**Annex-C**



# INVESTMENT ADVISORY AGREEMENT

This Agreement is made and entered into at Islamabad, on ______________________________________________________________ by and between:

**(1)** ________________________________ a company registered under the Companies Ordinance 1984, with its registered office at, _______________________________________________ registered with Securities and Exchange Commission of Pakistan as a Non-Banking Finance Company with a license to perform Asset Management and Investment Advisory Services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 ("NBFC Rules") in accordance with theNon-Banking Finance Companies and Notified Entities Regulations,2008 ("NBFC Regulations") (hereinafter referred to as **"Investment Adviser"** which expression, where the context so requires shall include its successors-in-interest and assigns) of the one part; and

**(2)** **NADRA Investment Funds, NADRA Employees Pension Fund Trust & NADRA Employees Gratuity Fund Trust** (hereinafter referred to as the "**Client**", which expression, where the context so requires, shall include its successors-in-interest his legal heirs, legal representatives, executors, administrators

**Whereas;**

(1) The Client wishes to appoint the Investment Adviser for advising the Client on the management of Funds, subject to the terms and conditions contained herein.

(2) The Investment Adviser has agreed to accept the appointment against payment of advisory fee as provided hereafter.

NOW THEREFORE THIS AGREEMENT WITNESSETH AS FOLLOWS:

## 1. DEFINITIONS

**"Advisory Fee"** means the remuneration payable to the Investment Adviser for investment advisory services rendered to the Client in terms of this Agreement.

**"NBFC Regulations"** shall mean Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**"Portfolio"** shall mean all investments of the Client, on which investment advice is provided by the Investment Adviser pursuant to this Agreement.

## 2. OBJECTIVE

2.1 The Investment Adviser is a licensed investment advisory service provider and the Client is desirous of utilizing the services in order to optimize risk-adjusted return on portfolio.

2.2 The objective of this Advisory Agreement is to set out the scope and responsibilities of the Investment Advisor and the Client. The Investment Adviser's expertise and in-depth knowledge of the capital and money markets of Pakistan will provide the Client an opportunity to maximize the risk-adjusted investment return and achieve its financial goals.

2.3 The Investment Adviser shall exercise due diligence and prudence to assist the Client in achieving its investment objectives.

## 3. INVESTMENT MANAGEMENT

3.1 The Investment Adviser's team will actively advise on the structure, allocation and buying and selling of financial instruments for the Client's Portfolio by giving timely investment recommendations in writing.

3.2 The investment amount under this Agreement will be the total amount of NADRA Investment Funds, NADRA Employees Pension Fund Trust & NADRA Employees Gratuity Fund Trust. Any material change in the size of the fund or its liquidity requirements will be timely communicated to the Investment Advisor.

## 4. DELIVERABLES AND REPORTING

The deliverables under this investment advisory assignment will be follows:

4.1 Initial evaluation of the investment portfolios of the above mentioned funds in light of the existing applicable laws, rules, regulations & policies, SOPs announced by the Federal Govt, by any other relevant department and by NADRA & its Trusts. The AMC will issue a report containing advice, recommendations & suggestions enabling these funds to be 100% compliant to all the relevant laws <u>within 30 days from the date of signing of this agreement.</u> Further the AMC will also give its timely advice/recommendations to these funds in case of change in the relevant laws rules & regulations.

4.2 AMC will be responsible to assist/facilitate NADRA & its Trusts and co-ordinate with third parties like bank's treasury etc. to implement the decisions taken by the committees in light of the suggestions, recommendations of AMC.

4.3 A monthly advisory report with specific recommendations for investment of NADRA and its Trusts.

4.4 Investment advisory with specific recommendations for investment of NADRA and its Trusts as and when required by NADRA & its Trusts.

4.5 Investment advisory with specific recommendations for investment of NADRA and its Trusts as and when deemed appropriate by the AMC.

4.6 AMC will ensure the presence of CFA qualified repetitive in all the investment meetings of investment committee and the meetings of the Trustees and on request by NADRA & its Trusts in any other meeting in respect of investment.

4.7 The AMC will provide the deliverables as per requirements of NADRA & its Trusts considering the following areas but not limited to:

- ✓ Develop risk and reward parameters, i.e. investment policy guidelines.
- ✓ Periodic review, updates, and recommendations concerning the investment policy and strategy.
- ✓ Specific recommendations and policy guidance concerning the total investment goal, benchmark indices or other performance measurements for investments. Investment advice based on market dynamics and economic fundamentals.
- ✓ Quarterly evaluation of investment including comparison of the results with reference to benchmarks index (es).
- ✓ Responsible to report any change/development in any entity or sector especially in the entity/instruments where in NADRA and NADRA's Trusts have a stake.
- ✓ Based on investment analysis, render advice on investment and divestment opportunities, investment constraints and risk factor keeping within the applicable regulations either specified by the GOP and investment parameters approved by the Authority.
- ✓ Help in asset allocation and identifying attractive instruments
- ✓ Provide research and risk analysis on instruments
- ✓ Connect to other capital market participants (brokers, investment banks and CDC etc.) to streamline investment process
- ✓ Periodic interaction with trustees by dedicated fund manager.
- ✓ Access to unique, high conviction ideas.

**5. <u>INVESTMENT POLICY STATEMENT (IPS)</u>**

5.1 The Investment Policy of Client's Portfolio will be determined by the Client and the investment advisor with mutual consent. The Investment Policy statement will include, but not limited to, the nature of investments, period of investments, acceptable risk profile, ratings and maturity of investments and the terms of liquidation of investments. The agreed Investment Policy Statement is annexed to the Agreement as Annexure-I, which shall form an integral part of this Agreement. The Investment Adviser shall provide investment advice to the Client in accordance with the Investment Policy on non-discretionary basis, but always acting in the best interest of the Client and in good faith.

5.2 The Investment Advisor shall discuss approved IPS with the investor at least annually to determine if the IPS remains appropriate for the investor in light of investor's changing investment preferences or circumstances. Change in IPS shall only be implemented after securing the investor's consent in writing. If the circumstances materially change in the interim and warrant an earlier assessment, the same shall be undertaken by the Investment Advisor and discussed with the investor and the revised statement shall become part of this agreement.

**6. <u>FEES, COSTS AND TAXES</u>**

The Client agrees to pay the Investment Adviser a Management Fee for services rendered as follows:

- A fixed annual advisory fee of Rs___________________________________ inclusive of all taxes in exchange of all deliverables based on TORs mentioned in the bid document. The fee cannot be altered during the term of the contract or extended period of contract, if any.

- The above mentioned fixed advisory fee will be raised & paid in arrears through a proper sales tax invoice , inclusive of all taxes and out of pocket expenses on monthly basis @ RS ______________________________. First installment of the fee will be payable after 30 days of the issuance of PO.

- NADRA & its Trusts reserves the right to make any adjustments/deductions in the monthly payment if any of the above services is not delivered upto the level of satisfaction of NADRA & Its Trusts or not responded/delivered in time or delivered by a person below the level as required in RFP.

**7. <u>CHANGES & MODIFICATIONS</u>**

7.1 In the event that any matter is not specifically covered hereunder and the RFP, the Investment Adviser and the Client shall mutually decide on such matter in the best interest of the Client and without putting any unreasonable burden on the Investment Advisor.

7.2 The Investment Adviser and Client with mutual understanding shall, in a written form, modify, vary or deal with the terms and conditions contained herein in such manner as may be required by any applicable provision of law now prevailing or which may during the term of this Agreement be implemented.

**8. <u>AUTHORISED REPRESENTATIVES</u>**

The Investment Adviser shall nominate at least two representatives, having required qualification as per RFP, along with their specimen signatures for dealing with the Client on all matters pertaining to this Investment Advisory assignment as per **Annexure II**. The authorized representatives may be removed or substituted at the Investment Adviser's discretion from time to time. Provided however, the Client shall continue to deal with any authorized representative(s) of the Investment Adviser, until the name(s) along with specimen signatures of the new representative(s) are notified to the Client in writing under the signatures of the Chief Executive / relevant authority of the Investment Adviser.

**9. <u>CONFIDENTIALITY</u>**

Unless otherwise required in compliance with any laws, rules and regulations or by a decree, order or directive of any court, Commission or any other lawful authority, the Investment Adviser and the Client shall ensure that they and their respective officers, directors, employees, agents and consultants keep confidential all the terms and conditions hereof and all actions taken pursuant to this Agreement including without limitation all matters relating to the investment and disinvestment Transactions and the Portfolio.

**10. <u>GOVERNING LAW AND SETTLEMENT OF DISPUTES</u>**

10.1 This Agreement shall be governed by the laws of Pakistan.

10.2 In the event of any disputes between the Parties arising out of this Agreement or any matter related thereto, including as to the respective rights and liabilities of the Parties or the interpretation of the terms and conditions of the Agreement, the Parties shall refer the matter to arbitration by a sole arbitrator, to be mutually agreed by both parties, in accordance with the Arbitration Act 1940, or any amendment or re-enactment thereof. In case the Parties fail to agree upon a single arbitrator, then each party shall appoint one arbitrator and these two arbitrators shall appoint a third arbitrator. The decision of the arbitral tribunal shall be final and binding on the Parties. The arbitration as aforesaid shall be a condition precedent to any action in a Court of law. The venue of arbitration shall be Islamabad.

## 11. NOTICES

11.1 All notices under this Agreement or pursuant to any arbitration shall be given at the respective registered offices of the Parties. All other communications required or permitted by this Agreement shall be given in writing by registered mail acknowledgment due or by courier service or by fax or by email (confirmed simultaneously with registered mail acknowledgment due, or by courier service) and shall be addressed:

**If to the Client:**

| | |
|---|---|
| **Attention** | |
| **Address** | |
| **Tel No.** | |
| **Email** | |

**If to the Investment Adviser:**

| | |
|---|---|
| **Attention** | |
| **Address** | |
| **Tel No.** | |
| **Email** | |

or to such other addresses as the Parties may, from time to time, designate in writing.

11.2 Notice shall be deemed to have been served within three (3) Business Days if sent by registered post acknowledgement due, or two (2) Business Days if sent by courier service and on confirmation of the transmission and immediately if sent by fax (provided the same is followed by registered post A.D. or courier service).

## 12. GENERAL CLAUSES:

12.1 This Agreement, together with the Appendices hereto, constitutes the entire Agreement with respect to the subject matter hereof and hereby cancels and supersedes any and all prior oral or written agreements or understandings between the Parties. This Agreement may be varied or amended only by mutual consent of the Parties in writing.

12.2 In all respects, this Agreement and the investment advisory and portfolio management services to be rendered by the Investment Adviser shall be governed by the NBFC Regulations 2008, as amended from time to time and the guidelines issued by the Securities & Exchange Commission (SECP) from time to time.

12.3 If for any reason any provision hereof shall be inoperative the validity and effect of all other provisions of this Agreement shall not be affected thereby. The Parties undertake to abide by the spirit of this Agreement and to endeavor to agree to perform obligations with the intent of achieving the objects of this Agreement.

12.4 The Investment Adviser shall comply with the guidelines or circulars relating to the business of managing Discretionary and Non-discretionary accounts issued by SECP from time to time.

## 13. AGREEMENT TIME FRAMES & ADMINISTRATION

Service of the AMC would be for a period of three years; however, in case of satisfactory performance the same will be extendable for a further period of one year with mutual consent. Services may be terminated by NADRA & it Trusts at any time before completion of first term as well as before completion of extended term with one month prior notice.

**IN WITNESS WHEREOF** THIS AGREEMENT HAS BEEN ENTERED INTO AT THE PLACE AND ON THE DATE AFOREMENTIONED

**For and on behalf of Investment Advisor – ________________________________:**

**Signature:** ______________________
**Name:** ______________________
**Title:** ______________________
**CNIC No:** ______________________

**WITNESSES:**

| | | | |
|---|---|---|---|
| **1.** | ______________________ | **2.** | ______________________ |
| **Name:** | ______________________ | **Name:** | ______________________ |
| **CNIC No:** | ______________________ | **CNIC No:** | ______________________ |

**For and on behalf of NADRA**

**Signature:** ______________________
**Name:** ______________________
**Title:** ______________________
**CNIC No:** ______________________

**WITNESSES:**

| | | | |
|---|---|---|---|
| **1.** | ______________________ | **2.** | ______________________ |
| **Name:** | ______________________ | **Name:** | ______________________ |
| **CNIC No:** | ______________________ | **CNIC No:** | ______________________ |

**ANNEXURE I**

# Investment Policy Statement

This investment policy statement governs the investment advisory assignment given to Investment Advisor by NADRA Investment Funds, NADRA Employees Pension Fund Trust & NADRA Employees Gratuity Fund Trust with an initial value as per annexure iv pursuant to this agreement.

**Risk Tolerance:**

- The investor is risk averse and conscious of protecting its initial capital.
- The investor has a long term horizon
- The investor has low tolerance for market fluctuations and cannot tolerate even medium level of volatility (more than 5% downward movement in price in a month)
- The investor is willing to trade off high return in order to protect its capital and reduce volatility
- Investor has no experience of investing in bond markets, corporate debt instrument and equities or mutual funds.
- Investor does not have a high liquidity need but would like to keep majority of the portfolio in liquid instruments.
- The investor is willing to take calculated risk on good quality corporate debt but not in equities and commodities

**Return Objective:**

- The investor wishes to get the best risk-adjusted return on the portfolio

**Investment Avenues:**

The Client's portfolio may take positions in the following asset classes/instruments:

- Term Deposit Receipts (TDRs) / Daily Product Accounts with commercial banks having minimum long term rating "**A**" and short-term rating "**A3**"**.**
- Investment Banks / Development Finance institutions (DFIs) / Non-Banking Finance Companies (NBFCs) having minimum long term rating "**A**" and short-term rating "**A3**".
- Government of Pakistan securities, including Treasury -Bills (T-Bills), Pakistan Investment Bonds (PIBs), Sukuks, and Ijara.
- Corporate Term Finance Certificates (TFCs), having minimum long term rating "**A**" and short-term rating "**A3**"**.**
- Banking TFCs minimum having minimum long term rating "**A"** and short-term rating "**A3**".
- Fixed Income / Money Market Mutual Funds, Real Estate Investment Trusts (REITs) managed by SECP-registered AMCs, Minimum Management Quality Rating "**AM2+**"**.**
- Low risk Mutual Funds

-

## Suggested Portfolio Allocation:

**Banks (TDRs / Daily Products)**

a) Maximum exposure 25% of total portfolio, or 1% of total assets of the bank (whichever is lower).
b) Allocation range: 0–100%.

**DFIs / NBFCs**

a) Maximum exposure per institution: 10%.
b) Allocation range: 0–20%.

**Corporate & Banking TFCs**

a) Maximum exposure per issuer: 10% of the total outstanding issued.
b) Maximum investment in TFCs should not exceed 10% of total portfolio.

**Government of Pakistan Securities**

a) Allocation range: 0–100%.

**Mutual Funds/ REITS**

a) Maximum exposure per fund: 15%.
b) Minimum track record: more than 1 year.
c) Allocation range: 0–25%.

## General Clauses:

- The Client shall be responsible for providing its liquidity requirements pertinent to this portfolio so that the same can be taken into account while making informed investment advices.

- Any change in the above narrated Investment policy shall be mutually discussed and incorporated post agreement on the same and this IPS shall be reviewed at least once in a year.

**ANNEXURE II**

# Names of Authorized Personnel for Investment Advisory

1. <u>NAME</u>

   EMAIL

   CONTACT NO

2. <u>NAME</u>

   EMAIL

   CONTACT NO