **Benchmark**

Benchmark is a combination of 50% PKRV average Yields for 3 months & 50% 3M TDR with AA or above rated bank.

#### **List of Composites**

A list of all composite descriptions is available upon request.

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### Significant Event

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

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

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

Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF and, hence, provision in respect of WWF has not been made by the management. The unrecognized amount of WWF as on June 30, 2012 is Rs. 96.820 million for ULPF.

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

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to the Management Company.

3. During the quarter the SMA was terminated and hence as at 30<sup>th</sup> June 2012 is not included in the composition.

### **Fees**

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

### **Fee Schedule**

Management Fee of UBL Funds Liquidity Composite is:

**ULPF** : **1.25%**

### **Minimum Portfolio Size**

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

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

### **Internal Dispersion**

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

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

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

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<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>	<b>Benchmark 3-Yr St Dev (%)</b>
<b>2012</b>	0.26%	6.68%

### **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.

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### **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 Funds under the Regulations.

### **Withholding Tax**

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

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

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

Unless exempted from such taxation or at a reduced rate under any law or Avoidance of Double Taxation Agreement, cash dividend paid to Unit holders of the Fund will be subject to withholding tax 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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**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Conventional Balance Composite  
December 1, 2008 through June 30, 2012**

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

**Compliance Statement**

UBL Fund Managers Ltd claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. UBL Fund Managers Ltd has been independently verified by KPMG Taseer Hadi & Co. for the periods July 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.

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### **Definition of the Firm**

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

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

### **Policies**

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

### **Composite Description**

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

### **Benchmark**

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

### **List of Composites**

A list of all composite descriptions is available upon request.

### **Fees**

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

### **Fees Schedule**

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

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**Minimum Portfolio Size**

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

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

**Internal Dispersion**

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

**Significant Event:**

During the quarter a Separately Managed Accounts (SMAs) has been added in the composite since it met the Minimum fund size for SMA i.e. Rs. 25 million.

**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

<b>Year</b>	<b>Composite 3-Yr St Dev (%)</b>
<b>2012</b>	<b>5.1</b>

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

Following are key assumption used in Portfolio valuation:

#### **Financial instruments**

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

#### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

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

The Composite also contains investment of UBL Fund Managers Limited Management.

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

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

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**UBL Fund Managers Limited  
GIPS Compliant Presentation  
UBL Savings Composite  
October 14, 2010 through June 30, 2012**

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

**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.

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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 two Portfolios i.e. UBL Saving Income Fund (USIF) and UBL Government Securities Fund (UGSF).

#### **Benchmark**

Benchmark is Average of 6M KIBOR.

#### **List of Composites**

A list of all composite descriptions is available upon request.

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### Significant Event

1. The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes /mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the 'WWF Ordinance, thus rendering them liable to pay contribution to WF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication. In July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. This clarification was forwarded by Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action through letter dated October 06, 2010. Based on this clarification, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Notices of demand have also been issued to several other mutual funds and the matter has been taken up by the respective mutual funds with the FBR for their withdrawal on the basis of the above referred clarification of the Ministry. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter dated January 04, 2011 subsequently cancelled ab-initio the clarification letter dated October 06, 2010 on applicability of WWF on mutual funds. On December 14, 2010, the Ministry had filed its response against the constitutional petition requesting the SHC to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the SHC. During the current period, the Honorable Lahore High Court (LHC) in a similar Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the constitutional petition which is pending in the SHC.  
Based on the above, the Management Company believes that the Fund is not liable to contribute to WWF and, hence, provision in respect of WWF has not been made by the management. The unrecognized amount of WWF as at June 30, 2012 amounts to Rs. 15.44 million in USIF and Rs. 8.609 million in UGSF.
2. Effective from 01 July 2011, Sindh Revenue Board under Sindh Sales Tax on Services Act, 2011 has applied Sales Tax on all services rendered by Non-Banking Financial Institution. The Sales Tax is being charged @16% on Management Fee paid/payable to the Management Company.

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3. During the period a new portfolio UBL Government Securities Fund (UGSF) was added to the composite.

**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 Savings Composite is:

<b>USIF</b>	<b>1.25%</b>
<b>UGSF</b>	<b>1.25%</b>

**Minimum Portfolio Size**

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

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

**Internal Dispersion**

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

**Ex-Post Standard Deviation**

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

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

Following are key assumption used in Portfolio valuation:

#### **Financial instruments**

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

#### **Revenue recognition**

Gains / (losses) arising on sale of investments are accounted for in the period in which they arise. Dividend income is recognized when the right to receive the dividend is established.

Income on reverse repurchase, certificates of investment, placements, government securities and investments in debt securities are recognized at rate of return implicit in the instrument/ arrangement on a time proportionate basis.

Profit on bank deposits is recorded on accrual basis.

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

The Composite also contains 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:

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- (a) Dividend income is taxable at the rate of ten per cent (10%) for public companies on gross income basis.
- (b) Capital gains arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the Income Tax Ordinance, 2001;

Return from all other sources/instruments are taxable at the rate 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

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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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