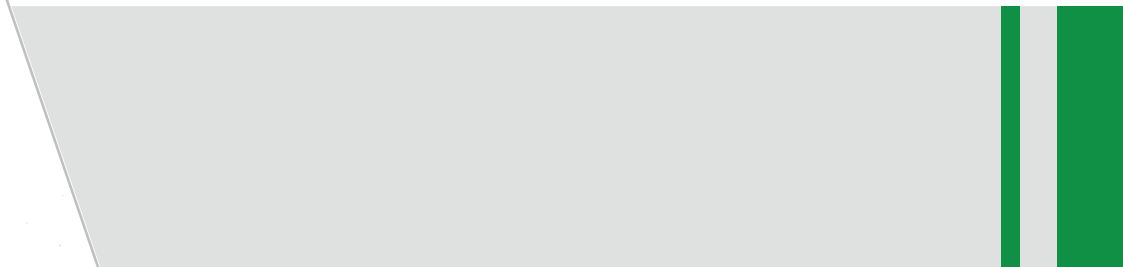


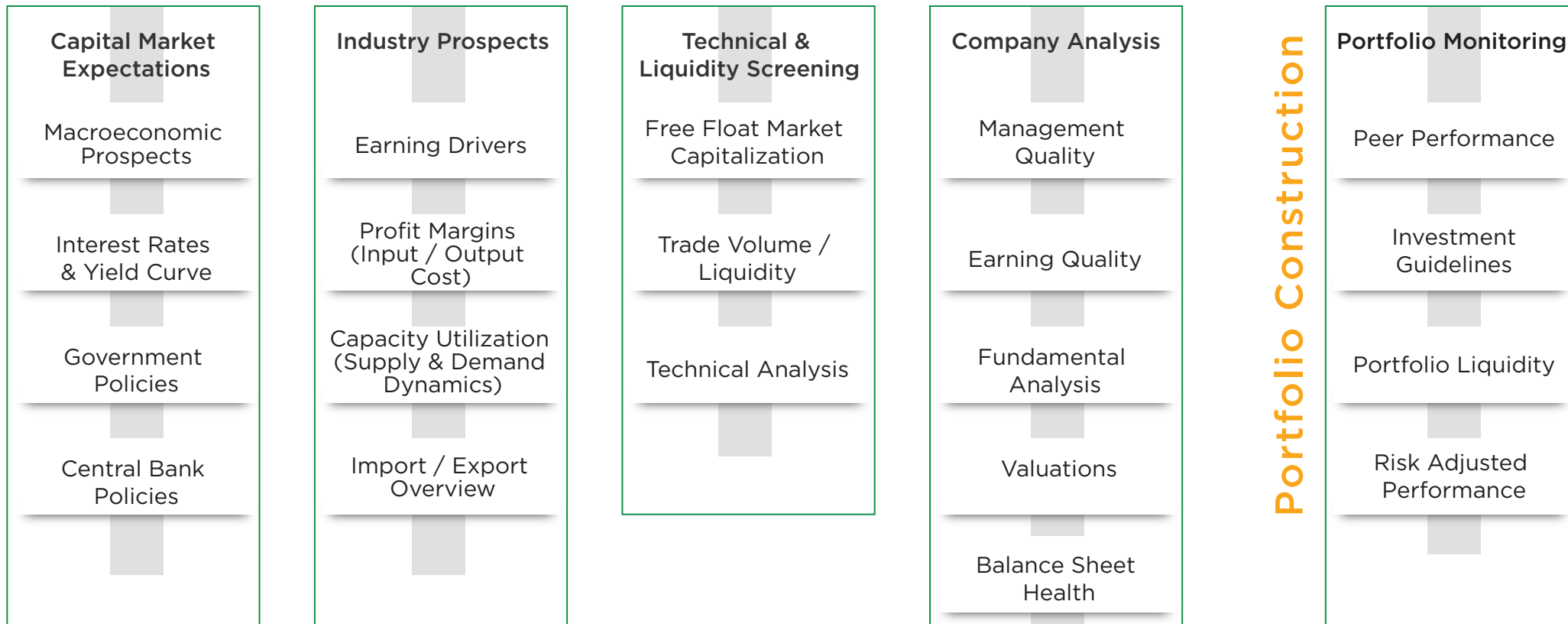
INVESTMENT STYLE **PRESENTATION**



INVESTMENT METHODOLOGY OF **EQUITIES**



INVESTMENT PROCESS OVERVIEW



ASSET ALLOCATION DECISION

**Our Asset Allocation
decision is
guided by the
following factors ■**

- Capital Market expectations
- Review and outlook of the economy
- Political climate
- Global economic and political trends
- Prospects of equity & fixed income markets
- Corporate earnings trend
- Technical analysis of the stock market

STOCK SELECTION PROCESS

Phase 1

Quantitative screening

- ◆ Multifactor models identify stocks likely to outperform the stock market
- ◆ The basis of identification is growth, value and quality characteristics of the stock
- ◆ Stocks are ranked on the basis of above criteria

Phase 2

Fundamental Analysis

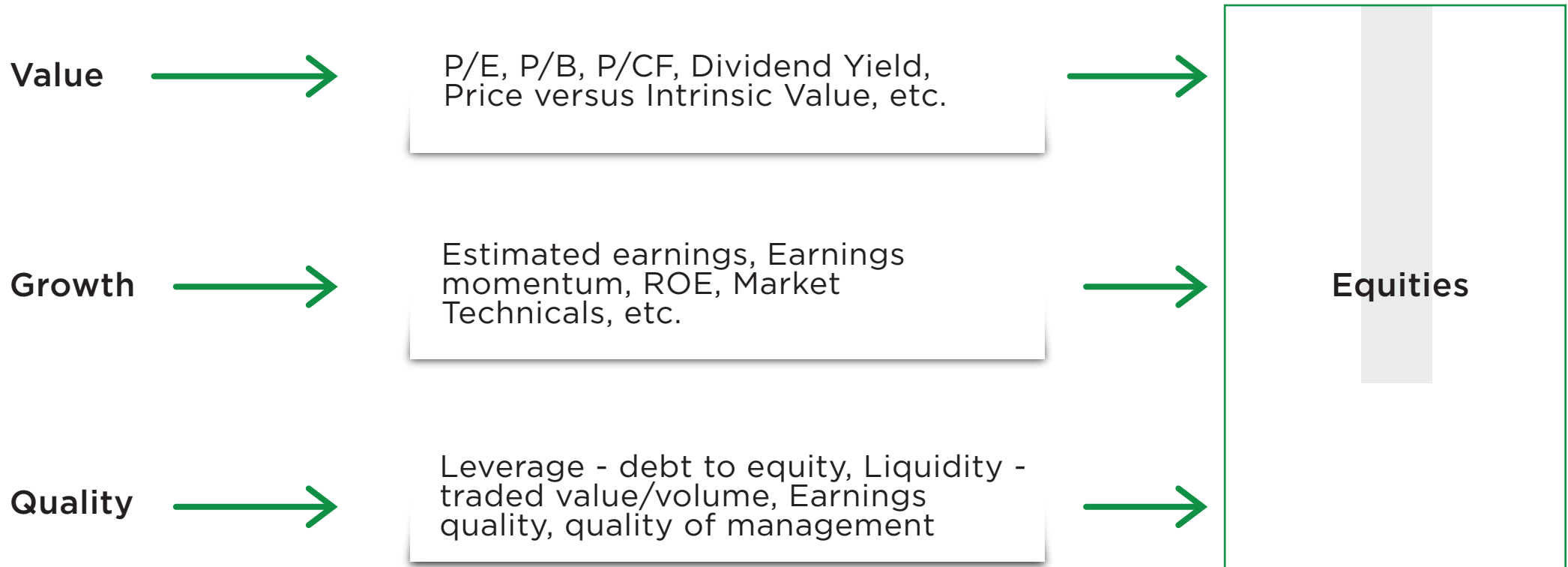
- ◆ Analysis of business prospects of selected companies and sectors
- ◆ Meeting management of selected companies
- ◆ Valuation of stocks on fundamentals e.g DCF, FCF, FCFE
- ◆ Identify the best stock based on Phase 1 and Phase 2

STOCK SELECTION PROCESS PHASE 2: FUNDAMENTAL ANALYSIS

Fundamental valuation techniques such as DCF, FCFF and FCFE & Relative Valuation techniques such as P/E, P/S etc. are employed based on the following key factors:

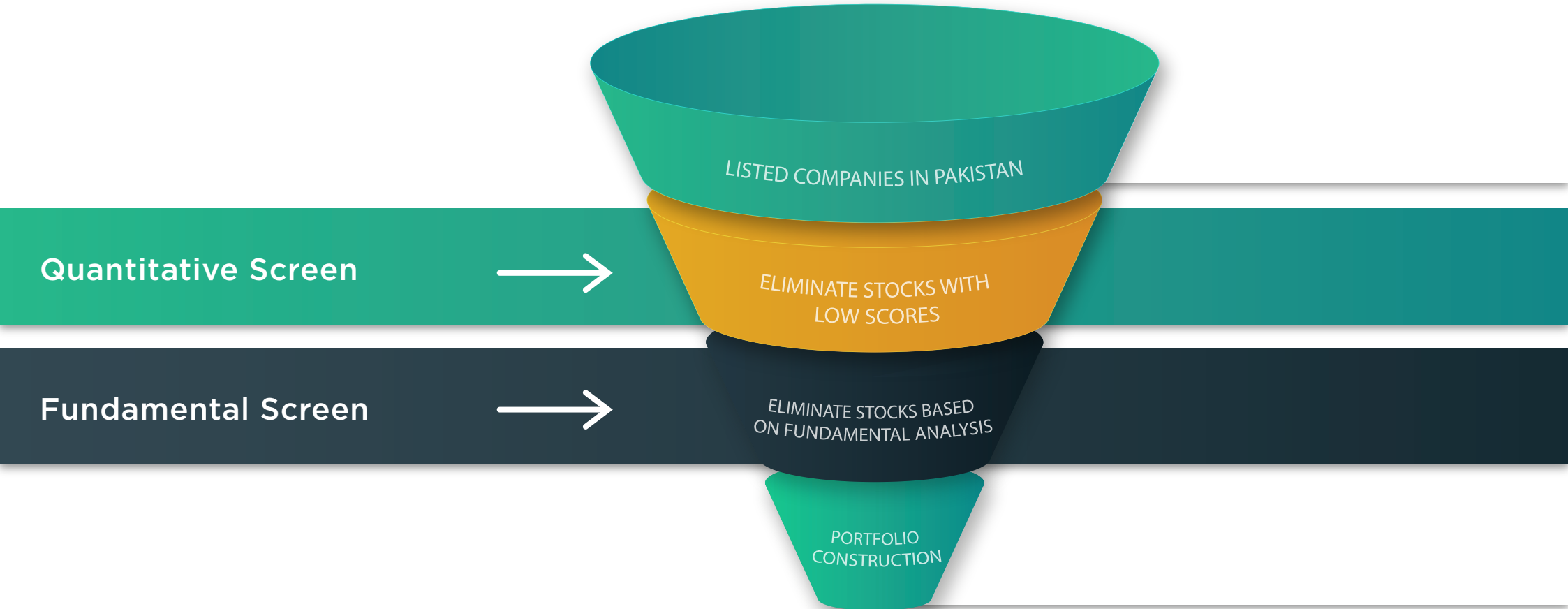
- Management quality
- Business characteristics
- SWOT analysis
- Change catalyst
- Financial strength
- Sector prospects

STOCK SELECTION PROCESS QUANTITATIVE SCREENING

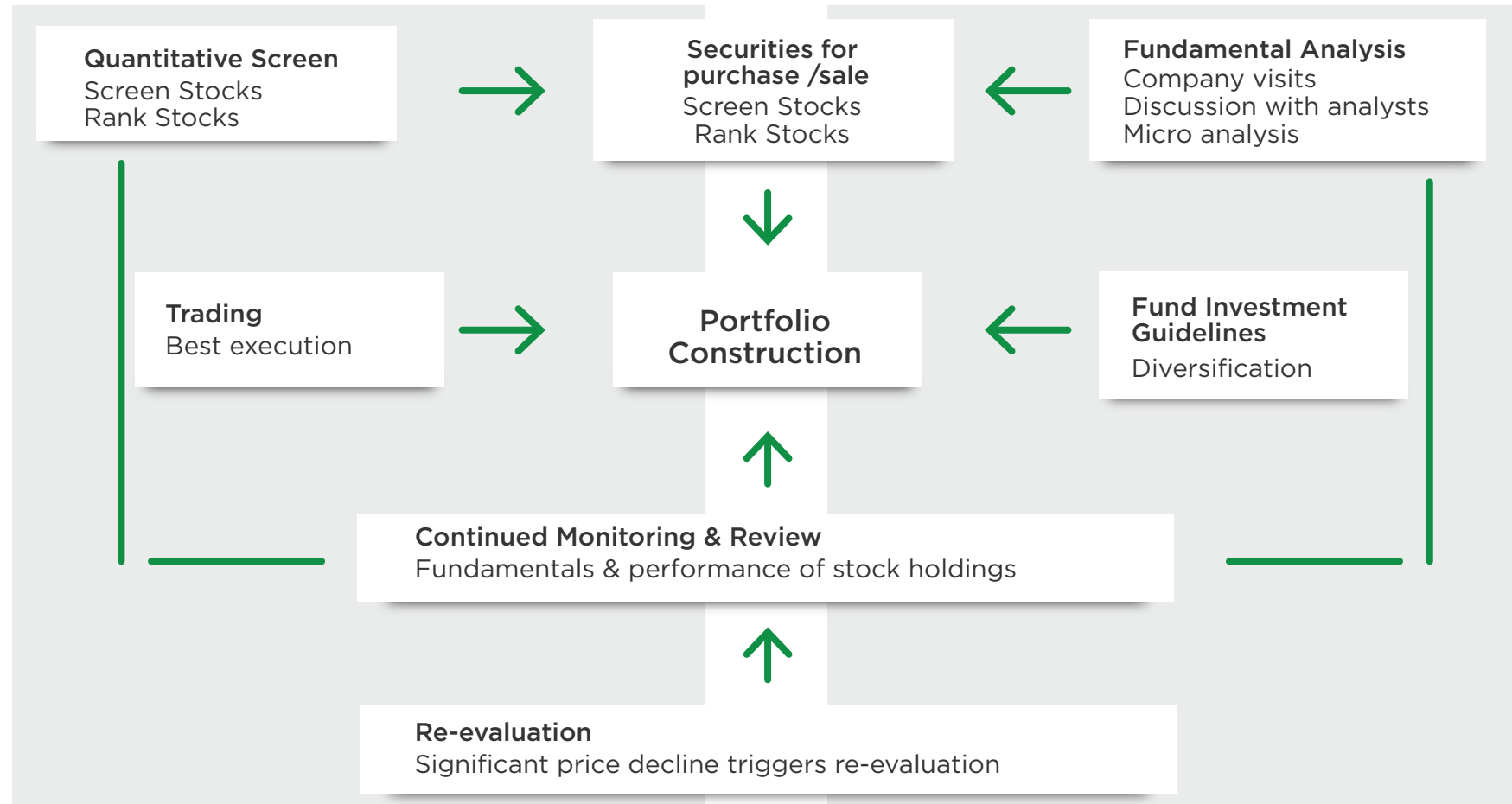


1. Each stock is allocated a score based on the above factors
2. A detailed fundamental analysis will be conducted on selected companies with the highest scores.

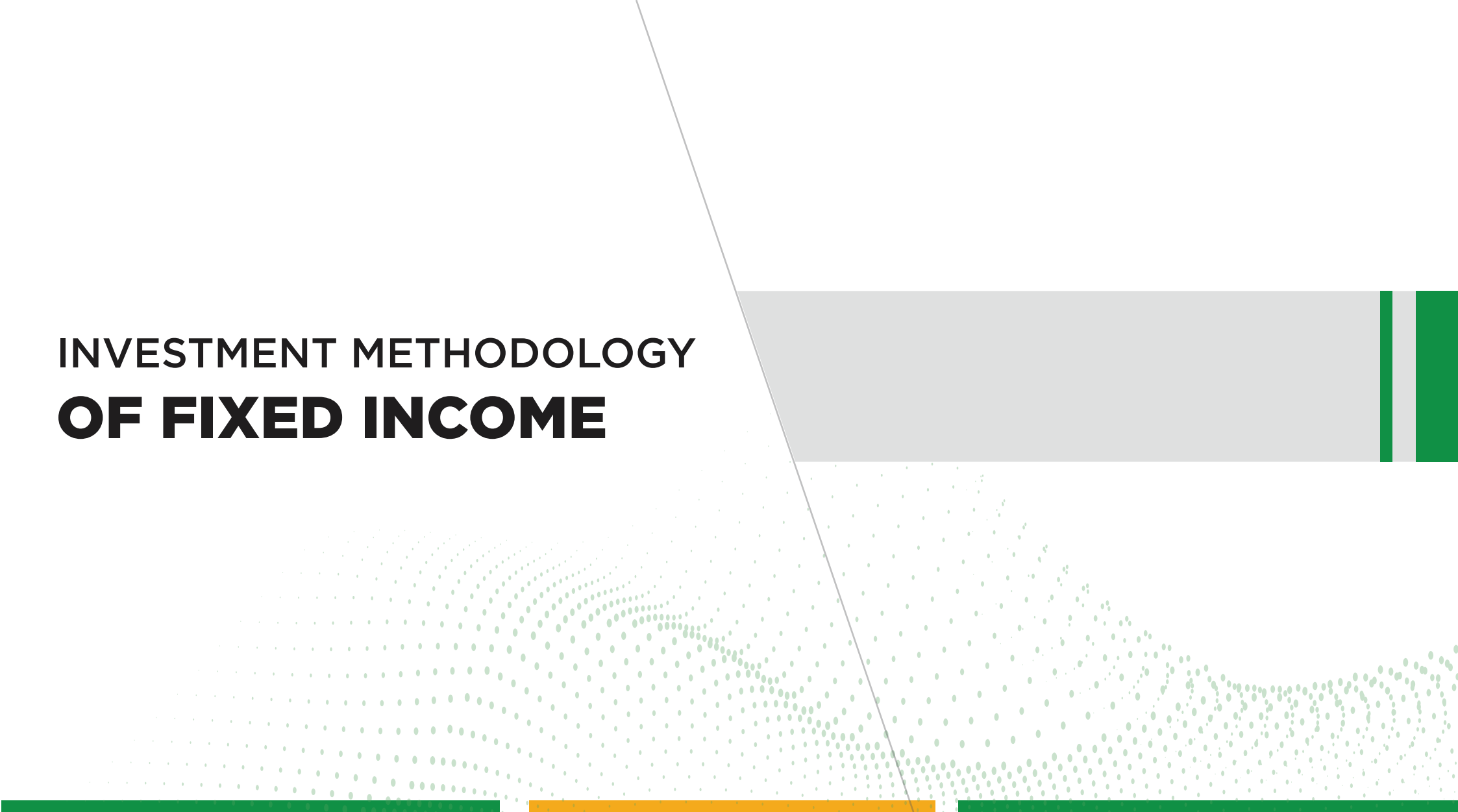
STOCK SELECTION PROCESS - SUMMARY



PORTFOLIO CONSTRUCTION PROCESS



INVESTMENT METHODOLOGY **OF FIXED INCOME**



ASSET ALLOCATION DECISION

Our Asset Allocation decision is guided by the following factors:

- ◆ Capital Market expectations
- ◆ Review and outlook of the economy
- ◆ Political climate
- ◆ Global economic and political trends
- ◆ Term structure of interest rates (Yield curve)
- ◆ Money supply, External accounts, Fiscal balance, inflationary trends, interest rate outlook etc.
- ◆ Comparative performance of different asset classes

BROAD GUIDELINES FOR INVESTMENT IN FIXED INCOME ASSET CLASSES

- Treasury Bills: Investment is guided by the interest rate outlook. In case of uptick in interest rates the maturity of the T-Bills portfolio is shortened and vice versa.
- Commercial Paper / Letter of Placement / Cols: Credit rating of the issuer along with detailed credit analysis.
- Bank Deposits / TDR: Credit rating and reputation of the bank.
- Term Finance Certificates (TFCs): Investment in TFCs is decided after thorough credit analysis.
- Margin Trading System (MTS): Investment in this class is made based on internally devised momentum and valuation constraints besides following the risk management guidelines of PSX.

CREDIT ANALYSIS

- Credit analysis is conducted to assess investment options and their suitability for the fixed income and money market portfolio of various funds.
- In addition the objective is to analyze the capacity of the issuer to timely meet his financial obligations when due.
- The process covers both qualitative and quantitative factors.

4 STEPS OF CREDIT ANALYSIS



Ratio Analysis is conducted to measure the Capacity of the Borrower
To analyze the Collateral, a detailed check list is followed by the risk management department

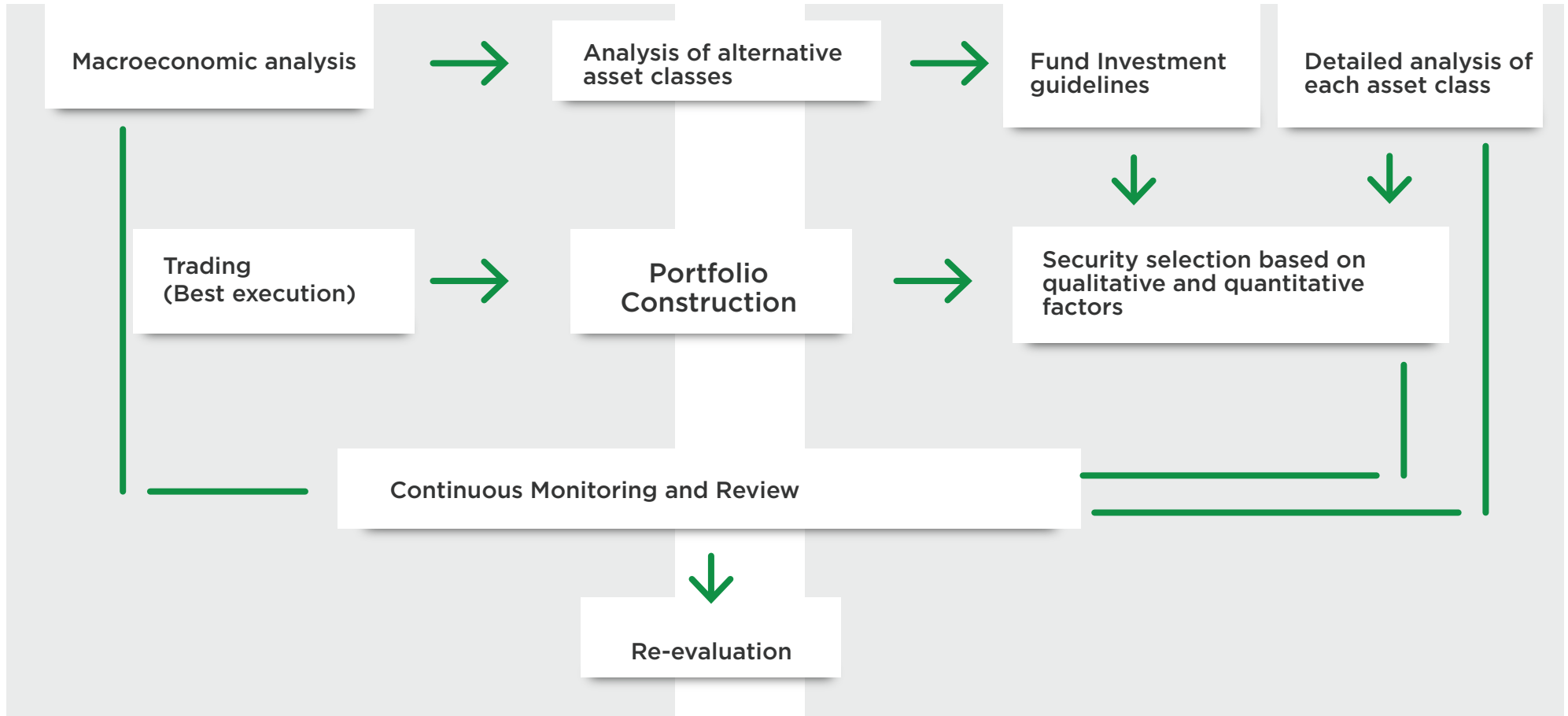
Profitability & Efficiency Analysis

- ◆ Return on Equity
- ◆ Return on Assets
- ◆ Profit Margins
- ◆ Asset Turnover

- ◆ Short-term Solvency
- ◆ Financial Leverage
- ◆ Coverage Tests

Debt & Coverage Analysis

PORTFOLIO CONSTRUCTION PROCESS



KEY RISKS AND THEIR MITIGATES

Pro-active investment decision supported by in-depth research is the guardrail of our risk management strategy. The specific investment risk inherit in any authorized investment is mitigated as follows;

● **Credit Risk:**

Credit risk comprises of default risk, downgrade risk and credit spread risk. This risk is managed through detailed credit analysis of securities and issuers along with a minimum credit rating criteria set for each fund in line with its investment policy and objective.

● **Interest Rate Risk:**

There is an inverse relationship between interest rates and price of securities. We buy short-term securities if interest rates are expected to increase and invest in long-term securities if interest rates are expected to decline.

● **Liquidity Risk:**

It has two dimensions, Price dimension and Time dimension. This risk is mitigated either by investing in liquid securities having high turnover and lower price volatility or investing in liquid and high credit quality securities or a combination of both in line with the investment guidelines of the Funds. Moreover, regulatory guidelines also require a minimum investment in liquid assets.