

# **POLICIES AND PROCEDURES**

**(BASED ON ‘ASSET MANAGER CODE OF PROFESSIONAL CONDUCT’)**



**Al Meezan**  
Investment Management Ltd

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## **PREFACE**

The Policies and Procedures based on the 'Asset Manager Code of Professional Conduct' have been formed to promote high standards of ethics and professional conduct among the employees, increase ethical awareness within the Organization, maintain and improve employees competence, and preserve goodwill of our clients. As honesty and integrity are critical to maintain clients trust and confidence and upholding our pledge of loyalty, prudence and care, we are committed to implement these Policies and Procedures with prior approval of the Board of Directors of Al Meezan Investment Management Limited which will be applicable to all employees hereon.

## **A. LOYALTY TO CLIENTS**

### **1. Place client's interest before their own**

Employees have a duty to put the interests of the clients, the interests of the fund, and the integrity of the investment profession over and above their own self-interest. They must conduct their investment activities by exercising good judgment to achieve and maintain independence and objectivity that is unaffected by any potential conflict of interest or circumstance that may adversely affect their judgment and institute operational safeguards to protect client's interest.

### **2. Preserve the confidentiality of information communicated by clients within the scope of the company-client relationship**

All employees are prohibited from conveying such information of the client or the client's portfolio if the information is deemed to be material non-public information. However, if disclosure of the information is required by law or a regulatory authority, employees must seek clearance with the CFO or CEO before reporting the activities to the appropriate authorities. All non-public and confidential information is to be kept in a lock-n-key with access to authorized staff only.

### **3. Refuse to participate in any business relationship or accept any gift that could reasonably be expected to affect their independence, objectivity or loyalty to clients**

All employees are prohibited from accepting gifts from any service provider, potential investment target or other business partners of a value more than Rs. 2,000. For gifts less than the value of Rs. 2,000, employees are to make an immediate written report specifying any gift that they have received in the following manner:

- for gifts less than the value of Rs. 500, no reporting is required
- for gifts ranging between the value of Rs. 500 to Rs. 1,000, reporting is to be made to the Departmental Head
- for gifts with the value of over Rs, 1,000 upto Rs, 2,000, reporting is to be made to the Management Committee, which shall be notified to all members of the Management Committee. Where the employee has any doubt about the value of the gift, he should report it to the Management Committee.

Acceptance of cash gifts of any value is prohibited.

## **B. INVESTMENT PROCESS AND ACTIONS**

### **1. Use reasonable care and prudent judgment when managing client assets**

Fund Manager must ensure that all parameters set forth by the regulatory authority and investment parameters provided by the client are complied with. All parameters in the Offering Document and Trust Deed of the Fund should be conformed to. Before investing in a new security, necessary due diligence must be carried out.

### **2. Not engage in practices designed to distort prices or artificially inflate trading volume with the intent to mislead market participants**

It is prohibited to trade in illiquid stocks at the end of a measurement period in order to drive up the price and improve the fund's performance, or secure a large position with the intent to exploit and manipulate the price of an asset and/or a related derivative by spreading knowingly false rumors to induce trading by others and pressuring sell-side analysts to rate or recommend a security in such a way that benefits the Company or the client.

### **3. Deal fairly and objectively with all clients when providing investment information, making investment recommendations, or taking investment action**

Employees must not give preferential treatment to favored clients to the detriment of other clients. In some cases, clients may pay for a higher level of service or certain services and certain products may only be made available to certain qualifying clients (e.g. certain funds may only be open to clients over a certain asset level). These practices however are permitted as they are disclosed and made available to all clients.

When trading on behalf of a client, employees must give equal treatment to all funds with similar investment policies and objectives.

### **4. Have a reasonable and adequate basis for investment decisions.**

Prior to taking actions on behalf of the clients, employees must analyze the investment opportunities in question and should act only after undertaking due diligence to ensure there is sufficient knowledge about specific investments or strategies. Employees can rely on external third-party research, provided that they have made reasonable and diligent efforts to determine that such research has a reasonable basis. When evaluating investment research, employees should consider the assumptions used, the thoroughness of the analysis performed, the timeliness of the information, and the objectivity and independence of the source.

**5. When managing a portfolio or pooled fund according to a specific mandate, strategy or style:**

**a. only take investment actions that are consistent with the stated objectives and constraints of that portfolio or fund;**

Employees are to only take investment actions according to the stated objectives and constraints and are bound to disclose any changes to the Management when they occur or in the course of normal client reporting.

**b. provide adequate disclosures and information so investors can consider whether any proposed changes in the investment style or strategy meet their investment needs;**

Employees are to provide adequate information to the clients about any proposed material changes in the investment strategies or styles, well in advance of such changes. Clients should be given adequate time specified as per the regulatory laws, to consider the proposed changes and take action/s that may be necessary. If the Management decides to make a material change in the investment strategy or style, clients should be permitted to redeem their investment if desired, without incurring undue penalties.

**6. When managing separate accounts and before providing investment advice or taking investment action on behalf of the client:**

**a. evaluate and understand the client's investment objectives, tolerance for risk, time horizon, liquidity needs, any other unique circumstances (including tax considerations, legal or regulatory constraints, etc.), and any other relevant information that would affect investment policy;**

Prior to taking any investment actions for clients, each client's Investment Policy Statement (IPS) must be prepared that would include a decision of risk tolerance (both the ability and willingness to bear risk), return objectives, time horizon, liquidity requirements, liabilities, tax considerations and any legal, regulatory or other unique circumstances. Each client's IPS should be reviewed at least annually and when ever circumstances suggest, changes may be needed.

An agreement should also be reached with the client as to an appropriate benchmark by which the Company's performance will be measured and any other details of the performance evaluation process.

**b. determine that an investment is suitable to a client's financial situation;**

Employees must try to obtain as much information about the client's financial assets before formulating IPS in order to determine suitability of investment in light of the client's total assets and liabilities.

## **C. TRADING**

### **1. Not act, or cause others to act, on material non-public information that could affect the value of a publicly traded investment**

Members of the research and investment team must keep information relating to the investment strategy of each fund confidential unless it is requisitioned by law or a regulatory authority. If disclosure of information is required to a share holder, it should be disseminated to all the share holders instead of just one. Portfolio of each fund must be kept confidential so that persons who are not authorized do not have access to the information. It is illegal in our jurisdiction to make trade on the basis of any material non-public information that might have been obtained.

### **2. Give priority to investments made on behalf of the client over those that benefit their own interests**

Transactions for clients and the fund shall have priority over transactions in securities or other investments of which an employee is the beneficial owner so that such personal transactions do not operate adversely to the client's or the fund's interest. Personal transactions would include those made for the employees own account, for family account (including spouse, children and other immediate family members) and for accounts in which the member has a direct or indirect financial interest.

Employees who have access to information during the normal preparation of research recommendations or who take investment actions must make a recommendation regarding the purchase or sale of a security or other investment in order to give their clients and the Management adequate opportunity to act on the recommendation before acting on their own behalf.

In order to remove any conflict created by personal investing, following provisions are to be adopted:

#### ***Restrictions on private placements***

Strict limits are placed on investment personnel to be involved in personal transactions or acquire securities in private placements that could be perceived as favors or gifts designed to influence future judgment or to reward past business deals.

#### ***Establish blackout/restricted periods***

Investment personnel involved in the investment decision-making process are not to initiate trades in a security within the same 24-hour period that the fund has a pending buy or sell order in that same security until the order is executed or cancelled.

#### ***Short-term trading***

Employees are not to engage in short –term transactions in securities (transactions within a 90 day period) in order to eliminate conflicts presented by potential front-running transactions as the Company's accounts are also placed at risk along with the investments of the clients. Hence an employee who purchases a security will not be permitted to sell that security within a 90 day period and an employee who has sold a security will not be permitted to purchase that security within a 90 day period.

However for exceptional or unusual circumstances, the CEO will have the authority to pre-clear a personal transaction within the aforesaid period.

For transactions involving units of open end equity funds managed by AMIM, 90 day period will be substituted by 30 day period. Provided further that, redemption in open end equity funds can be made on FIFO basis. However, in case of open end income funds, this restriction shall not be applicable. Employees are also prohibited from engaging in transactions financed through any form of leverage including COT, CFS, Futures market or any other instrument of similar form unless pre-cleared by CEO or Management Committee.

***Reporting requirements:***

Following reporting requirements are to be adopted in order to eliminate conflicts of interest relating to personal trading:

- Employees are required to disclose holdings in which he/she has a beneficial interest upon commencement of the employment and at least half yearly thereafter as per format provided in Annexure I. Here beneficial interest refers to the personal holdings of the employee, his/her spouse and dependent children.
- Employees are also required to provide details of transactions each time an employee, his/her spouse or dependent child engages in a transaction as per format provided in Annexure II.

***Disgorgement***

Investment personnel should break the trade made in violation to the Company's personal trading policies and disgorge any profit on such transactions.

**3. Use commissions generated from client trades only to pay for investment-related products or services that directly assist the Manager in its investment decision-making process and not in the Management of the firm**

Allocation of business to brokers should be done in the best interest of the client's portfolio. Commission generated from client trades should only be used to pay for trading done on behalf of the client, research reports and market research.

**4. Maximize client portfolio value by seeking best execution for all client transactions**

Employees must seek the most favorable terms for client trades given the particular circumstances for each trade such as transaction size, market characteristics, liquidity of security, security type. They must also consider which brokers or venues provide best execution while considering, among other things, commission rates, timeliness of trade executions and the ability to maintain anonymity, minimize incomplete trades and minimize market impact. In case where a client directs the employee to place trades through a specific broker or through a particular type of broker, employees should alert the client that by limiting the Company's ability to select the broker, the client may not be receiving best execution and the employee should seek written acknowledgement of such from the client.



**5. Establish policies to ensure fair and equitable trade allocation among client accounts**

Employees must allocate trades fairly so that some client accounts are not routinely traded first or receive preferential treatment. Where possible, employees should use block trades and allocate shares on a pro-rata basis using an average price or some other method that ensures fair and equitable allocations. If block trade is placed and order is not completed, allocation should be done on a pro-rata basis.

## **D. COMPLIANCE AND SUPPORT**

### **1. Appointment of a Compliance Officer responsible for administering the policies and procedures and for investigating complaints regarding the conduct of the Manager or its personnel**

The Internal Auditor is appointed as the Compliance Officer who is independent from the investment and operations personnel and would report directly to the CEO or the Board of Directors. The Compliance Officer is to regularly convey to all employees that adherence to these policies and procedures is crucial and that anyone who violates them will be held liable. Any suspected violations of the policies and procedures are to be reported to the Compliance Officer.

The Compliance Officer should document and act expeditiously to address any compliance breaches and work with the Management to take appropriate disciplinary action.

### **2. Ensure portfolio information provided to clients by the Manager is accurate and complete and arrange for independent third-party confirmation or review of such information**

Fund Manager has the responsibility to ensure that the information he provides to the clients is accurate and complete and will be reviewed by an independent third-party so that the clients can have an additional level of confidence that the information is correct. Audit and review of the account statements and trade confirmation from the custodian bank where the client's assets are held will be done in a timely manner and circulated to all clients.

### **3. Maintain records for an appropriate period of time in an easily accessible format**

Fund Manager must retain records that substantiate their investment activities, the scope of their research, the basis for their conclusions, and the reasons for actions taken on behalf of their clients. Compliance Officer must retain copies of records that support and substantiate the implementation of the policies and procedures, as well as records of any violations and resulting actions taken. All records must be kept either in hard copy or electronic form and should be kept for a period of at least 10 years.

### **4. Establish a business-continuity plan to address disaster recovery or periodic disruptions of the financial markets**

In order to safeguard the client's interests, handle their accounts and inquiries in situations of national, regional, or local emergency or market disruption, the Company must have:

- adequate backup, preferably off-site, for all account information
- alternative plans for monitoring, analyzing, and trading investments if primary systems become unavailable
- plans for employee communication and coverage of critical business functions in the event of a facility or communication disruption
- plans for contacting and communicating with clients during a period of extended disruption

The above should be tested at periodic intervals to promote employees understanding and to identify any needed adjustments.

## **E. PERFORMANCE AND VALUATION**

### **1. Present performance information that is fair, accurate, relevant, timely and complete and not misrepresent the performance of individual portfolios or of the fund**

Employees have a duty to present performance information that is a fair representation of their record and includes all relevant factors. They should be certain not to misrepresent their track record by taking credit for performance that is not their own, or by selectively presenting certain time periods or investments. Any hypothetical performance must be clearly identified as such. Employees should also provide as much additional portfolio transparency as feasibly possible. Any futuristic information provided to the clients must also be fair, accurate and complete.

### **2. Use fair market prices to value client holdings and apply, in good faith, methods to determine the fair value of any securities for which no readily available, independent, third-party market quotation is available.**

Employees must use end-of-period valuations to evaluate the fair value of the client's investments.

## **F. DISCLOSURES**

### **1. Communicate with clients on an ongoing and timely basis**

Employees must maintain clear, frequent and thorough communication practices to provide high quality financial services to clients. Communication would include dissemination of NAV on a daily basis, monthly Fund Manager's report and periodic financial statements.

### **2. Ensure that disclosures are truthful, accurate, complete, and understandable and are presented in a format that communicates the information easily**

Employees must not misrepresent any aspect of their services or activities, including (but not limited to) their qualifications or credentials, the services they provide, their performance records or the records of the funds, and the characteristics of the investments or strategies they employ. They must ensure that misrepresentation does not occur in oral representations, marketing (whether through mass media or printed brochures), electronic communications, or written materials, whether publicly disseminated or not.

### **3. Disclosure of the following to the Clients:**

- a. conflicts of interests generated by any relationship with brokers or other entities and disclose them to the clients
- b. regulatory or disciplinary action taken against any employee related to violation of conduct of the Company's standards and other standards reflecting on the integrity, ethics, or competence of the employees
- c. the investment process, including information regarding lock-up periods, strategies, risk factors and use of derivatives and leverage
- d. management fees and other investment costs charged to clients
- e. the performance of clients investments on a regular and timely basis
- f. valuation methods used to make investment decisions
- g. shareholder voting policies and disclose the manner in which clients can obtain information on this manner
- h. trade allocation policies in order to give the clients a clear understanding of how trades are allocated and provide realistic expectations of what priority they will receive in the investment allocation process, and any changes that may occur in the allocation policy
- i. results of the review or audit of the fund
- j. significant personnel or organizational changes

**ANNEXURE – I**

**DISCLOSURE OF BENEFICIAL HOLDINGS**

Statement as on: \_\_\_\_\_

Name: \_\_\_\_\_

(To be provided at commencement of employment & on a half yearly basis thereafter)

No.	Name of Security	Quantity	Please tick the appropriate column		
			Self	Spouse	Dependent children

**ANNEXURE - II**

**DISCLOSURE OF TRANSACTION IN SECURITIES**

(To be provided each time employee, his/her spouse or dependent child engage in a transaction)

No.	Name of Security	Type Buy/Sell	Date of Transaction	Settlement date	Quantity	Rate	Broker	Self / Spouse / Dependent Child (Please mention whichever applicable)