



# GIPS PERFORMANCE PRESENTATION

**September 30, 2015**

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## Al Meezan Investment Management Limited

### GIPS Compliant Presentation

#### Equity Composite

For the Period from June 28, 2009 to September 30, 2015

Composite Name: Al-Meezan Equity Composite			Creation Date : 30 June 2008					
Benchmark: KMI30 Index			Currency : Pak Rupees					
Period	Composite Return	Benchmark Return	Composite - STDEV	Benchmark - STDEV	No. of Portfolios	Total Firm Assets (mn)	Composite Assets (mn)	% of Firm Assets
1QFY16	-4.07%	-5.56%	17.21%	16.69%	5	67,543	36,312	53.8%
FY15	23.04%	20.10%	16.77%	16.29%	5	65,635	38,366	58.5%
FY14	29.33%	29.89%	14.99%	16.91%	5	57,726	24,249	42.0%
FY13	51.57%	54.41%	15.26%	17.22%	5	47,904	14,867	31.0%
FY12	18.14%	13.57%	16.37%	18.44%	5	40,514	9,277	22.9%
FY11	39.82%	43.66%	33.53%	33.45%	5	31,264	7,736	24.7%
FY10	33.01%	36.87%	34.66%	34.50%	5	18,066	6,390	35.4%
FY09	-29.91%	-35.44%			5	12,438	5,709	45.9%

- All returns are in PKR terms

#### **Compliance Statement**

Al Meezan Investment Management Ltd (Al Meezan) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared this report in compliance with the GIPS standards. Al Meezan has been independently verified by KPMG Taseer Hadi & Co for the periods July 2012 to June 2015. The verification report will be available on request. Verification assesses whether

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



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

## **Definition of the Firm**

Al Meezan Investment Management Ltd is a joint venture of Meezan Bank (MBL) and Pak Kuwait Investment Company (PKIC), licensed to undertake asset management and investment advisory services by the Security & Exchange Commission of Pakistan (SECP). The Firm includes all funds under management; and all fee paying and non-fee paying discretionary and non-discretionary portfolios.

## **Policies**

Al Meezan's policies for valuing portfolios, calculating performance and preparing compliant presentations are available on request.

## **Composite Description**

Equity Composite includes the Equity Mutual Funds that aim to provide investors with maximum total return from investment in "Shariah Compliant" investments for the given level of risk. A list of all portfolios in the Composite will be available upon request.

## **Benchmark**

The Benchmark for this Composite is KSE Meezan 30 Index (KMI-30).

*The KMI-30 replaced Dow Jones-JS Pakistan Islamic Index (DJIIMPK) as the Fund's benchmark from July 01, 2009 onwards, for those mutual funds which used the DJIIMPK benchmark.*

## **List of Composites**

A list of all composite description is available upon request.

## **Significant Events**

1. On August 5, 2011, one of the portfolios, Al Meezan Mutual Fund, was converted from close-end fund to open-end mutual fund.
2. Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## **Fees**

All returns in this presentation are net of all expenses, which include the management fee and trading expenses.

## **Fee Schedule**

Management fee of individual portfolios within the Al Meezan Equity Composite are given below:

Al Meezan Mutual Fund	2%
Meezan Islamic Fund	2%
Meezan Tahaffuz Pension Fund – Equity sub Fund	1.50%
Separately Managed Accounts	Different Fees

*There is currently no Back-end load.*

## **Provision for WWF**

Provision for Workers Welfare Fund (WWF) liability has been made by the respective funds. Details appear below:

<b>Portfolio</b>	<b>Provision for WWF (Rs. In million)</b>
MIF	184.61
AMMF	34.83
MTPF-Equity Sub Fund	23.60

## **Minimum Portfolio Size**

The minimum portfolio size for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting and managing a Fund.



The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 25 Million per Fund.

## **Internal Dispersion**

Internal dispersion is calculated using the equal-weighted standard deviation of annual net returns of those portfolios that were included in the composite for the entire year.

<b>Internal Dispersion</b>	
1QFY16	2.52%
FY15	5.72%
FY14	1.99%
FY13	9.67%
FY12	8.38%
FY11	5.32%
FY10	7.35%
FY09	4.27%

## **Key Assumptions**

Following are the key assumptions used in portfolio valuation:

## **Financial instruments**

All the financial assets and 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 liabilities is taken to the income statement in the period in which it arises.

## **Revenue recognition**

Capital gains on sale of a security are accounted for in the period in which they arise. Dividend income is recognized when the right to receive them is established. Income on bank deposits is recognized on accrual basis.

## **Propriety assets in the Composite**

The composite contains investment of Al Meezan, its Management and that of discretionary portfolios.

## **Liability for Income Tax**

Under the Income Tax Law in Pakistan, the definition of a public company includes a trust formed under any law for the time being in force. The Funds in the Composite are regarded as a public company liable to a tax rate applicable to a public company. The tax is chargeable at the rate applicable to a public company, which is presently as under;

1. Dividend income is taxable at applicable tax rate as provided in Income Tax ordinance, 2001 for public companies on gross income basis.
2. Capital Gains Tax arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the as applicable according to the relevant law.
3. Return from all other sources / instruments are taxable at the rate applicable to a public company.

## **Liability for Income Tax, if ninety percent (90%) of the Fund is paid as cash dividends**

Notwithstanding the tax rate as per applicable Tax Laws of Pakistan, income from the Fund will be exempted from tax if not less than 90% of the income for the year as reduced by capital gains is distributed amongst the Unit Holders as cash dividend.

This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014 for the purpose of determining distribution through bonus shares, units, certificates, as the case may be, shall not be taken into account.

## **Withholding Tax**

Under the provision of Clouse 47(B) of part (IV) of second schedule of the income Tax Ordinance 2001, the income from dividend from (Shariah compliant term finance certificates, Sukuks, return on (Riba free) deposits with banks/financial institutions, return from contracts, securities or instruments of companies, organizations and establishments will not be subject to any withholding tax.

## **Taxation of Unit Holders & Liability of Zakat**

### a) Withholding tax

Unless exempt from such taxation by applicable law or at a reduced rate under any law or international agreement, cash dividend paid to unit holders of the fund will be subject to withholding tax as per prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall deem to be full and final liability in respect of such distribution for individuals.

### b) Capital gains

Capital Gains on disposition of units in the Fund will be subject to capital gains tax at the applicable tax rates.

There shall be no CGT, if holding period is more than 48 months (4 years). 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.

### c) Zakat Levy

In view of individual nature of tax consequences, each investor is advised to consult with his tax advisor with respect to the specific tax consequences to him of investing in the funds in the Composite.



## Al Meezan Investment Management Limited

### GIPS Compliant Presentation

#### Money Market Composite

For the Period from June 28, 2009 to September 30, 2015

Composite Name: Al-Meezan Money Market Composite						Creation Date : 30 June 2008		
Benchmark: 6 Month Bank Deposits						Currency : Pak Rupees		
Period	Composite Return	Benchmark Return	Composite - STDEV	Benchmark - STDEV	No. of Portfolios	Total Firm Assets (mn)	Composite Assets (mn)	% of Firm Assets
1QFY16	1.20%	1.18%	0.17%	0.17%	<5	67,543	8,228	12.2%
FY15	7.41%	6.11%	0.15%	0.14%	<5	65,635	7,792	11.9%
FY14	7.11%	6.56%	0.20%	0.20%	<5	57,726	3,348	5.8%
FY13	8.76%	6.87%	0.18%	0.19%	<5	47,904	6,813	14.2%
FY12	10.55%	8.11%	0.10%	0.10%	<5	40,514	7,630	18.8%
FY11	11.00%	8.28%	0.25%	0.22%	<5	31,264	6,049	19.3%
FY10	10.10%	7.49%	0.22%	0.31%	<5	18,066	5,299	29.3%
FY09	10.55%	6.30%			<5	12,438	62	0.5%
FY08	7.75%	5.75%			<5	17,475	55	0.3%

All returns are in PKR terms

#### **Compliance Statement**

Al Meezan Investment Management Ltd (Al Meezan) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared this report in compliance with the GIPS standards. Al Meezan has been independently verified by KPMG Taseer Hadi & Co for the periods July 2012 to June 2015. The verification report will be available on request. Verification assesses whether

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





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

## **Definition of the Firm**

Al Meezan Investment Management Ltd is a joint venture of Meezan Bank (MBL) and Pak Kuwait Investment Company (PKIC), licensed to undertake asset management and investment advisory services by the Security & Exchange Commission of Pakistan (SECP). The Firm includes all Funds under management; and all fee paying and non-fee paying discretionary and non-discretionary portfolios.

## **Policies**

Al Meezan's policies for valuing portfolios, calculating performance and preparing compliant presentations are available on request.

## **Composite Description**

Money Market Composite includes the Money Market Mutual Funds that provide maximum possible preservation of capital and a reasonable rate of return by investing primarily in liquid Shariah compliant money market & Shariah compliant debt securities. A list of all portfolios in the Composite will be available upon request.

## **Benchmark**

The Benchmark for this Composite is average return on Islamic Banking deposits with maturity of six months.

## **List of Composites**

A list of all composite description is available upon request.

## **Significant Events**

1. Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## **Fees**

All returns in this presentation are net of all expenses, which include the management fee and trading expenses.

## **Fee Schedule**

Management fee of individual portfolios within the Money Market Composite are given below:

Meezan Cash Fund	1.00%
Meezan Tahaffuz Pension Fund - Money Market sub Fund	1.50%
Separately Managed Accounts	Different Fees

*There is currently no Back-end load, other than 0.1% on MCF, if it is redeemed within 3 days.*

## **Provision for WWF**

Provision for Workers Welfare Fund (WWF) liability has been made by the respective funds. Details appear below:

<b>Portfolio</b>	<b>Provision for WWF (Rs. In million)</b>
MCF	58.58
MTPF-MM sub fund	1.12

## **Minimum Portfolio Size**

The minimum portfolio size for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting a Fund.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 25 Million per Fund.

## **Internal Dispersion**

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

## **Key Assumptions**

Following are the Key assumptions used in portfolio valuation:

## **Financial instruments**

All the financial assets and 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 liabilities is taken to the income statement in the period in which it arises.

## **Revenue recognition**

Capital gains on sale of a security are accounted for in the period in which they arise. Dividend income is recognized when the right to receive them is established. Income on bank deposits is recognized on accrual basis.

## **Subjective Unobservable input**

Al Meezan uses (where applicable) subjective inputs for valuing Sukuks in its Collective Investment Schemes and discretionary accounts. The criteria for valuation are in accordance with Circular 1 of 2009, Circular 33 and circular 35, 2012 and "Provisioning Policy" available on the Company's website.

## **Propriety assets in the Composite**

The composite contains investment of Al Meezan, its Management and that of discretionary portfolios.

## **Liability for Income Tax**

Under the Income Tax Law in Pakistan, the definition of a public company includes a trust formed under any law for the time being in force. The Funds in the Composite are regarded as a public company liable to a tax rate applicable to a public company. The tax is chargeable at the rate applicable to a public company, which is presently as under;

1. Dividend income is taxable at applicable tax rate as provided in Income Tax ordinance, 2001 for public companies on gross income basis
2. Capital Gains Tax arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the as applicable according to the relevant law

3. Return from all other sources / instruments are taxable at the rate applicable to a public company.

### **Liability for Income Tax, if ninety percent (90%) of the Fund is paid as cash dividends**

Notwithstanding the tax rate as per applicable Tax Laws of Pakistan, income from the Fund will be exempted from tax if not less than 90% of the income for the year as reduced by capital gains is distributed amongst the Unit Holders as cash dividend.

This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014 for the purpose of determining distribution through bonus shares, units, certificates, as the case may be, shall not be taken into account.

### **Withholding Tax**

Under the provision of Clouse 47(B) of part (IV) of second schedule of the income Tax Ordinance 2001, the income from dividend from (Shariah compliant term finance certificates, Sukuks, return on (Riba free) deposits with banks/financial institutions, return from contracts, securities or instruments of companies, organizations and establishments will not be subject to any withholding tax.

### **Taxation of Unit Holders & Liability of Zakat**

- a) Withholding tax

Unless exempt from such taxation by applicable law or at a reduced rate under any law or international agreement, cash dividend paid to unit holders of the fund will be subject to withholding tax as per prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall deem to be full and final liability in respect of such distribution for individuals.

- b) Capital gains

Capital Gains on disposition of units in the Fund will be subject to capital gains tax at the applicable tax rates.



There shall be no CGT, if holding period is more than 48 months (4 years). 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.

c) Zakat Levy

In view of individual nature of tax consequences, each investor is advised to consult with his tax advisor with respect to the specific tax consequences to him of investing in the funds in the Composite.



Pure. Profit.

# Al Meezan Investment Management Limited

## Al Meezan Investment Management Limited

### GIPS Compliant Presentation

#### Fixed Income Composite

For the Period from June 28, 2009 to September 30, 2015

Composite Name: Al-Meezan Fixed Income Composite						Creation Date : 30 June 2008		
Benchmark: Average Bank Deposits						Currency : Pak Rupees		
Period	Composite Return	Benchmark Return	Composite - STDEV	Benchmark - STDEV	No. of Portfolios	Total Firm Assets (mn)	Composite Assets (mn)	% of Firm Assets
1QFY16	1.41%	0.96%	1.30%	0.15%	<5	67,543	9,367	13.9%
FY15	7.91%	4.94%	1.39%	0.15%	<5	65,635	5,662	8.6%
FY14	11.19%	5.27%	2.83%	0.14%	<5	57,726	5,966	10.3%
FY13	13.34%	5.51%	2.94%	0.12%	<5	47,904	3,285	6.9%
FY12	7.86%	6.02%	2.96%	0.05%	<5	40,514	1,541	3.8%
FY11	11.65%	5.88%	4.75%	0.09%	<5	31,264	2,686	8.6%
FY10	7.59%	5.80%	4.62%	0.09%	<5	18,066	3,493	19.3%
FY09	10.11%	6.12%			<5	12,438	4,943	39.7%

All returns are in PKR terms

#### **Compliance Statement**

Al Meezan Investment Management Ltd (Al Meezan) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared this report in compliance with the GIPS standards. Al Meezan has been independently verified by KPMG Taseer Hadi & Co for the periods July 2012 to June 2015. The verification report will be available on request. Verification assesses whether

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

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



## **Definition of the Firm**

Al Meezan Investment Management Ltd is a joint venture of Meezan Bank (MBL) and Pak Kuwait Investment Company (PKIC), licensed to undertake asset management and investment advisory services by the Security & Exchange Commission of Pakistan (SECP). The Firm includes all Funds under management; and all fee paying and non-fee paying discretionary and non-discretionary portfolios.

## **Policies**

Al Meezan's policies for valuing portfolios, calculating performance and preparing compliant presentations are available on request.

## **Composite Description**

Fixed Income Composite includes the fixed income mutual funds that aim to provide investors with a high and stable rate of current income consistent with long-term preservation of capital in a Shariah compliant way. A secondary objective is to take advantage of opportunities to realize capital appreciation. The Funds in the composite seeks to provide the investors with a rate of total return consistent with a broadly diversified portfolio of long, medium and short term, high quality Islamic income instruments. A list of all portfolios in the Composite will be available upon request.

## **Benchmark**

The Benchmark for this Composite is average return Islamic Banking deposits.

## **List of Composites**

A list of all composite description is available upon request.

## **Significant Events**

1. SECP issued circular no. 1 dated January 2009 regarding Valuation of Debt Securities and Provisioning Criteria of Debt securities. Further amendments to this circular were carried out vide circular 33 and circular 35 of 2012. The provisioning policy of Al-Meezan is in accordance with the circulars issued by the SECP. The debt securities held by Collective Investment Schemes managed by Al-Meezan were marked down (in 2008) to reflect new changes accordingly.
2. Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## **Fees**

All returns in this presentation are net of all expenses, which include the Management Fee and Trading Expenses.

## **Fee Schedule**

Management fee of individual portfolios within the Fixed Income Composite are given below:

Meezan Islamic Income Fund	1.50%
Meezan Tahaffuz Pension Fund - Debt sub Fund	1.50%

There is currently no Back-end load.

## **Provision for WWF**

Provision for Workers Welfare Fund (WWF) liability has been made by the respective funds. Details appear below:

<b>Portfolio</b>	<b>Provision for WWF (Rs. In million)</b>
MIIF	45.46
MTPF-Debt sub fund	4.15

## **Minimum Portfolio Size**

The minimum portfolio size for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting a Fund.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 25 Million per Fund.

## **Internal Dispersion**

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





## **Key Assumptions**

Following are the key assumptions used in portfolio valuation:

## **Financial instruments**

All the financial assets and 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 liabilities is taken to the income statement in the period in which it arises.

## **Revenue recognition**

Capital gains on sale of a security are accounted for in the period in which they arise. Dividend income is recognized when the right to receive them is established. Income on bank deposits is recognized on accrual basis.

## **Subjective Unobservable input**

Al Meezan uses (where applicable) subjective inputs for valuing Sukuks in its Collective Investment Schemes and discretionary accounts. The criteria for valuation are in accordance with Circular 1 of 2009, Circular 33 and circular 35, 2012 and "Provisioning Policy" available on the Company's website.

## **Propriety assets in the Composite**

The composite contains investment of Al Meezan, its Management and that of discretionary portfolios.

## **Liability for Income Tax**

Under the Income Tax Law in Pakistan, the definition of a public company includes a trust formed under any law for the time being in force. The Funds in the Composite are regarded as a public company liable to a tax rate applicable to a public company. The tax is chargeable at the rate applicable to a public company, which is presently as under;

1. Dividend income is taxable at applicable tax rate as provided in Income Tax ordinance, 2001 for public companies on gross income basis
2. Capital Gains Tax arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the as applicable according to the relevant law
3. Return from all other sources / instruments are taxable at the rate applicable to a public company.

## **Liability for Income Tax, if ninety percent (90%) of the Fund is paid as cash dividends**

Notwithstanding the tax rate as per applicable Tax Laws of Pakistan, income from the Fund will be exempted from tax if not less than 90% of the income for the year as reduced by capital gains is distributed amongst the Unit Holders as cash dividend.

This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014 for the purpose of determining distribution through bonus shares, units, certificates, as the case may be, shall not be taken into account.

## **Withholding Tax**

Under the provision of Clouse 47(B) of part (IV) of second schedule of the income Tax Ordinance 2001, the income from dividend from (Shariah compliant term finance certificates, Sukuks, return on (Riba free) deposits with banks/financial institutions, return from contracts, securities or instruments of companies, organizations and establishments will not be subject to any withholding tax.

## **Taxation of Unit Holders & Liability of Zakat**

### a) Withholding tax

Unless exempt from such taxation by applicable law or at a reduced rate under any law or international agreement, cash dividend paid to unit holders of the fund will be subject to withholding tax as per prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall deem to be full and final liability in respect of such distribution for individuals.



b) Capital gains

Capital Gains on disposition of units in the Fund will be subject to capital gains tax at the applicable tax rates.

There shall be no CGT, if holding period is more than 48 months (4 years). 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.

c) Zakat Levy

In view of individual nature of tax consequences, each investor is advised to consult with his tax advisor with respect to the specific tax consequences to him of investing in the funds in the Composite.

## Al Meezan Investment Management Limited

### GIPS Compliant Presentation

#### Sovereign Composite

For the Period from June 28, 2009 to September 30, 2015

Composite Name: Al-Meezan Sovereign Composite						Creation Date : 30 June 2008		
Benchmark: 6Month Bank Deposits						Currency : Pak Rupees		
Period	Composite Return	Benchmark Return	Composite - STDEV	Benchmark - STDEV	No. of Portfolios	Total Firm Assets (mn)	Composite Assets (mn)	% of Firm Assets
1QFY16	1.10%	0.96%	0.67%	0.15%	<5	67,543	7,033	10.4%
FY15	6.84%	4.94%	0.63%	0.15%	<5	65,635	8,820	13.4%
FY14	8.51%	5.27%	0.55%	0.14%	<5	57,726	20,281	35.1%
FY13	9.11%	5.51%	0.44%	0.12%	<5	47,904	19,654	41.0%
FY12	11.14%	6.02%			<5	40,514	19,709	48.6%
FY11	11.40%	5.88%			<5	31,264	12,546	40.1%

All returns are in PKR terms

#### **Compliance Statement**

Al Meezan Investment Management Ltd (Al Meezan) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared this report in compliance with the GIPS standards. Al Meezan has been independently verified by KPMG Taseer Hadi & Co for the periods July 2012 to June 2015. The verification report will be available on request. Verification assesses whether

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

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



## **Definition of the Firm**

Al Meezan Investment Management Ltd is a joint venture of Meezan Bank (MBL) and Pak Kuwait Investment Company (PKIC), licensed to undertake asset management and investment advisory services by the Security & Exchange Commission of Pakistan (SECP). The Firm includes all Funds under management; and all fee paying and non-fee paying discretionary and non-discretionary portfolios.

## **Policies**

Al Meezan's policies for valuing portfolios, calculating performance and preparing compliant presentations are available on request.

## **Composite Description**

Sovereign Composite includes the Fixed Income Mutual Funds that aim to seek maximum possible preservation of capital and a reasonable rate of return by investing primarily in Government Securities. A list of all portfolios in the Composite will be available upon request.

## **Benchmark**

The Benchmark for this Composite is average return on Islamic Banking deposits.

## **List of Composites**

A list of all composite description is available upon request.

## **Significant Events**

1. SECP issued circular no. 1 dated January 2009 regarding Valuation of Debt Securities and Provisioning Criteria of Debt securities. Further amendments to this circular were carried out vide circular 33 and circular 35 of 2012. The provisioning policy of Al-Meezan is in accordance with the circulars issued by the SECP.
2. Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## **Fees**

All returns in this presentation are net of all expenses, which include the Management Fee and Trading Expenses.

## **Fee Schedule**

Management fee of individual portfolios within the Composite are given below:

Meezan Sovereign Fund	1.00%
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*There is currently no Back-end load.*

## **Provision for WWF**

Provision for Workers Welfare Fund (WWF) liability has been made by the respective funds. Details appear below:

<b>Portfolio</b>	<b>Provision for WWF (Rs. In million)</b>
MSF	133.89

## **Minimum Portfolio Size**

The minimum portfolio size for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting a Fund.

The minimum portfolio size for separately managed account (SMA) inclusion in the composite is Rs 25 Million per Fund.

## **Internal Dispersion**

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

## **Key Assumptions**

Following are the Key assumptions used in portfolio valuation:

## **Financial instruments**

All the financial assets and 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 liabilities is taken to the income statement in the period in which it arises.

### **Revenue recognition**

Capital gains on sale of a security are accounted for in the period in which they arise. Dividend income is recognized when the right to receive them is established. Income on bank deposits is recognized on accrual basis.

### **Propriety assets in the Composite**

The composite contains investment of Al Meezan, its Management and that of discretionary portfolios.

### **Liability for Income Tax**

Under the Income Tax Law in Pakistan, the definition of a public company includes a trust formed under any law for the time being in force. The Funds in the Composite are regarded as a public company liable to a tax rate applicable to a public company. The tax is chargeable at the rate applicable to a public company, which is presently as under;

1. Dividend income is taxable at applicable tax rate as provided in Income Tax ordinance, 2001 for public companies on gross income basis.
2. Capital Gains Tax arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the as applicable according to the relevant law.
3. Return from all other sources / instruments are taxable at the rate applicable to a public company.

### **Liability for Income Tax, if ninety percent (90%) of the Fund is paid as cash dividends**

Notwithstanding the tax rate as per applicable Tax Laws of Pakistan, income from the Fund will be exempted from tax if not less than 90% of the income for the year as reduced by capital gains is distributed amongst the Unit Holders as cash dividend.

This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014 for the purpose of determining distribution through bonus shares, units, certificates, as the case may be, shall not be taken into account.

## **Withholding Tax**

Under the provision of Clouse 47(B) of part (IV) of second schedule of the income Tax Ordinance 2001, the income from dividend from (Shariah compliant term finance certificates, Sukuks, return on (Riba free) deposits with banks/financial institutions, return from contracts, securities or instruments of companies, organizations and establishments will not be subject to any withholding tax.

## **Taxation of Unit Holders & Liability of Zakat**

### a) Withholding tax

Unless exempt from such taxation by applicable law or at a reduced rate under any law or international agreement, cash dividend paid to unit holders of the fund will be subject to withholding tax as per prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall deem to be full and final liability in respect of such distribution for individuals.

### b) Capital gains

Capital Gains on disposition of units in the Fund will be subject to capital gains tax at the applicable tax rates.

There shall be no CGT, if holding period is more than 48 months (4 years). 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.

### c) Zakat Levy

In view of individual nature of tax consequences, each investor is advised to consult with his tax advisor with respect to the specific tax consequences to him of investing in the funds in the Composite.



## Al Meezan Investment Management Limited

### GIPS Compliant Presentation

#### Balanced Composite

For the Period from June 28, 2009 to September 30, 2015

Composite Name: Al-Meezan Balanced Composite						Creation Date : 30 June 2008		
Benchmark: 50% KMI-30 Index and 50% Average Bank Deposits						Currency : Pak Rupees		
Period	Composite Return	Benchmark Return	Composite - STDEV	Benchmark - STDEV	No. of Portfolios	Total Firm Assets (mn)	Composite Assets (mn)	% of Firm Assets
1QFY16	-0.38%	-2.30%	10.46%	8.35%	<5	67,543	5,760	8.5%
FY15	16.10%	12.52%	10.33%	8.15%	<5	65,635	3,814	5.8%
FY14	19.86%	17.58%	9.01%	8.45%	<5	57,726	2,325	4.0%
FY13	32.57%	29.96%	8.86%	8.60%	<5	47,904	1,877	3.9%
FY12	16.05%	9.79%	9.17%	9.21%	<5	40,514	1,625	4.0%
FY11	25.43%	24.77%	18.36%	16.72%	<5	31,264	1,523	4.9%
FY10	22.33%	21.33%	19.36%	17.25%	<5	18,066	1,278	7.1%
FY09	-10.80%	-14.66%			<5	12,438	1,143	9.2%

All returns are in PKR terms

#### **Compliance Statement**

Al Meezan Investment Management Ltd (Al Meezan) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared this report in compliance with the GIPS standards. Al Meezan has been independently verified by KPMG Taseer Hadi & Co for the periods July 2012 to June 2015. The verification report will be available on request. Verification assesses whether

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

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



## **Definition of the Firm**

Al Meezan Investment Management Ltd is a joint venture of Meezan Bank (MBL) and Pak Kuwait Investment Company (PKIC), licensed to undertake asset management and investment advisory services by the Security & Exchange Commission of Pakistan (SECP). The Firm includes all Funds under management; and all fee paying and non-fee paying discretionary and non-discretionary portfolios.

## **Policies**

Al Meezan's policies for valuing portfolios, calculating performance and preparing compliant presentations are available on request.

## **Composite Description**

Balanced Composite includes Balanced Mutual Fund that aim to generate long term capital appreciation as well as current income by creating a balanced portfolio that is invested both in high quality equity securities and Islamic Income Instruments such as TFCs, COIs, Certificates of Musharika, Islamic Sukuk, Ready-future hedges, and other such Shariah compliant instruments. A list of all portfolios in the Composite will be available upon request.

## **Benchmark**

The benchmark of the Composite is 50% KMI-30 Index and 50% 6 month Average bank deposit rate of three Islamic banks.

*KMI-30 replaced Dow Jones-JS Pakistan Islamic Index (DJIIMPK) as the benchmark of the Funds, which used DJIIMPK as benchmark, from July 01, 2009 onwards.*

## **List of Composites**

A list of all composite description is available upon request.

## **Significant Events**

1. On June 30, 2013, Meezan Balanced Fund was converted from close-end fund to open-end mutual fund.
2. SECP issued circular no. 1 dated January 2009 regarding Valuation of Debt Securities and Provisioning Criteria of Debt securities. Further amendments to this circular were carried out vide circular 33 and circular 35 of 2012. The provisioning policy of Al-Meezan is in accordance with the circulars issued by the SECP. The debt securities held by Collective Investment Schemes managed by Al-Meezan were marked down (in 2008) to reflect new changes accordingly.
3. Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## **Fees**

All returns in this presentation are net of all expenses, which include the Management Fee and Trading Expenses.

## **Fee Schedule**

Management fee of individual portfolios within the Composite are given below:

Meezan Balanced Fund	2.00%
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*There is currently no Back-end load.*

## **Provision for WWF**

Provision for Workers Welfare Fund (WWF) liability has been made by the respective funds. Details appear below:

Portfolio	Provision for WWF (Rs. In million)
MBF	37.91

## **Minimum Portfolio Size**

The minimum portfolio size for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting a Fund.

## **Internal Dispersion**

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

## **Key Assumptions**

Following are the Key assumptions used in portfolio valuation:



## **Financial instruments**

All the financial assets and 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 liabilities is taken to the income statement in the period in which it arises.

## **Revenue recognition**

Capital gains on sale of a security are accounted for in the period in which they arise. Dividend income is recognized when the right to receive them is established. Income on bank deposits is recognized on accrual basis.

## **Subjective Unobservable input**

Al Meezan uses (where applicable) subjective inputs for valuing Sukuks in its Collective Investment Schemes and discretionary accounts. The criteria for valuation are in accordance with Circular 1 of 2009, Circular 33 and circular 35, 2012 and "Provisioning Policy" available on the Company's website.

## **Propriety assets in the Composite**

The composite contains investment of Al Meezan, its Management and that of discretionary portfolios.

## **Liability for Income Tax**

Under the Income Tax Law in Pakistan, the definition of a public company includes a trust formed under any law for the time being in force. The Funds in the Composite are regarded as a public company liable to a tax rate applicable to a public company. The tax is chargeable at the rate applicable to a public company, which is presently as under;

1. Dividend income is taxable at applicable tax rate as provided in Income Tax ordinance, 2001 for public companies on gross income basis
2. Capital Gains Tax arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the as applicable according to the relevant law
3. Return from all other sources / instruments are taxable at the rate applicable to a public company.

## **Liability for Income Tax, if ninety percent (90%) of the Fund is paid as cash dividends**

Notwithstanding the tax rate as per applicable Tax Laws of Pakistan, income from the Fund will be exempted from tax if not less than 90% of the income for the year as reduced by capital gains is distributed amongst the Unit Holders as cash dividend.

This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014 for the purpose of determining distribution through bonus shares, units, certificates, as the case may be, shall not be taken into account.

### **Withholding Tax**

Under the provision of Clouse 47(B) of part (IV) of second schedule of the income Tax Ordinance 2001, the income from dividend from (Shariah compliant term finance certificates, Sukuks, return on (Riba free) deposits with banks/financial institutions, return from contracts, securities or instruments of companies, organizations and establishments will not be subject to any withholding tax.

### **Taxation of Unit Holders & Liability of Zakat**

#### a) Withholding tax

Unless exempt from such taxation by applicable law or at a reduced rate under any law or international agreement, cash dividend paid to unit holders of the fund will be subject to withholding tax as per prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall deem to be full and final liability in respect of such distribution for individuals.

#### b) Capital gains

Capital Gains on disposition of units in the Fund will be subject to capital gains tax at the applicable tax rates.

There shall be no CGT, if holding period is more than 48 months (4 years). 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.

#### c) Zakat Levy

In view of individual nature of tax consequences, each investor is advised to consult with his tax advisor with respect to the specific tax consequences to him of investing in the funds in the Composite.

## Al Meezan Investment Management Limited

### GIPS Compliant Presentation

#### Index Composite

For the Period from June 28, 2009 to September 30, 2015

Composite Name: Al-Meezan Index Composite						Creation Date : 30 June 2008		
Benchmark: KMI30 Index						Currency : Pak Rupees		
Period	Composite Return	Benchmark Return	Composite - STDEV	Benchmark - STDEV	No. of Portfolios	Total Firm Assets (mn)	Composite Assets (mn)	% of Firm Assets
1QFY16	-5.95%	-5.56%		16.69	<5	67,543	844	1.2%
FY15	17.07%	20.10%		16.29%	<5	65,635	1,159	1.8%
FY14	26.49%	29.89%		16.91%	<5	57,726	1,020	1.8%
FY13	49.62%	54.41%		17.22%	<5	47,904	901	1.9%

All returns are in PKR terms

#### **Compliance Statement**

Al Meezan Investment Management Ltd (Al Meezan) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared this report in compliance with the GIPS standards. Al Meezan has been independently verified by KPMG Taseer Hadi & Co for the periods July 2012 to June 2015. The verification report will be available on request. Verification assesses whether

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

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

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

Al Meezan Investment Management Ltd is a joint venture of Meezan Bank (MBL) and Pak Kuwait Investment Company (PKIC), licensed to undertake asset management and investment advisory services by the Security & Exchange Commission of Pakistan (SECP). The Firm includes all Funds under management; and all fee paying and non-fee paying discretionary and non-discretionary portfolios.



## **Policies**

Al Meezan’s policies for valuing portfolios, calculating performance and preparing compliant presentations are available on request.

## **Composite Description**

Index Composite includes the Passive Strategy Mutual Funds that aim to provide investors an opportunity to track closely the performance of an Equity Index by investing in companies of the Index in proportion to their weightages. A list of all portfolios in the Composite will be available upon request.

## **Benchmark**

The benchmark of the fund is the average return on the KMI-30.

## **List of Composites**

A list of all composite description is available upon request.

## **Fees**

All returns in this presentation are net of all expenses, which include the Management Fee and Trading Expenses.

## **Fee Schedule**

Management fee of individual portfolios within the Composite are given below:

KSE Meezan Index Fund	1.00%

*There is currently no Back-end load.*



### **Provision for WWF**

Provision for Workers Welfare Fund (WWF) liability has been made by the respective funds. Details appear below:

<b>Portfolio</b>	<b>Provision for WWF (Rs. In million)</b>
KMIF	12.90

### **Minimum Portfolio Size**

The minimum portfolio size for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting a Fund.

### **Internal Dispersion**

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

### **Key Assumptions**

Following are the Key assumptions used in portfolio valuation:

### **Financial instruments**

All the financial assets and 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 liabilities is taken to the income statement in the period in which it arises.





## **Revenue recognition**

Capital gains on sale of a security are accounted for in the period in which they arise. Dividend income is recognized when the right to receive them is established. Income on bank deposits is recognized on accrual basis.

## **Propriety assets in the Composite**

The composite contains investment of Al Meezan, its Management and that of discretionary portfolios.

## **Liability for Income Tax**

Under the Income Tax Law in Pakistan, the definition of a public company includes a trust formed under any law for the time being in force. The Funds in the Composite are regarded as a public company liable to a tax rate applicable to a public company. The tax is chargeable at the rate applicable to a public company, which is presently as under;

1. Dividend income is taxable at applicable tax rate as provided in Income Tax ordinance, 2001 for public companies on gross income basis
2. Capital Gains Tax arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the as applicable according to the relevant law
3. Return from all other sources / instruments are taxable at the rate applicable to a public company.

## **Liability for Income Tax, if ninety percent (90%) of the Fund is paid as cash dividends**

Notwithstanding the tax rate as per applicable Tax Laws of Pakistan, income from the Fund will be exempted from tax if not less than 90% of the income for the year as reduced by capital gains is distributed amongst the Unit Holders as cash dividend.

This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014 for the purpose of determining distribution through bonus shares, units, certificates, as the case may be, shall not be taken into account.

## **Withholding Tax**

Under the provision of Clouse 47(B) of part (IV) of second schedule of the income Tax Ordinance 2001, the income from dividend from (Shariah compliant term finance certificates, Sukuks, return on (Riba free) deposits with banks/financial institutions, return from contracts, securities or instruments of companies, organizations and establishments will not be subject to any withholding tax.

## **Taxation of Unit Holders & Liability of Zakat**

### a) Withholding tax

Unless exempt from such taxation by applicable law or at a reduced rate under any law or international agreement, cash dividend paid to unit holders of the fund will be subject to withholding tax as per prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall deem to be full and final liability in respect of such distribution for individuals.

### b) Capital gains

Capital Gains on disposition of units in the Fund will be subject to capital gains tax at the applicable tax rates.

There shall be no CGT, if holding period is more than 48 months (4 years). 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.

### c) Zakat Levy

In view of individual nature of tax consequences, each investor is advised to consult with his tax advisor with respect to the specific tax consequences to him of investing in the funds in the Composite.

**Al Meezan Investment Management Limited**  
**GIPS Compliant Presentation**  
**Capital Protected Composite**  
**For the Period from June 28, 2009 to June 30, 2015**

Composite Name: Al-Meezan Capital Protected Composite						Creation Date : 30 June 2008		
Benchmark: 75% Bank Deposit + 25% KMI-30 Index						Currency : Pak Rupees		
Period	Composite Return	Benchmark Return	Composite - STDEV	Benchmark - STDEV	No. of Portfolios	Total Firm Assets (mn)	Composite Assets (mn)	% of Firm Assets
1QFY15	0.62%	1.08%	3.27%	4.21%	<5	56,958	542	1.0%
FY14	12.11%	12.39%	3.22%	4.22%	<5	57,726	539	0.9%
FY13	15.21%	18.76%	2.85%	4.30%	<5	47,904	506	1.1%
FY12	12.89%	9.48%	2.96%	4.61%	<5	40,514	443	1.1%
FY11	14.12%	17.13%	5.45%	8.40%	<5	31,264	724	2.3%
FY10	14.07%	14.83%			<5	18,066	637	3.5%
FY09	0.75%	-4.14%			<5	12,438	582	4.7%

- All returns are in PKR terms

### **Compliance Statement**

Al Meezan Investment Management Ltd (Al Meezan) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared this report in compliance with the GIPS standards. Al Meezan has been independently verified by KPMG Taseer Hadi & Co for the periods July 2012 to June 2015. The verification report will be available on request. Verification assesses whether

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

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



## **Definition of the Firm**

Al Meezan Investment Management Ltd is a joint venture of Meezan Bank (MBL) and Pak Kuwait Investment Company (PKIC), licensed to undertake asset management and investment advisory services by the Security & Exchange Commission of Pakistan (SECP). The Firm includes all Funds under management; and all fee paying and non-fee paying discretionary and non-discretionary portfolios.

## **Policies**

Al Meezan's policies for valuing portfolios, calculating performance and preparing compliant presentations are available on request.

## **Composite Description**

Capital Protected Composite includes the Capital Protected Mutual Funds that aim to pay back investors, under certain conditions, their Principal Investment and to provide them with a high level of total return over the life of the Fund in a Shariah compliant manner. A list of all portfolios in the Composite will be available upon request.

## **Benchmark**

The benchmark is the rate of return on Bank Deposits for three Islamic Banks and KMI-30 in weightages of the Capital Protection and Investment Segments of the Fund respectively.

KMI-30 replaced Dow Jones-JS Pakistan Islamic Index (DJIIMPK) as the benchmark of the Funds, which used DJIIMPK as benchmark, from July 01, 2009 onwards.

## **List of Composites**

A list of all composite description is available upon request.

## **Significant Events**

1. Effective from 01 July 2011, through Sindh Sales Tax on Services Act 2011, general sales tax on fund management services has been imposed at the rate 16% effective July 1, 2011. Management fee charged during the period includes general sales tax.

## **Fees**

All returns in this presentation are net of all expenses, which include the Management Fee and Trading Expenses.

## **Fee Schedule**

Management fee of individual portfolios within the Composite are given below:

Meezan Capital Protected Fund -II	1.50%
Meezan Capital Protected Fund -I	3% of Investment Segment; 1% of Capital Protected segment

*There is currently a contingent Back-end load, in case of Meezan Capital Protected Fund II.*

## **Provision for WWF**

Provision for Workers Welfare Fund (WWF) liability has been made by the respective funds. Details appear below:

<b>Portfolio</b>	<b>Provision for WWF (Rs. In million)</b>
MCPF-II	1.85

## **Minimum Portfolio Size**

The minimum portfolio size for inclusion in the composite is Rs 100 Million per Fund, which is also a regulatory requirement for starting a Fund.

## **Internal Dispersion**

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

## **Key Assumptions**

Following are the Key assumptions used in portfolio valuation:



## **Financial instruments**

All the financial assets and 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 liabilities is taken to the income statement in the period in which it arises.

## **Revenue recognition**

Capital gains on sale of a security are accounted for in the period in which they arise. Dividend income is recognized when the right to receive them is established. Income on bank deposits is recognized on accrual basis.

## **Propriety assets in the Composite**

The composite contains investment of Al Meezan, its Management and that of discretionary portfolios.

## **Liability for Income Tax**

Under the Income Tax Law in Pakistan, the definition of a public company includes a trust formed under any law for the time being in force. The Funds in the Composite are regarded as a public company liable to a tax rate applicable to a public company. The tax is chargeable at the rate applicable to a public company, which is presently as under;

1. Dividend income is taxable at applicable tax rate as provided in Income Tax ordinance, 2001 for public companies on gross income basis
2. Capital Gains Tax arising on sale of securities, listed on any stock exchange in Pakistan at applicable tax rates in accordance with the as applicable according to the relevant law
3. Return from all other sources / instruments are taxable at the rate applicable to a public company.

## **Liability for Income Tax, if ninety percent (90%) of the Fund is paid as cash dividends**

Notwithstanding the tax rate as per applicable Tax Laws of Pakistan, income from the Fund will be exempted from tax if not less than 90% of the income for the year as reduced by capital gains is distributed amongst the Unit Holders as cash dividend.

This includes only cash dividend as consequent to amendments in Income Tax Ordinance, 2001 through Finance Act, 2014 for the purpose of determining distribution through bonus shares, units, certificates, as the case may be, shall not be taken into account.

## **Withholding Tax**

Under the provision of Clouse 47(B) of part (IV) of second schedule of the income Tax Ordinance 2001, the income from dividend from (Shariah compliant term finance certificates, Sukuks, return on (Riba free) deposits with banks/financial institutions, return from contracts, securities or instruments of companies, organizations and establishments will not be subject to any withholding tax.

## **Taxation of Unit Holders & Liability of Zakat**

### a) Withholding tax

Unless exempt from such taxation by applicable law or at a reduced rate under any law or international agreement, cash dividend paid to unit holders of the fund will be subject to withholding tax as per prevailing tax law.

In terms of the provisions of the Income Tax Ordinance, 2001, the withholding tax shall deem to be full and final liability in respect of such distribution for individuals.

### b) Capital gains

Capital Gains on disposition of units in the Fund will be subject to capital gains tax at the applicable tax rates.

There shall be no CGT, if holding period is more than 48 months (4 years). 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.

### c) Zakat Levy

In view of individual nature of tax consequences, each investor is advised to consult with his tax advisor with respect to the specific tax consequences to him of investing in the funds in the Composite.

## **Capital Protected Composite have discontinued due to maturity of funds:**

- Meezan Capital Protected Fund I matured on (June 11, 2011)
- Meezan Capital Protected Fund II matured on (August 15, 2014)